

# LEBANON THIS WEEK

## In This Issue

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

Cost of sending remittances from several sources decreases in fourth quarter of 2022

Banque du Liban's foreign assets at \$14.4bn, gold reserves at \$18.2bn at end-March 2023

Occupancy rate at Beirut hotels at 36.8%, room yields down 23.3% in January 2023

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

Capital Markets Authority asks financial institutions to refrain from pricing preferred shares

Banque du Liban asks financial institutions to report bonds' value at market price

Capital Markets Authority asks plaintiffs to file grievances with judicial authorities

European Commission provides €60m for humanitarian aid

Banque du Liban addresses repayment of foreign currency loans

Amount of cleared checks in Lebanese pounds up 74% in first two months of 2023

Lebanon ranks 107<sup>th</sup> globally, second among Arab countries on liberal democracy index

United Nations spends \$130m on livelihoods and shelter support in 2022

**Corporate Highlights**.....9

Stock market capitalization up 87% to \$19bn at end-March 2023

CMA CGM affiliates win bid to manage postal service in Lebanon

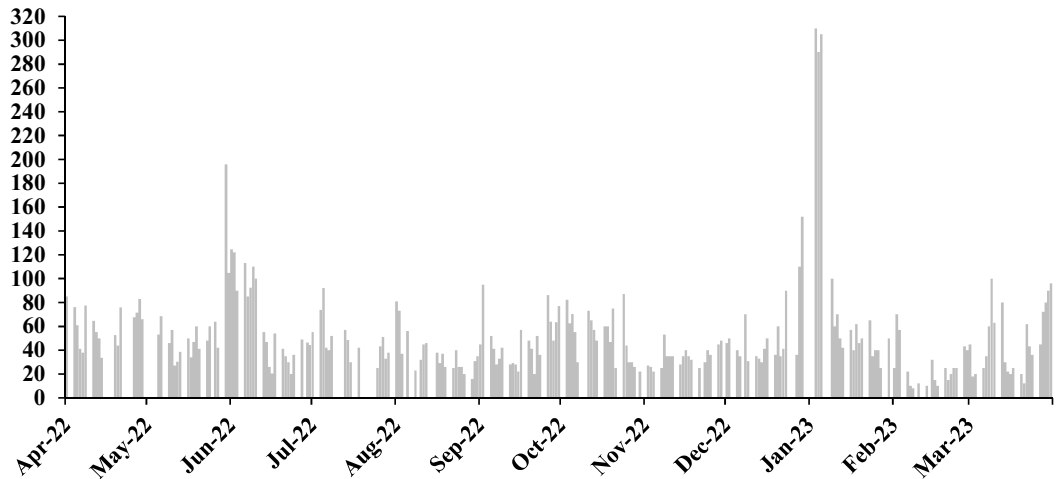
**Ratio Highlights**.....10

**National Accounts, Prices and Exchange Rates** .....10

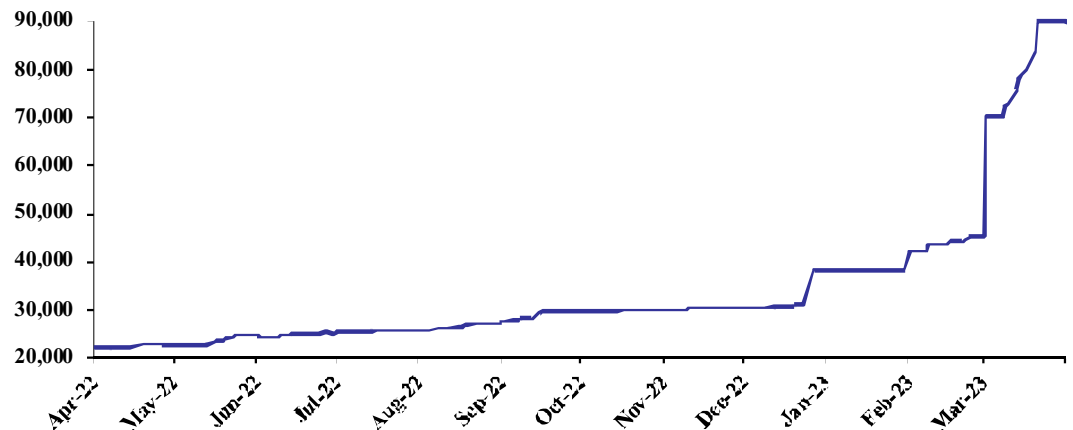
**Ratings & Outlook**.....10

## Charts of the Week

**Daily Volume of Transactions on Banque du Liban's Sayrafa Platform since the start of April 2022\* (US\$ million)**



**Daily Exchange Rate of the Lebanese pound against the US dollar on the Sayrafa Platform (since the start of April 2022\*)**



\*until March 31, 2023

Source: Banque du Liban, Byblos Bank

## Quote to Note

"The Government, Parliament, and the Central Bank must act together, rapidly and decisively to tackle longstanding institutional and structural weaknesses to stabilize the economy and pave the way for a strong and sustainable recovery."

*The International Monetary Fund, on the cost of the ongoing paralysis of the legislative and executive branches*

## Number of the Week

**12:** Number of months since Lebanon signed a Staff-Level Agreement with the International Monetary Fund

## Lebanon in the News

\$m (unless otherwise mentioned)	2020	2021	2022	% Change*	Dec-21	Nov-22	Dec-22
Exports	3,544	3,887	3,492	-10.2%	616	274	272
Imports	11,310	13,641	19,053	39.7%	1,269	1,584	1,251
Trade Balance	(7,765)	(9,754)	(15,562)	59.5%	(653)	(1,310)	(979)
Balance of Payments	(10,551)	(1,960)	(3,197)	63.1%	(384)	(354)	17
Checks Cleared in LBP	19,937	18,639	27,14	45.6%	1,738	3,003	3,686
Checks Cleared in FC	33,881	17,779	10,288	-42.1%	1,079	767	577
Total Checks Cleared	53,818	36,418	37,434	2.8%	2,818	3,770	4,263
Fiscal Deficit/Surplus**	(2,709)	1,457	-	-	-	-	-
Primary Balance**	(648)	3,323	-	-	-	-	-
Airport Passengers	2,501,944	4,334,231	6,360,564	46.8%	455,087	446,450	551,632
Consumer Price Index	84.9	154.8	171.2	1,645bps	224.4	142.4	122.0

\$bn (unless otherwise mentioned)	Dec-21	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	% Change*
BdL FX Reserves	13.65	10.63	10.78	10.60	10.40	10.40	(23.8)
In months of Imports	-	-	-	-	-	-	-
Public Debt	100.37	103.65	102.71	101.94	101.94	-	-
Bank Assets	174.82	168.75	167.01	164.64	165.05	169.06	(3.3)
Bank Deposits (Private Sector)	129.47	125.02	124.96	124.37	124.57	125.72	(2.9)
Bank Loans to Private Sector	27.72	22.82	22.28	21.93	21.29	20.05	(27.7)
Money Supply M2	52.41	50.87	62.15	72.31	71.40	77.34	47.6
Money Supply M3	133.38	127.71	138.46	148.13	147.09	152.29	14.2
LBP Lending Rate (%)	7.14	4.85	5.09	5.00	5.30	4.56	(258)
LBP Deposit Rate (%)	1.09	0.60	0.66	0.70	0.65	0.60	(49)
USD Lending Rate (%)	6.01	5.51	4.61	5.11	4.35	4.16	(185)
USD Deposit Rate (%)	0.19	0.10	0.09	0.10	0.07	0.06	(13)

\*year-on-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"	87.85	2.6	89,504	46.5%	May 2023	6.40	6.25	10,588.24
Solidere "B"	86.05	1.8	76,825	29.6%	Apr 2024	6.65	6.25	551.52
BLOM GDR	2.44	(2.4)	46,850	1.0%	Jun 2025	6.25	6.25	177.08
Byblos Common	0.71	(2.7)	40,561	2.1%	Nov 2026	6.60	6.13	93.38
Audi GDR	1.38	3.0	17,500	0.9%	Mar 2027	6.85	6.13	84.39
Audi Listed	1.50	(0.7)	1,000	4.7%	Feb 2030	6.65	6.25	44.56
BLOM Listed	3.00	20.0	1,000	3.4%	Apr 2031	7.00	6.25	37.60
HOLCIM	32.00	0.0	-	3.3%	May 2033	8.20	6.25	29.37
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	6.38	23.13
Byblos Pref. 09	37.98	0.0	-	0.4%	Mar 2037	7.25	6.25	20.87

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

Source: Refinitiv

	Mar 27-31	Mar 20-24	% Change	March 2023	March 2022	% Change
Total shares traded	283,564	279,939	1.3	1,077,531	1,544,302	(30.2)
Total value traded	\$15,032,634	\$15,420,736	-2.5	\$57,766,543	\$21,527,622	168.3
Market capitalization	\$18.89bn	\$18.48bn	(2.2)	\$18.89bn	\$10.10bn	87

Source: Beirut Stock Exchange (BSE)



### Cost of sending remittances from several sources decreases in fourth quarter of 2022

Figures issued by the World Bank show that the cost of sending \$500 in remittances from the United States to Lebanon was 5.39% in the fourth quarter of 2022, constituting increases from 5.27% in the third quarter of 2022 and from 4.54% in the fourth quarter of 2021. 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 \$26.97 in the fourth quarter of 2022, relative to \$26.33 in the preceding quarter and compared to \$22.71 in the fourth quarter of 2021. Lebanon was the 10th 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 5.19% in the fourth quarter of 2022 for a transfer of CAD500, representing decreases from 6.59% in the third quarter of 2022 and from 7.83% in the fourth quarter of 2021. In nominal terms, the cost of sending CAD500 from Canada to Lebanon was CAD25.95 in the fourth quarter of 2022 relative to CAD32.93 in the previous quarter and to CAD39.14 in the fourth quarter of 2021. Lebanon was the sixth most expensive destination for sending CAD500 from Canada among 15 countries with available data.

Also, the cost of sending remittances from Australia to Lebanon reached 6.49% in the fourth quarter of 2022 for a transfer of AUD500, constituting an increase from 5.94% in the third quarter of 2022 and a decline from 6.8% in the fourth quarter of 2021. The cost of sending AUD500 from Australia to Lebanon was AUD32.45 in the fourth quarter of 2022 relative to AUD29.71 in the preceding quarter and to AUD34.02 in the fourth quarter of 2021. Lebanon was the fourth costliest destination for sending AUD500 from Australia among 16 countries with available data.

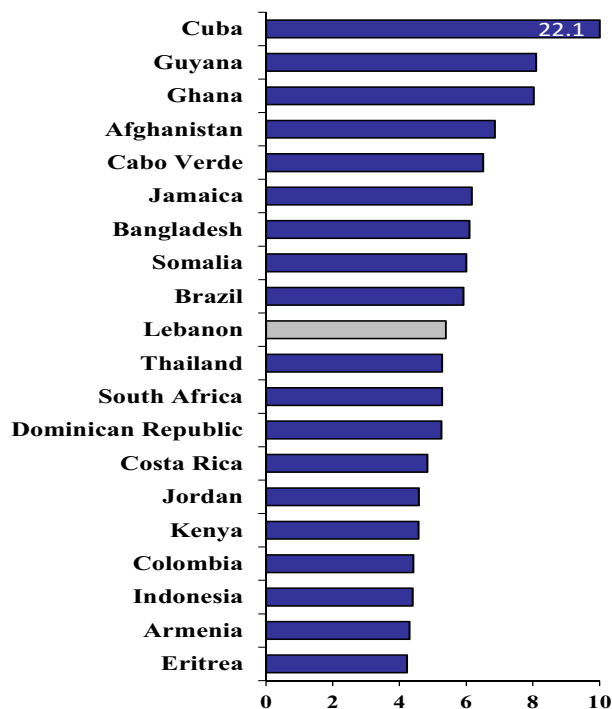
In addition, the cost of sending remittances from France to Lebanon was 5.7% in the fourth quarter of 2022 for a transfer of €345, representing an increase from 5.64% in the third quarter of 2022 and a decrease from 6.25% in the fourth quarter of 2021. In nominal terms, the cost of sending €345 from France to Lebanon was €19.65 in the fourth quarter of 2022 relative to €19.47 in the previous quarter and to €21.58 in the fourth quarter of 2021. Lebanon was the fifth 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 7.3% in the fourth quarter of 2022 for a transfer of £300, constituting a decrease from 7.88% in the third quarter of 2022 and an increase from 6.77% in the fourth quarter of 2021. In nominal terms, the cost of sending £300 from the UK to Lebanon was £21.89 in the fourth quarter of 2022 relative to £23.63 in the preceding quarter and to £20.31 in the fourth quarter of 2021. Lebanon was the sixth 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 6.37% in the fourth quarter of 2022 for a transfer of €345, representing a decrease from 6.91% in the third quarter of 2022 and an increase from 5.87% in the fourth quarter of 2021. In nominal terms, the cost of sending €345 from Germany to Lebanon was €21.98 in the fourth quarter of 2022 relative to €23.83 in the previous quarter and to €20.25 in the fourth quarter of 2021. Lebanon was the second 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 3.35% in the fourth quarter of 2022 for a transfer of SAR1,870, equivalent to \$500, decreasing from 3.38% in the third quarter of 2022 and increasing from 3.23% in the fourth quarter of 2021. In nominal terms, the cost of sending SAR1,870 from Saudi Arabia to Lebanon was SAR62.56 in the fourth quarter of 2022, relative to SAR63.14 in the preceding quarter and to SAR60.40 in the fourth quarter of 2021. Lebanon was 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

### Banque du Liban's foreign assets at \$14.4bn, gold reserves at \$18.2bn at end-March 2023

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP1,520.3 trillion (tn), or the equivalent of \$101.4bn, on March 31, 2023, nearly unchanged from LBP1,519tn (\$101.3bn) at mid-March 2023 and constituting a decrease of 0.5% from LBP1,528.4tn (\$101.9bn) at the end of February 2023. Assets in foreign currency reached \$14.4bn at the end of March 2023, representing a decline of \$774.8m, or of 5%, from the end of 2022 and a drop of \$2.52bn (-15%) from \$16.9bn at end-March 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 at the time, while the dollar figures starting in February 2023 are based on the new exchange rate of LBP15,000 per dollar.

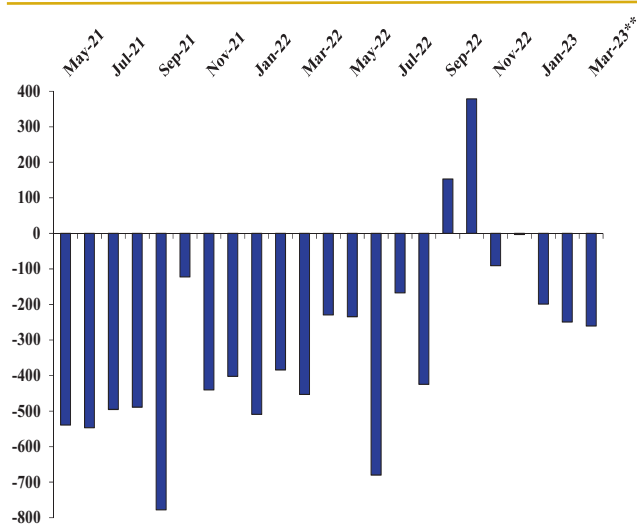
BdL's gross foreign currency reserves, which consist of its assets in foreign currency excluding Lebanese Eurobonds, stood at \$9.37bn at the end of March 2023, constituting decreases of \$65.9m (-0.7%) from \$9.44bn at mid-March 2023 and of \$326.4m (-3.4%) from \$9.7bn at end-February 2023. They dropped by \$774.8m (-7.6%) in the first quarter of 2023 and by \$2.07bn (-18%) from \$11.45bn at end-March 2022. 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, 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 LBP64,914.3bn on March 31, 2023, constituting a decrease of 19% from LBP80,171.3bn at end-2022, and a surge of 60.8% from LBP40,357.6bn at end-March 2022. Also, the item "Other Assets" on BdL's balance sheet reached LBP151,195bn or \$10.07bn at end-March 2023, representing a decrease of 1.9% from LBP154,181.9bn (\$10.27bn) a month earlier.

In parallel, the value of BdL's gold reserves reach a new peak of \$18.22bn at end-March 2023, constituting a rise of \$1.57bn (+9.5%) in the first quarter of 2023 and an increase of \$679.7m (+4%) from \$17.5bn at end-March 2022. The previous peak of gold reserves was \$18.15bn at mid-April 2022. Also, the securities portfolio of BdL totaled LBP67,824.7bn, or \$4.5bn, at end-March 2023. In addition, loans to the local financial sector stood at LBP16,700.7bn, or \$1.11bn; while the deposits of the financial sector reached LBP1,349.2tn or \$89.9bn at end-March 2023. In addition, public sector deposits at BdL stood at LBP79,535.3bn at end-March 2023 and surged by LBP66,888.4bn from a year earlier.

Moreover, the balance sheet shows that BdL's loans to the public sector totaled LBP248,254bn, equivalent to \$16.5bn, at the end of March 2023. BdL indicated that it started in 2019 to make payments on behalf of the Lebanese government from its own foreign currency 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 said that the public sector's deposits valued in local currency exceeded the net cumulative balance for the payments it made on behalf of the government in foreign currency, which allowed 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.

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



\*month-on-month change

Source: Banque du Liban, Byblos Research

### Occupancy rate at Beirut hotels at 36.8%, room yields down 23.3% in January 2023

EY's benchmark survey of the hotel sector in the Middle East indicates that the average occupancy rate at four- and five-star hotels in Beirut was 36.8% in January 2023 relative to 34.7% in January 2022, and compared to an average rate of 62.7% in 13 Arab markets included in the survey. The occupancy rate at Beirut hotels was the lowest in the region in the first month of the year, while it was the third lowest in January 2022. The occupancy rate at hotels in Beirut increased by 2.1 percentage points in January 2023 from the same month of 2022. In comparison, the average occupancy rate in Arab markets expanded by 11.7 percentage points in January 2023 from January 2022.

Also, the average rate per room at Beirut hotels was \$50 in January 2023, decreasing by 27% from \$69 in January 2022 and constituting the lowest rate in the region. EY indicated that it based its average rate per room at Beirut hotels on the exchange rate of the Lebanese pound to the US dollar that the hotels used at the time of the client's booking. The average rate per room in Beirut was lower than the regional average of \$160.1 that increased by \$12.8, or by 8.7%, from \$147.3 in January 2022.

Further, revenues per available room (RevPAR) were \$18 at Beirut hotels in January 2023 compared to \$24 in January 2022, and were the lowest in the region. EY indicated that it used the same methodology to calculate the RevPAR as it did for the average rate per room. Beirut's RevPAR declined by 23.3% in January 2023, constituting the only decrease in the region. Madinah in Saudi Arabia had the highest hotel occupancy rate in the region at 88.3% in January 2023, while Dubai registered the highest average rate per room at \$360 and the highest RevPAR at \$292 in the covered month.

In parallel, the average occupancy rate at four- and five-star hotels in Beirut was 48.7% in 2022 relative to 42.3% in 2021, and compared to an average rate of 60.3% in 13 Arab markets included in the survey. Also, the average rate per room at Beirut hotels was \$46 in 2022 and constituted the lowest rate in the region. Further, RevPAR were \$22 at Beirut hotels in 2022 compared to \$18 in 2021, and were the lowest in the region.

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

Banque du Liban (BdL) issued Intermediate Circular 660/13546 dated March 31, 2023 addressed to banks, which extends until April 30, 2023 the clauses of Basic Circular 161/13384 dated December 16, 2021 about exceptional measures related to cash withdrawals from accounts at commercial banks in Lebanon. Circular 161 stipulated that BdL will provide banks with US dollar banknotes, instead of supplying them with Lebanese pound banknotes, at the daily exchange rate of the Lebanese pound to the dollar, based on the operations conducted on BdL's Sayrafa electronic exchange platform on the previous day. It added that the supply of the dollar banknotes will consist of the preset monthly ceiling for each bank.

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

However, BdL put a ceiling of \$500 per month on these exchanges starting in June of 2022 and reduced it to \$400 per month starting in October 2022. On March 2, 2023, BdL set a ceiling of LBP1bn for monthly transactions for individuals and of LBP10bn for companies. This constitutes the 15th extension of Circular 161, as the latter it was originally set to expire at the end of 2021, but BdL extended its clauses until the end of January of 2022, the end of February, the end of March, the end of April, the end of May, the end of July, the end of August, the end of September, the end of October, the end of November, the end of December 2022, the end of January, the end of February, and the end of March 2023, with the possibility of extending the circular further.

### Hotel Sector Performance in January 2023

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Abu Dhabi	80	83	17.5
Dubai	81	292	1.7
Madina	88	132	98.4
Cairo-City	72	96	152.5
Makkah	87	140	265.8
Riyadh	76	161	29.4
Doha	49	57	0.0
Jeddah	47	77	4.3
<b>Beirut</b>	<b>37</b>	<b>18</b>	<b>-23.3</b>
Muscat	55	79	57.2
Amman	38	53	38.0
Manama	56	85	56.6
Kuwait City	50	98	41.1

Source: EY, Byblos Research



### **Capital Markets Authority asks financial institutions to refrain from pricing preferred shares**

The Capital Markets Authority (CMA) issued on February 15, 2023 Announcement No. 90 to licensed financial institutions about perpetual preferred shares. It said that it based its decision on Series 3000 regulations that the CMA issued on November 10, 2016, and on Capital Markets Law dated August 17, 2011. It added that the decision aims to preserve the integrity of the banking sector and is for the benefit of the public good, given the exceptional circumstances that Lebanon is going through.

The CMA asked licensed financial institutions to suspend immediately from the statements of clients the pricing of perpetual preferred shares that banks have issued, given that there is no fair market value for these shares in the current circumstances. Further, it asked licensed financial institutions to replace the market value that they have been using to price these shares with the expression “Not Available”, and to stop charging clients depository fees related to these shares until further notice.

### **Banque du Liban asks financial institutions to report bonds' value at market price**

Banque du Liban (BdL) issued on March 28, 2023 Intermediate Circular 665/13544 addressed to banks, financial institutions and leasing companies, that amended Basic Circular 91/8052 dated February 13, 2002 regarding data about the investments by residents in movable securities issued by non-resident institutions.

The amendment stipulates that, when reporting the possession of a bond, the bank or financial institution should use the bond's market value, instead of its nominal value, at the closure of operations at the end of each quarter. It said that the bank or financial institution should also use the bond's market value in their balance sheet at the end of the quarter. It noted that, regarding bonds related to loans, such as loans guaranteed by real estate collateral, the bank or financial institution should declare the bond's market value prevailing at the time. The circular defined the bond's market value as the price of exchange in a regulated market and, in case the price is not available, the bank should estimate the bond's value based on the most recent pricing or based on the value recorded on its balance sheet. Further, it asked banks and financial institutions to record all amounts in US dollars based on the exchange rate of the dollar at the end of each quarter. BdL asked banks, financial institutions and leasing companies to implement the circular starting in the first quarter of 2023.

### **Capital Markets Authority asks plaintiffs to file grievances with judicial authorities**

The Capital Markets Authority (CMA) issued on March 10, 2023 Announcement No. 91 to licensed financial institutions about amendments to Series 3000 regulations. It said that it based its decision on Capital Markets Law 161 dated August 17, 2011, as well as on decisions No. 6/1/23 and 2/20/23 that the CMA board of directors took during its meetings of January 24, 2023 and February 28, 2023.

First, the CMA amended paragraph 5 of Article 3321 of Series 3000 about clients' complaints. The amendment stipulates that the client who intends to file a complaint against any licensed institution has to revert directly to the proper judicial authorities in order for them to take the appropriate legal procedures.

Second, the CMA added a section to Annex 9, which is the template to file complaints, that is attached to Series 3000 regulations. It said that, given that the authorities have not formed a committee for penalties and a special court for capital markets as stipulated in Law 161, the clients who plan to file a complaint against any licensed institution can refer to the relevant judicial authorities directly to request the implementation of the appropriate legal procedures.

The CMA added to the two amendments that it maintains its right to take all legal and administrative procedures included in Law 161, and that a plaintiff filing a complaint with the CMA does not preclude him or her from taking the legal procedures that he or she deems appropriate to preserve his or her rights.

### **European Commission provides €60m for humanitarian aid**

The European Commission announced that it is providing a grant of €60m to cover humanitarian aid for the most vulnerable individuals in Lebanon, who consist mainly of displaced Syrians and Lebanese persons in need. It indicated that the funding comes at a time when Lebanon's population is facing increasing levels of poverty, food insecurity, and disease outbreaks. It estimated that four million individuals in Lebanon, who consist of 2.2 million Lebanese citizens and 1.5 million displaced Syrians, need humanitarian assistance to meet their basic needs. It said that the new humanitarian package will provide food assistance, cash support, education and health services for those who need it the most. It indicated that it delivers its assistance through non-governmental organizations, United Nations agencies and international organizations.

Further, it noted that Lebanon hosts the highest number of refugees per capita in the world, and that the latter live in informal settlements and collective shelters in deplorable and substandard conditions. It pointed out that the European Union's (EU) humanitarian funding in Lebanon totaled €860m since 2011.

In addition, it indicated that the EU will host the Brussels Conference in June 2023 to address the needs of displaced Syrians in Lebanon and help them meet their basic needs through protection, legal, health, and educational support. It said that the EU supports access to quality healthcare through the procurement of medicines, supports services for at-risk children and survivors of sexual and gender-based violence, and funds the UN Refugee Agency and other partners to provide legal aid for essential documentation and access to legal stay.

### **Banque du Liban addresses repayment of foreign currency loans**

Banque du Liban (BdL) issued on March 28, 2023 Intermediate Circular 664/135442 addressed to banks and financial institutions that amended Basic Circular 81/7776 dated February 21, 2001 regarding credit, investments, participation, and shareholding. BdL indicated that some banks are withholding the domiciled salaries of their clients in order to collect installments or payment dues in Lebanese pounds at the exchange rate of LBP15,000 per US dollar on loans they extended in dollars. It considered that the salaries of limited-income persons are not sufficient for most beneficiaries to pay the monthly instalments on dollar-denominated loans in light of the appreciation of the exchange rate of the US dollar. It added that, due to the exceptional circumstances that Lebanon is going through and the difficult living conditions that the Lebanese are facing, especially limited-income citizens, it amended Basic Circular 81/7776 as follows:

First, it asked banks to abide by the content of Article 863 of the Code of Civil Procedures dated September 16, 1983, and to stop withholding salaries or deduct from the latter amounts that exceed the limit as stipulated in the article. Second, it requested banks to reschedule the loans extended in foreign currency in such a way that the monthly installments on these loans do not exceed the ceilings set in the article.

Article 863 prohibits the withholding of wages, salaries and pension payments of workers and employees, as well as the salaries of public sector employees, except when applying the following formulas: it said that first, the withholding can take place on one tenth of the official minimum wage. Second, on one fifth of the amount that is higher than the minimum wage and that does not exceed three times the minimum wage. Third, on one third of the amount that is between three times and six times the minimum wage. Fourth, on half of the amount that is between six times and nine times the minimum wage, as well as on any amount that exceeds nine times the minimum wage. Fifth, it said that, when calculating the amounts to be withheld, banks should add to the basic wage or salary, or to the pension payment, all the additional payments such as bonuses and raises. It pointed out that banks cannot withhold end-of-service indemnities except according to the stated percentages, and on the condition that the official minimum wage is calculated on an annual basis.

### **Amount of cleared checks in Lebanese pounds up 74% in first two months of 2023**

The amount of cleared checks in Lebanese pounds reached LBP9,240bn in the first two months of 2023 and surged by 74% from LBP5,310bn in the first two months of 2022, while the amount of cleared checks in foreign currency was \$1.07bn and dropped by 46% from \$1.98bn in the covered period of 2022. Also, there were 93,120 cleared checks in the first two months of 2023, down by 74% from 356,777 checks in the same period of 2022. In addition, the amount of cleared checks in Lebanese pounds reached LBP2,417bn in February 2023, as it decreased by 64.6% from LBP6,823bn in January 2023 and declined by 14.4% from LBP2,824bn in February 2022. Further, the amount of cleared checks in foreign currency was \$215m in February 2023, and declined by 75% from \$856m in the previous month and by 78.5% from \$1bn in February 2022. There were 24,277 cleared checks in February 2023 relative to 68,843 cleared checks in the preceding month and to 183,399 cleared checks in February 2022.

The amount of returned checks in Lebanese pounds reached LBP196bn in the first two months of 2023 and surged by 576% from LBP29bn in the same period of 2022, while the amount of returned checks in foreign currency was \$21m and contracted by 34.4% from \$32m in the first two months of 2022. Also, the amount of returned checks in Lebanese pounds stood at LBP20m in February 2023, as it decreased by 88.6% in January 2023 and grew by 11% from LBP18m in February 2022. Further, the amount of returned checks in foreign currency was \$11m in February 2023, and increased by 10% from \$10m in the previous month and declined by 15.4% from \$13m in February 2022.

Also, there were 683 returned checks in the first two months of 2023, down by 75.4% from 2,776 returned checks in the same period of 2022. The number of returned checks in foreign currency reached 299 in the covered period and declined by 83% from 1,764 in the first two months of 2022, while the number of returned checks in Lebanese pounds totaled 384 and retreated by 62.1% from 1,012 year-on-year. Further, there were 158 returned checks in February 2023, relative to 525 returned checks in January 2023 and to 1,344 checks in February 2022. Further, there were 104 returned checks in Lebanese pounds in February 2023 relative to 280 in the previous month and compared to 532 in February 2022. Also, the number of returned checks in foreign currency stood at 54 compared to 245 in January 2023, while it reached 812 in February 2022.



### Lebanon ranks 107<sup>th</sup> globally, second among Arab countries on liberal democracy index

Varieties of Democracy, an independent research institute based at the University of Gothenburg in Sweden, ranked Lebanon in 107<sup>th</sup> place among 179 countries worldwide and in second place among 21 Arab countries on its Liberal Democracy Index for 2023. In comparison, Lebanon came in 103<sup>rd</sup> place globally and in second place regionally on the 2022 index. Based on the same set of countries in the 2022 and 2023 surveys, Lebanon's global rank deteriorated by four spots, while its Arab rank was unchanged from the 2022 survey.

The index captures the liberal and electoral aspects of democracy based on 20,000 variables that are grouped in five sub-indices that are the Electoral Democracy Sub-Index, the Liberal Component Sub-Index, the Egalitarian Component Sub-Index, the Participatory Component Sub-Index, and the Deliberative Component Sub-Index. The survey gathers data from about 3,700 country experts to examine the level of democracy in each country and to detect subtle changes to the institutional environment of countries from year to year. A country's overall score ranges from zero to one, with a higher score reflecting a more developed liberal democratic system. In addition, it classifies countries within four electoral systems that are Liberal Democracy, Electoral Democracy, Electoral Autocracy, and Closed Autocracy.

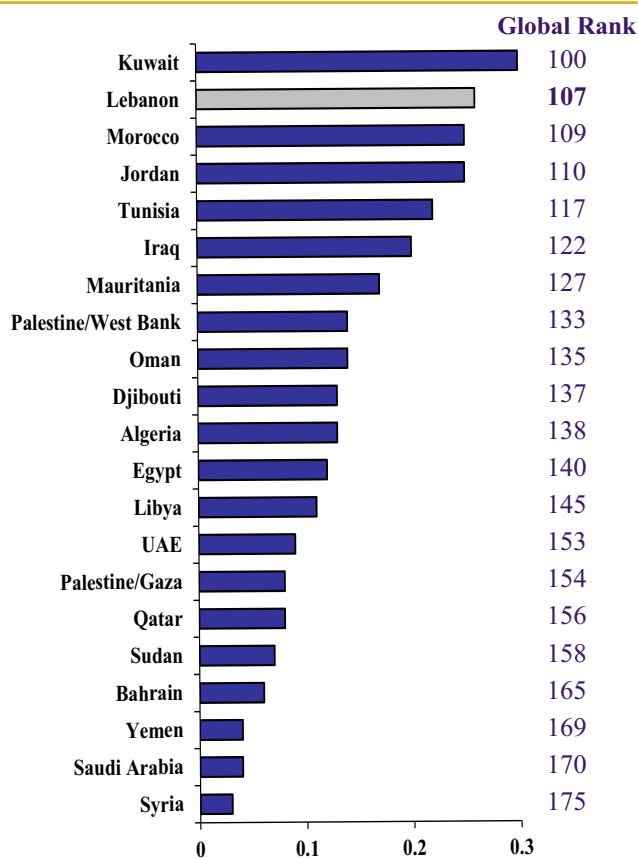
Globally, Lebanon has a more developed liberal democratic system than Madagascar, Morocco and Jordan, and a less developed one than Serbia, Guatemala and Pakistan among economies with a GDP of \$10bn or more. Also, Lebanon came second only to Kuwait among 21 Arab countries. Further, Lebanon received a score of 0.26 points on the 2023 index compared to 0.28 points in the 2023 survey. Lebanon's score was below the global average score of 0.39 points, while it came higher than the Arab countries' average score of 0.14 points. The institute classified Lebanon, along with seven Arab countries, in the Electoral Autocracy system in 2023, while it classified the remaining Arab economies in the Closed Autocracy system.

Further, Lebanon preceded Ukraine and Tanzania, and trailed the Philippines and Singapore on the Electoral Democracy Index, which captures the level of clean, free and fair elections in a country. It also measures a country's citizens' ability to participate in elections, as well as their freedom of expression, freedom of association and the level of media freedom. Lebanon led all Arab countries on this category.

Also, Lebanon ranked ahead of Guatemala and Bolivia, and came behind Thailand and Uganda on the Liberal Component Index. This category covers the importance of protecting individual and minority rights against the tyranny of the state and the tyranny of the majority. It incorporates measures of the rule of law, checks and balances between institutions, and of civil liberties. Regionally, Lebanon trailed only Kuwait, Morocco, Jordan, and Tunisia on this segment.

In addition, Lebanon preceded Malawi and the UAE, and came behind Iran and Peru on the Egalitarian Component Index. This category measures the level of equal access to resources, power, and freedoms for various groups in a society, in order to participate in the political arena. Lebanon ranked ahead of the UAE, Libya, Saudi Arabia, Iraq, Bahrain, Qatar, Sudan, Egypt, Mauritania, Syria, and Yemen among Arab economies.

### Liberal Democracy Index for 2023 Arab Countries' Scores & Rankings



Source: Varieties of Democracy, Byblos Research

### Components of the Liberal Democracy Index for 2023

	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
Electoral Democracy index	104	1	0.42	0.50	0.22
Liberal Component Index	112	5	0.52	0.60	0.37
Egalitarian Component Index	115	10	0.52	0.59	0.46
Participatory Component Index	112	3	0.48	0.48	0.31
Deliberative Component Index	90	5	0.66	0.61	0.41

Source: Varieties of Democracy, Byblos Research



### **United Nations spends \$130m on livelihoods and shelter support in 2022**

The United Nations (UN) indicated that international contributions to the livelihoods component of the Lebanon Crisis Response Plan (LCRP) reached \$102.3m in 2022. The livelihoods initiative aims to create job opportunities through supporting businesses and increasing the skills of the vulnerable population to match the market needs and become more employable. The amount represented 31% of the \$332.7m that the LCPR requested for the livelihoods component to assist the affected Lebanese and non-Lebanese individuals in the country during the year. It noted that it carried \$30.5m from funding it received in 2021, which is equivalent to 9% of the total appealed funds for 2022. As such, it said that international contributions covered 40% of the funds appealed, resulting in a funding gap of \$200m, or of 60%, in 2022.

The LCRP 2022-2023 is a joint initiative between the Lebanese government and international and national partners that aims to address challenges posed by the large presence of Syrian refugees in the country. The plan comes after the expiration of the LCRP for the 2015-2016 and the 2017-2021 periods.

The UN said that it assisted 66,501 individuals across Lebanon under the livelihoods component in 2022 who consist of 40,000 vulnerable Lebanese citizens, or 60% of the total, followed by 22,465 displaced Syrians (33.8%), 3,655 Palestinian refugees in Lebanon (5.5%), and 385 Palestinian refugees from Syria (0.6%). It also supported 8,991 micro-, small- and medium-sized enterprises (MSMEs) through cash and in-kind grants. Further, it provided market-based skills training to 13,363 individuals. It noted that 6,971 vulnerable persons benefitted from internships, on-the-job training, or apprenticeship programs. It also supported 12,389 individuals to access employment through career guidance, coaching, or individual follow-up services.

In parallel, the UN indicated that international contributions to the shelter component of the LCRP reached \$28.3m in 2022 and represented 19% of the \$150m that the LCPR requested for this initiative to assist the affected individuals in the country during the year. It said that this track aims to reduce immediate protection-related shelter needs of most vulnerable households, improve access to adequate shelter, and enhance the contribution of national institutions and organizations to housing conditions in Lebanon. It also noted that it carried \$2m from the funding that it received in 2021 for this project, which is equivalent to 1% of the total appealed funds for 2022.

Further, it indicated that it assisted 332,727 shelter-vulnerable individuals across Lebanon in 2022 who consisted of 317,226 displaced Syrian, or 95.3% of the total compared to 48% in 2021, followed by 12,502 Lebanese individuals (3.8% of the total), 2,668 Palestinian refugees in Lebanon (0.8%), and 331 Palestinian refugees from Syria (0.1%).

In addition, it pointed out that 327,208 individuals lived in informal settlements and collective shelters in 2022 and that partners involved in the LCRP tried to maintain the shelters in livable and safe conditions. It indicated that a total of 244,033 individuals living in informal settlements received shelter kits last year to help them cover and reinforce the structure of their habitation in preparation for the winter season and adverse climatic events. It said that 76% of beneficiary families are located in the Baalbek and Bekaa region followed by 19% in the Akkar governorate, 2% in each of the Nabatiyeh and South area, and 1% in Mount Lebanon.

### **Stock market capitalization up 87% to \$19bn at end-March 2023**

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 26.6 million shares in the first quarter of 2023, constituting a jump of 661.2% from 3.5 million shares traded in the same quarter of 2022; while aggregate turnover amounted to \$126.9m and surged by 149.4% from a turnover of \$50.9m in the first quarter of 2022. Further, the market capitalization of the BSE stood at \$18.9bn at the end of March 2023, representing a rise of 87% from \$10.1bn a year earlier, with real estate equities accounting for 76% of the total, followed by banking stocks (20%), and industrial shares (4%). The market liquidity ratio was 0.7% at the end of March 2023 compared to 0.5% a year earlier.

Banking stocks accounted for 94.8% of the trading volume in the first quarter of 2023, followed by real estate equities (5.1%) and industrial shares (0.08%). Also, real estate equities accounted for 80.7% of the aggregate value of shares traded, followed by banking stocks (19%), and industrial shares (0.3%). The average daily traded volume for the first quarter of 2023 was 435,570 shares for an average daily amount of \$2.1m. The figures represent a surge of 599% of the average daily traded volume and an increase of 129% of the average daily value in the covered period.

### **CMA CGM affiliates win bid to manage postal service in Lebanon**

The Ministry of Telecommunications announced on March 31, 2023 that Colis Privé France and Merit Invest sal won the bid to manage the postal service in Lebanon starting in June of this year. The postal service organization LibanPost has been managing the country's postal services since 1998. The ministry indicated that the Build, Operate and Transfer (BOT) contract of LibanPost expired at the end of 2019, but that it has asked the firm to continue managing the postal service since then. It said that the government approved the launch of a tender for the public contract for postal services in May 2022 and that it initiated the first bidding process on October 18, 2022 with a submission deadline of January 24, 2023, and then extended the deadline to February 16, 2023 due to the lack of bidders. It noted that the government launched a second call for tender under the same conditions and set the deadline for March 29, 2023 for submitting the bids. The ministry said that LibanPost sal will continue to operate the postal service until May 31, the end of its contract on May 31, 2023.

Colis Privé France and Merit Invest sal, which are owned by the France-based container-shipping firm CMA CGM, were the only party to submit a bid for the postal services contract, as the current main shareholders in LibanPost reportedly decided at the last minute to refrain from bidding for the contract.

LibanPost was formed in 1998 when CanadaPost Systems Management Ltd. and ProFac Management Group signed a 12-year BOT contract with the Lebanese government to overhaul Lebanon's mail system. The Montreal-based SNC-Lavalin Group Inc. was the main investor in a consortium that included Toronto-based Bracknell Corp. and Lebanese investors. The BOT contract mandated the consortium to initially invest \$20m in developing a universal postal service and an additional \$50m at later stages. In return, the Lebanese government promised to give LibanPost a monopoly over mail delivery. But SNC-Lavalin decided in April 2001 to pull out of its investment in LibanPost, citing lower than expected revenues at the venture and blamed the Lebanese government for allowing private courier companies to compete with its services. However, the government maintained that LibanPost did not reach its revenue targets due to the company's overspending in the initial phase. In August 2001, Mousahamat Holdings sal and Facteur Invest Holding SA, a French-incorporated firm, reached an agreement with the government to replace SNC-Lavalin Group as strategic investors in LibanPost for about \$12m, with Mousahamat providing about \$4m and Facteur Invest injected the rest. Further, the government approved at the time an amended agreement that reinstated its right to terminate the new contract, extended the BOT contract to 15 years, committed the operator to stay for at least five years of the 15-year period, and limited non-mail services to 35% of LibanPost's operations. The new contract also amended the revenue-sharing structure to give the government an increasing share of receipts based on LibanPost's returns.

## 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



---

**Economic Research & Analysis Department**  
**Byblos Bank Group**  
**P.O. Box 11-5605**  
**Beirut – Lebanon**  
**Tel: (961) 1 338 100**  
**Fax: (961) 1 217 774**  
**E-mail: [research@byblosbank.com.lb](mailto:research@byblosbank.com.lb)**  
**[www.byblosbank.com](http://www.byblosbank.com)**

---

Lebanon This Week is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from Lebanon This Week may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

---



# BYBLOS BANK GROUP

## LEBANON

---

Byblos Bank S.A.L  
Achrafieh - Beirut  
Elias Sarkis Avenue - Byblos Bank Tower  
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon  
Phone: (+ 961) 1 335200  
Fax: (+ 961) 1 339436

## IRAQ

---

Erbil Branch, Kurdistan, Iraq  
Street 60, Near Sports Stadium  
P.O.Box: 34 - 0383 Erbil - Iraq  
Phone: (+ 964) 66 2233457/8/9 - 2560017/9  
E-mail: [erbilbranch@byblosbank.com.lb](mailto:erbilbranch@byblosbank.com.lb)

Sulaymaniyah Branch, Kurdistan, Iraq  
Salem street, Kurdistan Mall - Sulaymaniyah  
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq  
Al Karrada - Salman Faeq Street  
Al Wahda District, No. 904/14, Facing Al Shuruk Building  
P.O.Box: 3085 Badalat Al Olwiya – Iraq  
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2  
E-mail: [baghdadbranch@byblosbank.com.lb](mailto:baghdadbranch@byblosbank.com.lb)

Basra Branch, Iraq  
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq  
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919  
E-mail: [basrabranch@byblosbank.com.lb](mailto:basrabranch@byblosbank.com.lb)

## ARMENIA

---

Byblos Bank Armenia CJSC  
18/3 Amiryan Street - Area 0002  
Yerevan - Republic of Armenia  
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296  
E-mail: [infoarm@byblosbank.com](mailto:infoarm@byblosbank.com)

## NIGERIA

---

Byblos Bank Nigeria Representative Office  
161C Rafu Taylor Close - Off Idejo Street  
Victoria Island, Lagos - Nigeria  
Phone: (+ 234) 706 112 5800  
(+ 234) 808 839 9122  
E-mail: [nigeriarepresentativeoffice@byblosbank.com.lb](mailto:nigeriarepresentativeoffice@byblosbank.com.lb)

## BELGIUM

---

Byblos Bank Europe S.A.  
Brussels Head Office  
Boulevard Bischoffsheim 1-8  
1000 Brussels  
Phone: (+ 32) 2 551 00 20  
Fax: (+ 32) 2 513 05 26  
E-mail: [byblos.europe@byblosbankeur.com](mailto:byblos.europe@byblosbankeur.com)

## UNITED KINGDOM

---

Byblos Bank Europe S.A., London Branch  
Berkeley Square House  
Berkeley Square  
GB - London W1J 6BS - United Kingdom  
Phone: (+ 44) 20 7518 8100  
Fax: (+ 44) 20 7518 8129  
E-mail: [byblos.london@byblosbankeur.com](mailto:byblos.london@byblosbankeur.com)

## FRANCE

---

Byblos Bank Europe S.A., Paris Branch  
15 Rue Lord Byron  
F- 75008 Paris - France  
Phone: (+33) 1 45 63 10 01  
Fax: (+33) 1 45 61 15 77  
E-mail: [byblos.europe@byblosbankeur.com](mailto:byblos.europe@byblosbankeur.com)

## ADIR INSURANCE

---

Dora Highway - Aya Commercial Center  
P.O.Box: 90-1446  
Jdeidet El Metn - 1202 2119 Lebanon  
Phone: (+ 961) 1 256290  
Fax: (+ 961) 1 256293