

LEBANON THIS WEEK

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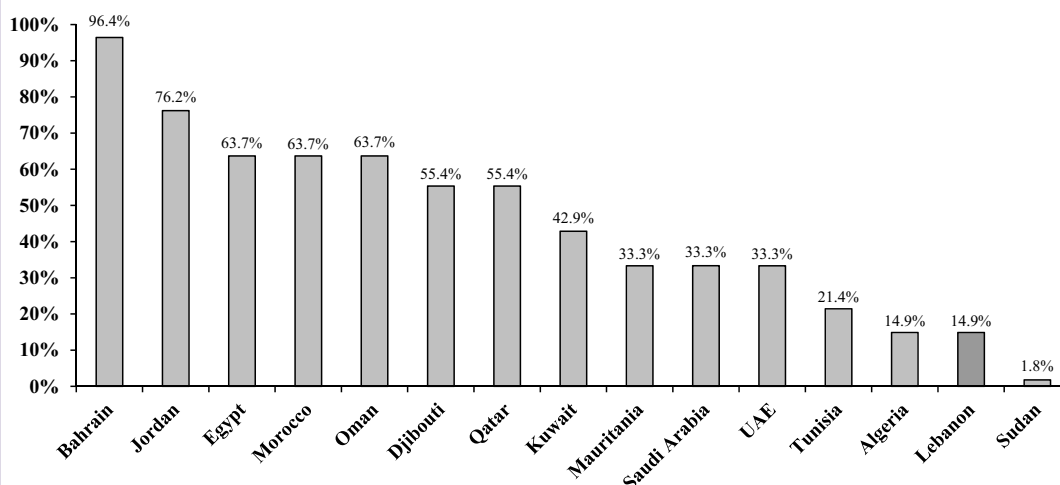
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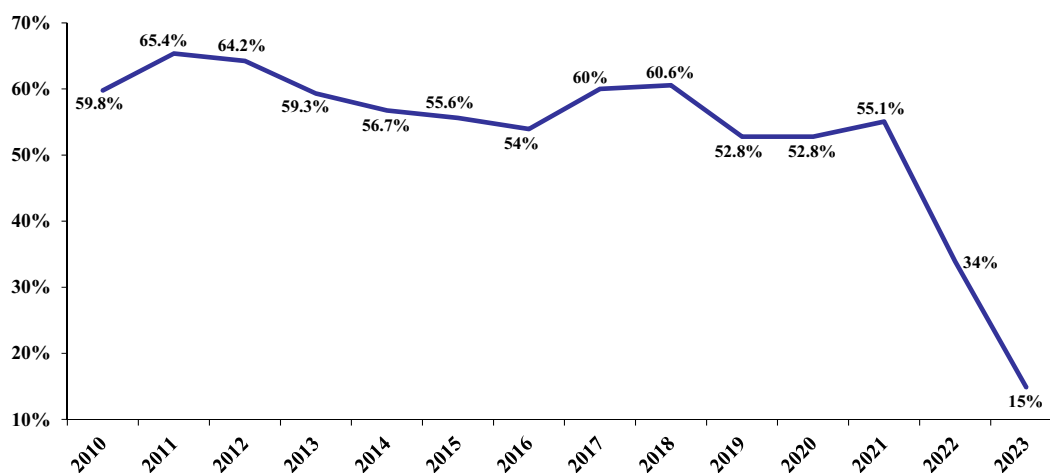
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Charts of the Week

Percentile Rankings of Arab Countries in terms of Investment Freedom for 2023*



Percentile Rankings of Lebanon in terms of Investment Freedom



*The Heritage Foundation defines investment freedom as a free and open investment environment that provides maximum entrepreneurial opportunities and incentives for expanded economic activity, greater productivity, and job creation

Source: Heritage Foundation Index of Economic Freedom for 2023, Byblos Bank

Quote to Note

"Reforming state-owned enterprises to ensure good governance, transparency, financial and operational viability, better provision of services and to contain fiscal risks."

The International Monetary Fund, on the need for Lebanese authorities to address the inefficiencies of state-owned enterprises

Number of the Week

\$4.2bn: Aggregate amount of transactions on Banque du Liban's Sayrafa electronic exchange platform in the first 15 weeks of 2023

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"	88.20	(0.9)	23,571	44.9%	May 2023	6.40	6.0	18,800.00
Byblos Common	0.75	7.1	22,300	2.2%	Apr 2024	6.65	6.0	629.50
Solidere "B"	87.80	0.1	17,688	29.1%	Jun 2025	6.25	6.0	187.39
Audi Listed	1.81	20.7	660	5.4%	Nov 2026	6.60	6.0	96.07
BLOM Listed	3.99	33.0	650	4.4%	Mar 2027	6.85	6.0	86.64
Audi GDR	1.38	0.0	600	0.8%	Feb 2030	6.65	6.0	45.72
HOLCIM	40.01	0.0	-	4.0%	Apr 2031	7.00	6.0	38.51
BLOM GDR	2.45	0.0	-	0.9%	May 2033	8.20	6.0	30.02
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	6.0	23.79
Byblos Pref. 09	37.98	0.0	-	0.4%	Mar 2037	7.25	6.0	21.29

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

Source: Refinitiv

	Apr 18-20	Apr 11-13	% Change	March 2023	March 2022	% Change
Total shares traded	65,577	71,869	(8.8)	1,077,531	1,544,302	(30.2)
Total value traded	\$3,684,983	\$3,090,773	(19.2)	\$57,766,543	\$21,527,622	168.3
Market capitalization	\$19.64bn	\$19.28bn	(1.9)	\$18.89bn	\$10.10bn	87.0

Source: Beirut Stock Exchange (BSE)



Political paralysis delaying urgent reforms

The Institute of International Finance (IIF) considered that the Lebanese authorities' prolonged inaction on much-needed structural and fiscal reforms has exacerbated economic conditions and deepened the financial crisis that the country is going through. It added that the political paralysis since October 2022 has postponed the urgent reforms needed to unlock about \$15bn in financial assistance over four years from the international community, and anticipated that the economic situation in the country will continue to deteriorate. As such, it projected real GDP to shrink by 2.5% in 2023 following a contraction of 0.8% in 2022, in case the prevailing paralysis continues. It also expected the exchange rate of the Lebanese pound to the US dollar to average LBP99,570 per dollar on the parallel market this year relative to an average of LBP31,166 per dollar in 2022, while it forecast the average inflation rate to accelerate from 171.2% in 2022 to 254.3% in 2023.

In parallel, it forecast Banque du Liban's gross foreign currency reserves, which exclude gold and Eurobonds holdings, to regress from \$10.6bn at the end of 2022 to \$7.6bn at end-2023. In addition, it considered that the distorted multiple exchange rates in the domestic market and the sustained smuggling of products to neighboring countries, that it estimates at \$3bn last year, have undermined potential public revenues, which has resulted in wider fiscal deficits and lower social spending.

Further, the IIF considered that the economic and financial crisis in Lebanon could significantly deteriorate in case authorities do not carry out a comprehensive economic reforms program that is supported by the International Monetary Fund (IMF). It indicated that the current political class that is represented in Parliament continues to block the implementation of the needed reforms, and that the authorities have yet to implement most of the prior actions that Lebanon approved in April 2022 as part of the Staff Level Agreement with the IMF. Finally, it considered that, even if Parliament elects a president and political parties agree to form a consensual government, the latter will be fragmented and authorities will not be able to move forward without resolving the significant differences among the involved political parties.

In parallel, the World Bank projected Lebanon's real GDP to shrink by 0.5% in 2023 following a contraction of 2.6% in 2022, as it considered that the country's economic and political situation has deteriorated significantly since 2019. It indicated that the surging inflation rates, the depreciation of the exchange rate of the Lebanese pound and the lifting of subsidies on medicine, fuel, and other inputs, have increased food insecurity in the country. It estimated that the fluctuations of the exchange rate account for the majority of headline inflation in the economy, but noted that the year-on-year inflation rate, after adjusting for fluctuations in the exchange rate, was 46% between March and December 2022, which indicates that domestic factors are also large drivers of the inflation rate in Lebanon. It noted that Lebanon did not experience an increase in food price inflation in the first quarter of 2022 because it already had exceptionally high levels of food inflation prior to the war in Ukraine.

In addition, it forecast the fiscal balance to shift from a surplus of 0.3% in 2022 to a deficit of 0.5% in 2023. It also pointed out that Lebanon is the only country among middle-income or lower-income oil-importing economies that has not announced increases in subsidies since the start of the war in Ukraine. However, it noted that Lebanese authorities lifted indirectly fuel subsidies in full last October and appear to subsidize imports by using several exchange rates. It added that subsidized exchange rates do not necessarily show up in fiscal expenditures, but it considered that they have reduced foreign currency reserves at Banque du Liban and possibly weakened its balance sheet.

Further, the World Bank estimated the annual development financing needs for the severely food insecure persons in Lebanon at \$320m for 2022 in order to replace 100% of their minimum calorie diet. It also forecast such needs at between \$280m and \$390m in 2023 and at \$280m to \$440m in 2024.

Short Term Development Financing Needs for Food Insecure People in the Middle East and North Africa * (US\$bn)

	2022e	2023f	2024f	2025f
Algeria	1.48	2.22-3	2.1-3.23	1.35-2.3
Djibouti	0.08	0.07-0.09	0.06-0.1	0.06-0.11
Egypt	3.13-3.45	2.77-4.15	2.64-4.55	2.59-4.92
Iran	2.89	2.54-3.44	2.37-3.88	2.45-4.21
Iraq	2.02	1.72-2.33	1.67-2.58	1.64-2.78
Jordan	0.72	0.62-0.85	0.58-0.91	0.55-0.97
Lebanon	0.32	0.28-0.39	0.28-0.44	0.28-0.49
Libya	0.63	0.51-0.69	0.48-0.76	0.47-0.8
Morocco	1.53	0.93-1.26	0.83-1.95	0.77-1.76
Syria	4.27-4.3	3.67-5.04	3.56-5.72	3.55-6.24
Tunisia	0.64	0.49-0.67	0.45-0.7	0.42-0.75
West Bank & Gaza	0.07	0.1-0.14	0.09-0.14	0.08-0.14
Yemen	13.32	11.82-16.01	11.44-17.6	11.22-19.05

*the cost of annual development financing needs for the severely food insecure in order to replace 100% of a minimum calories diet

Source: World Bank



Fiscal surplus equivalent to 12% of expenditures in 2021

Figures released by the Ministry of Finance show that the fiscal balance posted a surplus of LBP2,196.8bn in 2021 compared to a deficit of LBP4,083.3bn in 2020. The surplus was equivalent to 12.2% of total budget and Treasury expenditures in 2021 relative to a deficit equivalent to 21% of government spending in 2020. Public expenditures reached LBP18,066bn in 2021 and declined by 7% from 2020, while revenues stood at LBP20,262.8bn and grew by 32% year-on-year. The surplus in the fiscal balance was caused by a contraction of LBP1,359.2bn in spending from lower debt servicing cost and Treasury transfers to Electricité du Liban (EdL), as well as by an increase of LBP4,921bn in revenues.

On the revenues side, tax receipts rose by 45.5% year-on-year to LBP15,236.7bn in 2021, of which 31.6%, or LBP4,809.2bn, were in VAT receipts that surged by 158% annually due in large part to accelerating inflation. Tax receipts accounted for 81% of budgetary revenues and for 75.2% of Treasury and budgetary income in 2021. The distribution of other tax receipts shows that revenues from taxes on income, profits & capital gains increased by 18.3% to LBP5,743.5bn in 2021; customs receipts grew by 20% to LBP1,546.3bn; revenues from property taxes rose by 38.3% to LBP2,002bn; proceeds from stamp fees increased by 8% to LBP532bn; and receipts from taxes on goods & services expanded by 15.6% to LBP603.6bn. The distribution of income tax receipts shows that the tax on interest income accounted for 40.4% of income tax revenues in 2021, followed by the tax on profits with 36.3%, the tax on wages & salaries with 16%, and the capital gains tax with 6.4%. Receipts from the tax on profits jumped by 176.4%, revenues from the tax on capital gains surged by 137.8%, and proceeds from the tax on wages & salaries increased by 29%, while revenues from the tax on interest income dropped by 27.6% in 2021. Also, revenues from the inheritance tax jumped by 200.8% to LBP421.4bn, proceeds from the built property tax surged by 36.3% to LBP282.5bn, and receipts from real estate registration fees grew by 18% to LBP1,298.1bn in 2021. Further, non-tax budgetary receipts increased by 11% to LBP3,564.8bn in 2021. They mainly included LBP2,359bn in revenues generated from government properties that improved by 10% from LBP2,146.4bn in 2020, as well as LBP779.3bn in receipts from administrative fees and charges that expanded by 8.8% annually. Receipts from telecommunication services increased by 21% to LBP1,841bn in 2021, and accounted for 78% of income from government properties and for 51.6% of non-tax budgetary revenues. In parallel, Treasury receipts decreased by 11.8% to LBP1,461.3bn in 2021.

On the expenditures side, total budgetary spending, which includes general expenditures and debt servicing, declined by 8.4% to LBP15,737.8bn in 2021. General spending regressed by 8.1% to LBP12,925.2bn in 2021, and included LBP810bn in transfers to EdL that decreased by 42% from the preceding year, and LBP1,565.3bn in outlays from previous years that shrank by 34.5% annually, among other general spending items. Further, debt servicing totaled LBP2,812.6bn in 2021 and contracted by 9.5% from LBP3,106.2bn in 2020. Interest payments on Lebanese pound-denominated debt regressed by 5.3% to LBP2,540.6bn, while debt servicing on foreign currency debt dropped by 71% to LBP67.5bn in 2021. In addition, Treasury expenditures, excluding transfers to EdL, increased by 3.5% to LBP2,328.2bn in 2021. Also, the primary budget balance posted a surplus of LBP5,876.3bn in 2021, equivalent to 37.3% of budgetary expenditures, while the overall primary balance registered a surplus of LBP5,009.4bn, or 27.7% of spending.

Comparative Fiscal Results (% of GDP*)		
	2020	2021
Budget Revenues	14.3%	9.1%
Tax Revenues	10.9%	7.4%
Non-Tax Revenues	3.4%	1.7%
<i>of which Telecom revenues</i>	<i>1.6%</i>	<i>0.9%</i>
Budget Expenditures	17.9%	7.6%
Budget Surplus/Deficit	(3.6%)	(1.5%)
Budget Primary Surplus	(0.4%)	(2.8%)
Treasury Receipts	1.7%	0.7%
Treasury Expenditures	2.3%	1.1%
Total Revenues	16.0%	9.8%
Total Expenditures	20.3%	8.7%
Total Deficit	(4.3%)	1.1%
Total Primary Surplus/Deficit	(1.0%)	2.4%

Source: Ministry of Finance, Central Administration of Statistics, Institute of International Finance, Byblos Research

*the ratios are calculated in Lebanese pounds using a nominal GDP of LBP95,699bn for 2020 and of LBP207,000bn for 2021

Banque du Liban's foreign assets at \$14.5bn, gold reserves at \$18.7bn at mid-April 2023

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP1,528.7 trillion (tn), or the equivalent of \$101.9bn, on April 15, 2023, constituting increases of 0.6% from LBP1,520.3 (\$101.4bn) at end-March 2023 and of 0.6% from LBP1,519tn (\$101.3bn) at mid-March 2023. Assets in foreign currency reached \$14.49bn at mid-April 2023, representing a decline of \$687.7m, or of 4.5%, from the end of 2022 and a drop of \$1.85bn (-11.3%) from \$16.34bn at mid-April 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.

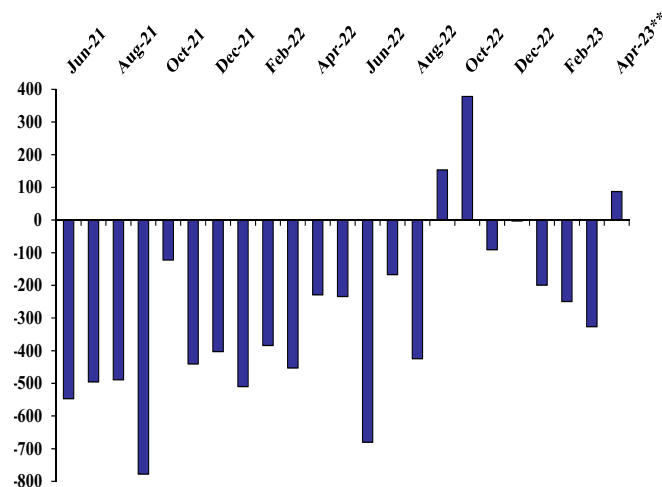
BdL's gross foreign currency reserves, which consist of its assets in foreign currency excluding Lebanese Eurobonds, stood at \$9.46bn on April 15, 2023, constituting increases of \$87.15m (+0.9%) from \$9.38bn at end-March 2023 and of \$21.2m (+0.2%) from \$9.44bn at mid-March 2023. They dropped by \$687.7m (-6.8%) from the end of 2022 and by \$1.85bn (-16.4%) from \$11.32bn at mid-April 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 LBP66,439.5bn on April 15, 2023, constituting a decrease of 17% from LBP80,171.3bn at the end of 2022, and a surge of 74.3% from LBP38,108.7bn at mid-April 2022. Also, the item "Other Assets" on BdL's balance sheet reached LBP158,806.3bn, or \$10.6bn at mid-April 2023, representing an increase of 6.8% from LBP148,637.8bn (\$10.27bn) a month earlier.

In parallel, the value of BdL's gold reserves reach a new peak of \$18.69bn at mid-April 2023, constituting a rise of \$2.05bn (+12.3%) from the end of 2022 and an increase of \$543m (+3%) from \$18.15bn at mid-April 2022. The previous peak for gold reserves was \$18.22bn at the end of March 2022. Also, the securities portfolio of BdL totaled LBP67,577.4bn, or \$4.5bn, at mid-April 2023. In addition, loans to the local financial sector stood at LBP16,532.2bn, or \$1.1bn; while the deposits of the financial sector reached LBP1,351.3tn or \$90.1bn on April 15, 2023. In addition, public sector deposits at BdL stood at LBP84,186bn at mid-April 2023 and surged by LBP68,983.04bn from a year earlier.

Moreover, the balance sheet shows that BdL's loans to the public sector totaled LBP248,262bn, equivalent to \$16.5bn, as at mid-April 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

**as at mid-April 2023, change from end-March 2023

Source: Banque du Liban, Byblos Research

Number of airport passengers up 23.5% in first quarter of 2023

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 1.36 million passengers utilized the airport (arrivals, departures and transit) in the first quarter of 2023, constituting a surge of 23.5% from 1.1 million passengers in the same quarter of 2022, and relative to 549,476 passengers in the first quarter of 2021. The number of arriving passengers reached 644,095 passengers in the first quarter of 2023 and rose by 25% from 514,736 passengers in the same quarter of 2022, compared to 235,548 passengers in the first quarter of 2021. Also, the number of departing passengers totaled 716,756 in the first quarter of 2023 and increased by 23% from 582,790 passengers in the same quarter of last year, relative to 301,232 in the first quarter of 2021.

In parallel, the airport's aircraft activity totaled 12,307 take-offs and landings in the first quarter of 2023, representing a rise of 20% from 10,261 takeoffs and landings in the same quarter last year. In comparison, aircraft activity dropped by 58% in the first quarter of 2022 and decreased by 40% in the same quarter of 2021.

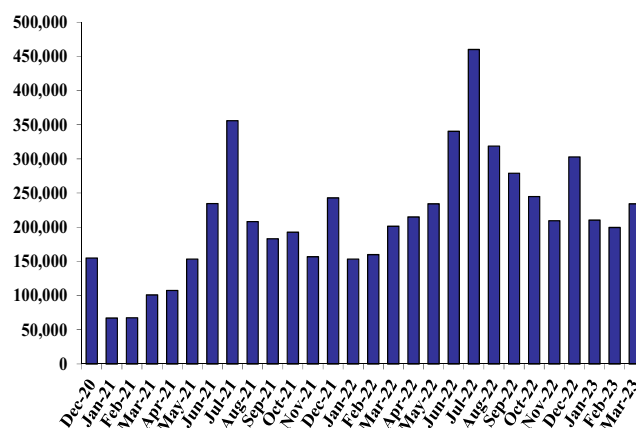
In addition, the HIA processed 13,026 metric tons of freight in the first quarter of 2023 that consisted of 7,155 tons of import freight and 5,871 tons of export freight. Middle East Airlines had 5,522 flights in the covered quarter and accounted for 45% of HIA's total aircraft activity.

Lebanon represented in *Forbes* magazine's list of world billionaires

Forbes magazine's annual survey of the world's billionaires for 2023 included six persons from Lebanon, unchanged from the 2022 survey. The list included three family members of the late Prime Minister Rafiq Hariri, two members of the Mikati family, and one member from the Mouawad family. The survey ranked Prime Minister Najib Mikati and Mr. Taha Mikati in 1067th place each, down from 951st place in the 2022 survey, with an estimated net worth of \$2.8bn for each one of them, compared to \$3.2bn each last year. Further, Mr. Bahaa Hariri ranked in 1434th place, up from 1445th place in 2022, with a net wealth of \$2.1bn, unchanged from a year earlier. Also, Mr. Robert Mouawad ranked in 1905th place, up from 1929th place in the 2022 survey, with an estimated net worth of \$1.5bn, unchanged from last year's survey. Further, Mr. Ayman Hariri came in 2020th place, up from 2076th place in the 2022 survey, with an estimated net worth of \$1.4bn, unchanged from a year earlier, while Mr. Fahd Hariri ranked in 2259th place, up from 2324th place in 2022, with a net worth of \$1.2bn, unchanged from the previous year. The survey ranks individuals according to their assets, including stakes in public and private companies, real estate, art and cash. It indicated that the aggregate net worth of the Lebanese billionaires on the list reached \$11.8bn in 2023, down from \$12.6bn in 2022.

The survey indicated that the Mikati brothers made their fortune mainly in the telecommunications sector. It said that Mr. Bahaa Hariri made his money mostly from real estate and investments, while Mr. Robert Mouawad generated his fortune mainly in the jewelry sector. Also, it noted that Mr. Ayman Hariri and Mr. Fahd Hariri made their money in the constructions sector and from investments. The 2023 list included 2,640 individuals compared to 2,668 billionaires in the 2022 survey and a record-high of 2,755 individuals in the 2021 survey. It indicated that their aggregate net worth reached \$12.2 trillion, down from \$12.7 trillion in 2022. The average net worth per billionaire stood at \$4.62bn in this year's survey relative to \$4.76bn in 2022.

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

Select Billionaires of Lebanese Descent on *Forbes*' 2023 list of the World's Richest People

	Rank	Worth (\$bn)	Trend*	Source	Country
Carlos Slim Helu & family	8	93.0	Up	Telecom	Mexico
Rodolphe Saadé	184	9.8	Down	Shipping	France
Alfredo Harp Helu & family	2020	1.4	Up	Banking	Mexico
George Joseph	2133	1.3	Down	Insurance	United States

*in net worth

Source: *Forbes* magazine, Byblos Research

Cabinet approves increases in wages for private and public sector workers

The Council of Ministers approved on April 18, 2023 the payment of a temporary compensation for public sector personnel starting in June 2023. It said that public sector workers must be present at work at least 14 days per month in order for them to qualify for the compensation. It indicated that the temporary compensation is four times the wage of the worker and will be at least LBP8m and at most LBP50m per month. It also approved the payment to military personnel of a temporary compensation that is equivalent to three times their basic salary and noted it will be at least LBP7m per month. Further, it approved a three-fold increase in the salary of retirees in the public sector who receive pension payments. Also, it decided to increase by 50% the allowance of hourly teachers in basic, intermediate and secondary education, as well as in vocational and technical schools, and in formal technical agricultural education. It added that it doubled the hourly allowance or the lump-sum monthly allowance for technical service providers, as well as the hourly allowance for teachers at the Lebanese University and for contractors at the Lebanese National Higher Conservatory of Music. It pointed out that members of the diplomatic corps who are assigned to Lebanese missions abroad, and all workers in public administrations who receive their compensation in currencies other than in Lebanese pounds, will not benefit from the temporary compensation. Also, it stated that any public sector worker or employee who benefits from more than one social assistance program must inform the concerned public administration about the duplication and noted that the employee is only entitled to the higher aid.

Further, the Cabinet approved an increase in the cost of living by LBP4.5m per month to all private sector employees and workers who are subject to the labor law, which will result in doubling the minimum wage to LBP9m per month. It also raised the wage of daily workers to LBP410,000 per day. In parallel, it adjusted the transportation stipend for public sector personnel from LBP95,000 per day to LBP450,000 per day, and set the transportation allowance for private sector workers at LBP250,000 per day, up from LBP125,000 per day, for each day that they report to work.

Public Works Ministry cancels contract for construction of new airport terminal

The Ministry of Public Works and Transport announced on March 30, 2023 the cancellation of the contract for the construction of a new terminal at the Beirut-Rafic Hariri International Airport (HIA), in light of the legal controversy that arose regarding the deal. It said that the legal validity of the contract was based on a law that dates back 1974 instead of the new public procurement law that Parliament enacted in 2021.

The ministry had announced on March 20, 2023 the construction of a new terminal at HIA. It said that the airport's expansion aims to improve its ability to cope with traffic growth, as the number of passengers utilizing the airport has exceeded its capacity of 6 million passengers. It added that the new terminal will process 3.5 million passengers per year, will be used for chartered and low-cost flights, and will have six docking stands for airplanes, in addition to remote ones. It pointed out that the Lebanese Air Transport Charter company will finance the construction of the new terminal and expected it to be completed in the first quarter of 2027. Further, it said that the Irish company Daa International will operate the terminal starting in 2027. It anticipated that the new terminal will generate revenues ranging between \$30m and \$40m annually for the Treasury for a period of 25 years. Also, it pointed out that the new terminal will create 500 direct jobs and 2,000 indirect jobs.

The government launched in October 2018 the preparatory phase for the expansion of the Beirut-Rafic Hariri International Airport, which consists of the preparation of financial, technical and legal feasibility studies for the project. Further, the ministry signed an agreement with national flag carrier Middle East Airlines in March 2017 to prepare a master plan for the expansion of the airport.

UN disburses \$40m to support social stability in 2022

The United Nations (UN) indicated that international contributions to the social stability component of the Lebanon Crisis Response Plan (LCPR) reached \$39.8m in 2022 and accounted for 26% of the \$152.4m that the LCPR requested for this initiative to assist vulnerable individuals in the country during the year. It noted that it carried \$12.8m from funding it received in 2021, which is equivalent to 8.4% of the total appealed funds for 2022. As such, it said that international contributions to the social stability component covered 34.5% of the funds appealed, resulting in a funding gap of \$99.8m, or of 65.5%, in 2022.

It said that it assisted 1.2 million individuals across Lebanon in improving social stability in 2022 who consisted of 592,194 Lebanese individuals, or 49% of the total, followed by 541,470 displaced Syrian (45% of the total), 51,170 Palestinian refugees in Lebanon (4.2%), and 20,139 Palestinian refugees from Syria (1.7%).

Further, it indicated that it implemented community support programs, basic services, and solid waste management in 264 municipalities, and national and local institutions in order to limit the shortages of financial and human resources at the municipal level, reduce the dissatisfaction of employees, and build peace. It said that it invested \$26.9m in 220 community support programs and basic services projects that it provided to municipalities, which include 94 projects related to infrastructure, 22 initiatives about water and wastewater, 18 projects related to healthcare, 15 initiatives about investment in economic assets, and nine projects related to education. It added that it implemented 90 projects in the municipalities of the Bekaa & Baalbek El Hermel region, 61 projects in those of the South & Nabatieh areas, 51 projects in the municipalities of Beirut & Mount Lebanon, and 18 projects in those of the North & Akkar region.



Ministry extends "Aman" program to support Lebanese families

The Ministry of Social Affairs announced on April 4, 2023, that 80,304 vulnerable Lebanese families benefited from the Emergency Social Safety Net Project (ESSN), known as "Aman", between March 2022 and the end of March 2023. It indicated that the employees of the ministry will conduct 60,000 visits across Lebanon to families that are registered on the "Aman" platform in order to select 10,459 new Lebanese households to receive aid by the end of May 2023. It said that the selection will be based on specific criteria that consist of families of four persons or less, people with special needs, and the elderly. Also, it pointed out that the goal of the "Aman" program is to help 150,000 vulnerable Lebanese households.

The ministry announced on February 2023 that it extended for an additional six months the "Aman" project and noted that the program aims to target 74,000 new households in 2023. It said that it will organize home visits to Lebanese families who were previously registered on the DAEM Social Safety Net electronic platform, by its inspectors and the coordinators from the World Food Program. It indicated that the visits will start in April 2023 and will last for five months. It pointed out that the households will undergo a computerized evaluation process to select the poorest among them that will benefit from the one-year program, with retroactive effect from January 2023. It added that payments to the first group will take place at the end of May 2023.

The government announced on March 14, 2022 the beginning of payments of cash transfers to 150,000 extremely poor Lebanese households under the ESSN project that the World Bank is financing. The announcement follows the completion of the registration process of Lebanese households on the DAEM Social Safety Net that is managed by the Impact platform, the first e-government platform in Lebanon, under the supervision of the government's Central Inspection Department. The program provides nearly 680,000 individuals a monthly cash transfer of \$20 per household member with a maximum of \$120 per family, in addition to a fixed amount of \$25 per household. It also covers the direct cost of schooling for 87,000 children between the ages of 13 and 18 years among extremely vulnerable households, in order to prevent students from dropping out of school. In parallel, the Ministry of Social Affairs launched on December 1, 2021 the registration platform for the electronic cash card assistance that aims to help 700,000 vulnerable families cope with the increase in the cost of living in the country. The ministry indicated that Lebanese authorities have secured a \$246m loan from the World Bank to fully fund the ESSN, or "Aman" project, and said that all payments for the program will be denominated in US dollars

Amount of cleared checks in Lebanese pounds up 78.5% in first quarter of 2023

The amount of cleared checks in Lebanese pounds reached LBP14,886bn in the first quarter of 2023 and surged by 78.5% from LBP8,340bn in the first quarter of 2022, while the amount of cleared checks in foreign currency was \$1.55bn and dropped by 48% from \$2.99bn in the first quarter of 2022. Also, there were 159,827 cleared checks in the first quarter of 2023, down by 71.7% from 565,271 checks in the same period of 2022. In addition, the amount of cleared checks in Lebanese pounds reached LBP5,646bn in March 2023, as it surged by 133.6% from LBP2,417bn in February 2023 and jumped by 86.3% from LBP3,030bn in March 2022. Further, the amount of cleared checks in foreign currency was \$484m in March 2023, as they rose by 125% from \$215m in the previous month and declined by 51.9% from \$1.1bn in March 2022.

There were 66,707 cleared checks in March 2023 relative to 24,277 cleared checks in the preceding month and to 208,494 cleared checks in March 2022. The amount of returned checks in Lebanese pounds reached LBP290bn in the first quarter of 2023 and jumped by 517% from LBP47bn in the same quarter of 2022, while the amount of returned checks in foreign currency was \$30m and contracted by 34.8% from \$46m in the first quarter of 2022. Also, the amount of returned checks in Lebanese pounds stood at LBP94m in March 2023, as it rose by 370% from LBP20m in February 2023 and grew by 422.2% from LBP18m in March 2022. Further, the amount of returned checks in foreign currency was \$9m in March 2023, and decreased by 18.2% from \$11m in the previous month and declined by 35.7% from \$14m in March 2022.

Also, there were 1,280 returned checks in the first quarter of 2023, down by 69.2% from 4,156 returned checks in the same quarter of 2022. The number of returned checks in foreign currency reached 491 in the covered period and declined by 81% from 2,595 in the first quarter of 2022, while the number of returned checks in Lebanese pounds totaled 789 and retreated by 49.5% from 1,561 year-on-year. Further, there were 597 returned checks in March 2023, relative to 158 returned checks in February 2023 and to 1,380 checks in March 2022. Further, there were 405 returned checks in Lebanese pounds in March 2023 relative to 104 in the previous month and compared to 549 in March 2022. Also, the number of returned checks in foreign currency stood at 192 compared to 54 in February 2023, while it reached 831 in March 2022.



Consumer Price Index up 264% year-on-year in March 2023

The Central Administration of Statistics' Consumer Price Index increased by 193% in the first quarter of 2023 from the same quarter of 2022. In comparison, it grew by 220.2% and by 153.7% in the first quarter of 2022 and 2021, respectively.

The CPI rose by 263.8% in March 2023 from the same month of 2022, while it registered its 33rd consecutive triple-digit increase since July 2020. The cumulative surge in the inflation rate is due in part to the inability of authorities to monitor and contain retail prices, as well as to the fluctuation of the Lebanese pound's exchange rate on the parallel market and the lifting of subsidies on hydrocarbons and on a range of basic products, which have encouraged opportunistic wholesalers and retailers to raise the prices of consumer goods disproportionately. In addition, the smuggling of subsidized imported goods has resulted in shortages of these products locally, which contributed to the rise in prices. Further, the emergence of an active black market for gasoline in the summer of 2021 has put upward pressure on prices and on inflation at the time, but the lifting of subsidies on gasoline and the resulting disappearance of the retail black market for this product did not translate into a decline in prices. In addition, the government's increase of telecommunication rates in July, and of electricity tariffs more recently, contributed to inflationary pressures.

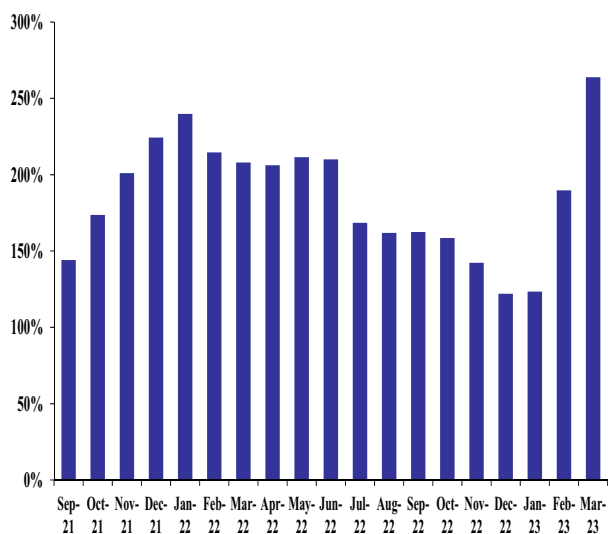
Communication costs surged by 7.2 times in March 2023 from the same month of 2022, followed by the cost of alcoholic beverages & tobacco (+5.5 times), rates at restaurants & hotels (+4.9 times), healthcare costs (+4.7 times), the prices of furnishings & household equipment and the prices of clothing & footwear (+4.6 times each), the prices of food & non-alcoholic beverages (+4.5 times), transportation costs (+4 times), the prices of miscellaneous goods & services (+3.8 times), the prices of water, electricity, gas & other fuels and the cost of recreation & entertainment (+3.1 times). In addition, the cost of education jumped by 193% year-on-year in March 2023, imputed rent (+91.6%), and actual rent (+63%). Also, the distribution of actual rent shows that new rent grew by 103.3% and old rent increased by 19.4% in March 2023 from the same month of 2022.

In parallel, the CPI increased by 33.3% in February 2023 from the previous month, compared to a month-on-month rise of 25.5% in February 2023 and to a growth of 8.4% in January 2023.

Imputed rent surged by 59.7% in March 2023 from February 2023, followed by the cost of communications (+51.5%), the cost of transportation (+48%), the rates at restaurants & hotels (+40%), the prices of alcoholic beverages & tobacco (+39%), the prices of food & non-alcoholic beverages (+37.6%), actual rent (+35.6%), the prices of clothing & footwear (+32%), the prices of furnishings & household equipment (+30%), the prices of miscellaneous goods & services (+26.4%), the cost of healthcare (+20.7%), the cost of recreation & entertainment (+13.2%), the prices of water, electricity, gas and other fuels (+12.4%), and the cost of education (0.3%). Also, the distribution of actual rent shows that new rent grew by 63.2% and old rent expanded by 4.6% in March 2023 from the previous month.

Further, the CPI increased by 38.5% in the North, by 34.7% in the Bekaa, by 33.6% in Mount Lebanon, by 32% in Beirut, 27.1% in the Nabatieh, by 25.6% in the South during March 2023 from the previous month. In parallel, the Fuel Price Index surged 31.9% and the Education Price Index increased by 0.3% month-on-month in March 2023.

Annual Change in Consumer Price Index* (%)



*from the same month of the previous year

Source: Central Administration of Statistics, Byblos Research

Agriculture support program extends aid to 1,000 farmers and 50 companies

The technology pole Berytech indicated that the "bolstering they agriculture systems' ability to invest, nourish and employ" (BASATINE) program supported 1,000 farming households in the past winter season with critical farm inputs worth about \$500 per household. It added that it will support more than 3,200 farming households in the spring season by providing them with seeds, fertilizers, tools, and irrigation materials.

In addition, it said that the initiative provided 50 small and medium-scale agri-businesses with critical in-kind and technical support worth \$7,000 to \$25,000 per business. It added that the project trained 3,000 farm units in "Sustainable Agriculture" and provided technical training on various development approaches that will support farmers, including through the "Farmer Field Business Schools" as well as the "Village Savings and Loan Associations" techniques for new farming practices, and developing technical curricula for delivering these approaches at the field level.

Further, it pointed out that the program is currently developing a mobile application in order to address the needs of farmers and promote digital literacy. It noted that the application will mainly help farmers access information about the weather, market prices, and agricultural techniques, as well as provide consultancy services and develop effective and sustainable linkages with other market actors. Also, it indicated that microcredit institution Al Majmoua is leading the design of a product that will support agricultural micro-lending and provide small-scale farmers with access to credit and financing to support their livelihoods.

BASATINE is a four-year program that aims to support more than 3,500 vulnerable farmers in Lebanon's Akkar and Bekaa regions. The program is supported by l'Agence Française de Développement (AFD) and is led by a consortium of six non-governmental organizations that are CARE France, Mercy Corps Europe, the Beirut-based Berytech Foundation, the Georges N. Frem Foundation, the Lebanese Organization for Studies and Training, and Al Majmoua. The AFD and Care International in Lebanon signed the four-year €17.7m program on October 29, 2021.

The initiative aims to support farmers as well as micro-, small-, and medium sized enterprises (MSMEs) who harvest cereals, vegetables, and several types of beans and seeds, as well as manufacturers of farming tools and equipment, manufacturers of packaging materials, transporters, storage centers, food processors, distributors, wholesalers, and exporters in the Akkar and Bekaa regions. It aims to develop the capacity of Lebanese farmers to produce food for the local market, create and secure employment opportunities for vulnerable populations, and generate social cohesion between host communities and refugees. Also, the program intends to improve the financial skills of targeted farmers and to support the identification of clear financial plans and investment strategies to develop financial products adapted to the needs of farmers and MSMEs.

Ratio Highlights

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

*change in percentage points 21/20;

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

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

National Accounts, Prices and Exchange Rates

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

*Average year-to-July 22, 2022

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

Ratings & Outlook

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

Source: Rating agencies

Banking Sector Ratings

	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service



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