

LEBANON THIS WEEK

In This Issue

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

Ministry of Finance raises exchange rate of US dollar for customs by 33%

Government modifies exchange rate for VAT on foreign currency invoices

Number of airport passengers up 27% in first four months of 2023

Nearly 65% of Treasury securities in Lebanese pounds have seven-year maturities or longer as at end- March 2023

Banque du Liban extends measures related to interest payments on banks' placements

Government asks Banque du Liban to monitor implementation of circulars

Port of Beirut processes 359,000 tons of freight in January 2023

Lebanon ranks 119th globally, third among Arab countries in press freedom

Corporate Highlights

Term deposits account for 56.4% of customer deposits at end-February 2023

Ministry of Energy and Water signs contracts to build solar energy production plants

Import activity of top five shipping firms and freight forwarders down 13% in January 2023

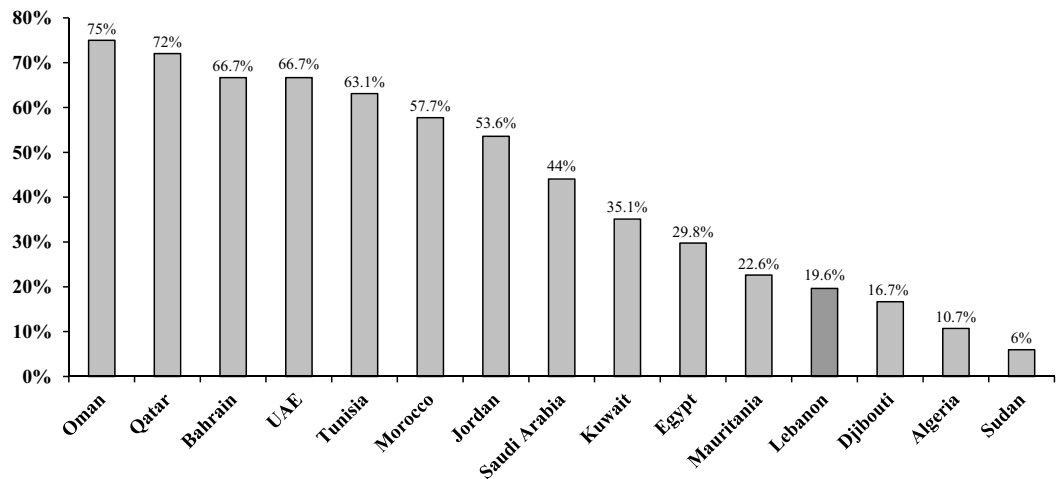
Ratio Highlights

National Accounts, Prices and Exchange Rates9

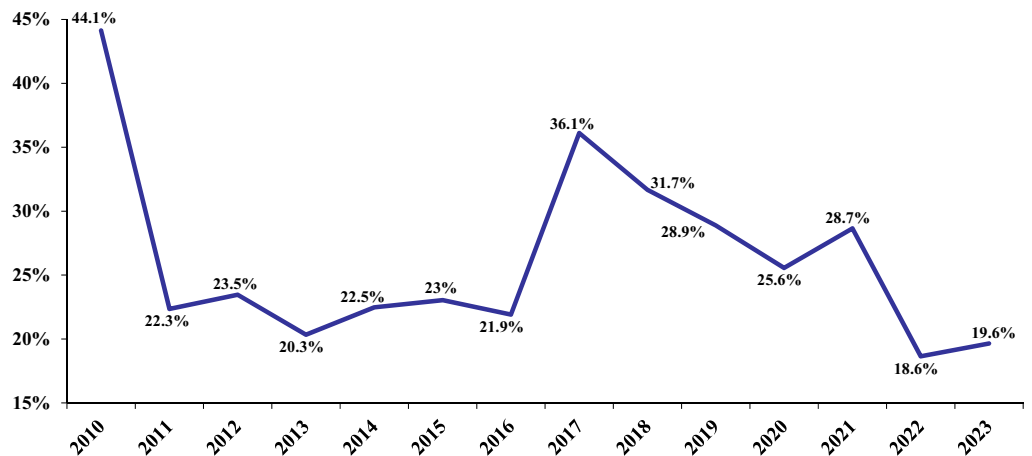
Ratings & Outlook.....9

Charts of the Week

Percentile Rankings of Arab Countries in terms of Property Rights for 2023*



Percentile Ranking of Lebanon in terms of Property Rights



*The Heritage Foundation defines property rights as an assessment of the ability of individuals to accumulate private property, secured by clear laws that are fully enforced by the State
 Source: Heritage Foundation Index of Economic Freedom for 2023, Byblos Bank

Quote to Note

"The answers to Lebanon's economic crisis can only come from within Lebanon and they start with meaningful reforms."

The Ambassadors of Canada, France, Germany, Italy, Japan, the United Kingdom, the United States, and the European Union in Beirut, on the absence of political will to implement structural reforms

Number of the Week

97%: The dollarization rate of private sector deposits at commercial banks at the end of February 2023, based on the new exchange rate of the US dollar, according to Banque du Liban

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	101.81	1.4
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"	85.45	(4.1)	52,994	45.5%	May 2023	6.40	6.0	33,176.47
Solidere "B"	85.05	(3.6)	16,759	29.4%	Apr 2024	6.65	6.0	675.45
HOLCIM	46.08	9.5	200	4.8%	Jun 2025	6.25	6.0	191.84
BLOM Listed	2.55	0.0	1	2.9%	Nov 2026	6.60	6.0	97.25
Byblos Common	0.70	0.0	-	2.1%	Mar 2027	6.85	6.0	87.61
Audi GDR	1.38	0.0	-	0.9%	Feb 2030	6.65	6.0	45.98
Audi Listed	1.50	0.0	-	4.7%	Apr 2031	7.00	6.0	38.70
BLOM GDR	2.50	0.0	-	1.0%	May 2033	8.20	6.0	30.14
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	6.0	23.86
Byblos Pref. 09	37.98	0.0	-	0.4%	Mar 2037	7.25	6.0	21.34

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

Source: Refinitiv

	May 2-5	Apr 25-28	% Change	April 2023	April 2022	% Change
Total shares traded	69,954	65,577	10.9	315,447	2,124,884	(85.2)
Total value traded	\$6,036,929	\$3,684,983	35.6	\$17,282,146	\$30,360,019	(43.1)
Market capitalization	\$18.80bn	\$19.64bn	(2.6)	\$19.30bn	\$10.59bn	82.1

Source: Beirut Stock Exchange (BSE)



Ministry of Finance raises exchange rate of US dollar for customs by 33%

The Ministry of Finance announced the increase of the monthly average of the exchange rate of the Lebanese pound for calculating the taxes and fees at customs on imported goods and products from LBP45,000 per US dollar to LBP60,000 per dollar starting on May 2, 2023. However, it said that the new exchange rate does not apply to imported new and used cars, which will be subject to an exchange rate of LBP15,000 per US dollar instead of the prevailing LBP8,000 per dollar.

The ministry attributed its decision to the deterioration of the economic and financial situation in Lebanon that has led to the paralysis of public administrations and institutions due to the strike of workers and employees from their work because of the prevailing elevated cost of living. It added that the Council of Ministers has approved a series of increases and allowances that will contribute to the resumption of work at public sector agencies and departments. As a result, it noted the need to secure financial resources to cover these allocations and to avoid triggering an increase in inflationary pressures. Further, it pointed out that the exchange rate of the Lebanese pound exceeded LBP90,000 per US dollar on the parallel market and stood at LBP87,600 per dollar on Banque du Liban's Sayrafa electronic exchange platform at the time of the decision.

As such, the ministry said that the exchange rate for the currencies of Lebanon's main import sources become LBP60,000 for the US dollar, LBP65,464 for the euro, LBP74,440 for the British pound, LBP66,216 for the Swiss franc, LBP16,336 for the UAE dirham, LBP8,716 the Chinese yuan, LBP3,116 for the Turkish lira, LBP1,940 for the Egyptian pound, LBP732 for the Indian rupee, and LBP451.28 for the Japanese yen, among others. Also, it said that the exchange rate for the currencies of Lebanon's main import sources for new and used cars become LBP15,000 for the US dollar, LBP16,366 for the euro, LBP18,610 for the British pound, LBP2,179 the Chinese yuan, LBP492 for the New Taiwan dollar, LBP189 for the Russian ruble, LBP112.82 for the Japanese yen, and LBP11.4 for the South Korean won, among others.

The ministry raised the exchange rate of the US dollar for customs purposes from LBP1,507.5 to LBP15,000 per dollar in the fourth quarter of last year, as well as to LBP45,000 per US dollar in the first quarter of 2023. It added that the new rates will remain in force from May 2 until May 12, 2023.

Figures issued by Lebanese Customs show that total imports reached \$19.1bn in 2022, and rose by 40% from \$13.6bn in 2021. Non-hydrocarbon imports increased by \$3.7bn, or by 38%, to \$13.5bn in 2022; while the imports of oil & mineral fuels grew by \$1.7bn, or by 44%, to \$5.6bn. Lebanon's main non-hydrocarbon imports were machinery & electrical instruments that reached \$2.5bn and increased by 108% in 2022. The imports of vehicles, aircraft & vessels followed with \$2bn (+78%), then imported pearls, precious stones & metals with \$1.7bn (+35.8%); the imports of chemical products with \$1.2bn (-20.2%); the imports of prepared foodstuffs with \$1bn (+25%); imported vegetable products with \$989.8m (+18.4%); base metals with \$824m (+46%); and plastics & rubber with \$629.4m (+28%). Also, China was the main source of imports with \$2.7bn and accounted for 14% of the total in 2022, followed by Türkiye with \$2.4bn (12.7%), Greece with \$1.8bn (9.5%), Italy with \$1.1 (5.6%), the U.S. with \$967.8m (5%), the UAE with \$685.7m (3.6%), Germany with \$664.7m (3.5%), Switzerland with \$631m (3.3%), India with \$590.5m (3.1%), and Egypt with \$529m (2.8%).

Government modifies exchange rate for VAT on foreign currency invoices

The Council of Minister's Decree No. 11230 of April 18, 2023 modified the implementation of Law 379 dated December 14, 2001 about the value-added tax (VAT). The modifications determined the exchange rates that should be applied for the calculation of the VAT on invoices issued in foreign currency, until the adoption of a unified exchange rate.

First, the decree stipulates that the Ministry of Finance and the Governor of Banque du Liban (BdL) will jointly determine the exchange rate of the US dollar for customs tariffs, as well as the VAT and all fees on imports. Second, it indicated that, for business-to-business transactions on goods and services in foreign currency, the VAT rate will be determined by applying the exchange rate of the US dollar on BdL's Sayrafa electronic platform. It added that the invoices have to include the equivalent amount of the VAT in Lebanese pounds as well.

Third, it said that the VAT on foreign currency invoices for official fixed and mobile telecommunications services for individuals and businesses will be determined by applying the exchange rate of the US dollar on BdL's Sayrafa electronic platform. Fourth, it noted that the VAT on fees at airports and ports will be aligned with the exchange rate of the US dollar on BdL's Sayrafa electronic platform. The decree went into effect upon its publication in the Official Gazette on April 27, 2023.



Currency in circulation up 3.5% in first two months of 2023

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP101,290.6bn at the end of February 2023, constituting an increase of 2.5% from LBP98,780.3bn at the end of 2022 and a surge of 89.3% from LBP53,513bn at end-February 2022. Currency in circulation stood at LBP76,069.8bn at the end of February 2023, as it increased by 3.5% from LBP73,513.9bn at end-2022 and expanded by 114% from LBP35,547bn at end-February 2022. Also, demand deposits in local currency stood at LBP25,220.8bn at the end of February 2023, nearly unchanged from the end of 2022 and representing a rise of 40.4% from end-February 2022. Money supply M1 increased by 6.8% in February from LBP94,882bn at end-January 2023, with currency in circulation expanding by 10%, while demand deposits in local currency regressing by 2.1% month-on-month.

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP118,911bn at the end of February 2023, constituting an increase of 2% from LBP116,582.5bn at the end of 2022 and a jump of 61.5% from LBP73,617.9bn a year earlier. Term deposits in Lebanese pounds totaled LBP17,620.4bn at the end of February 2023, as they decreased by 1% from LBP17,802bn at end-2022 and by 12.4% from LBP20,104.6bn at end-February 2022. Money supply M2 increased by 5.5% in February from LBP112,763.6bn at end-January 2023, with term deposits in local currency regressing by 1.5% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP1,229 trillion (tn) at the end of February 2023, with deposits in foreign currency totaling LBP1,107.2tn and debt securities of the banking sector amounting to LBP2,864.3bn at the end of the period. Also, money supply M3 surged by 445% from LBP225,505.4bn at the end of January 2023, with deposits in foreign currency increasing by 885.4% and debt securities issued by the banking sector increasing by 648% month-on-month. In parallel, M3 surged by LBP999,396.6bn in the first two months of 2023 due to a jump of LBP187,794.6bn in the net foreign assets of deposit-taking institutions, a growth of LBP792,065.3bn in the net claims on the public sector, an increase of LBP121,074.6bn in the claims on the private sector, which was offset by a decline of LBP101,538bn in other items. The surge in M3 is due to the effect of the new exchange rate of LBP15,000 per US dollar that went into effect at the start of February 2023.

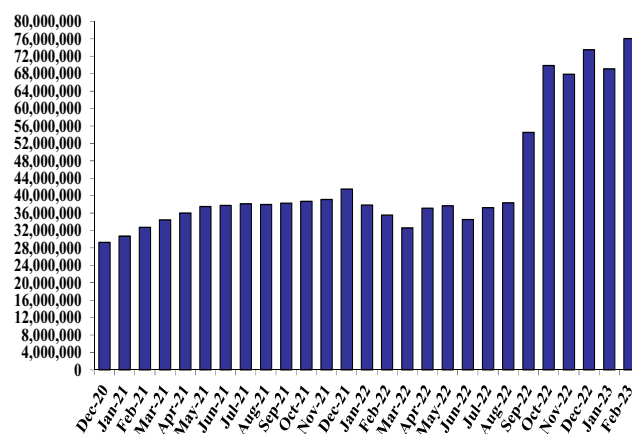
Number of airport passengers up 27% in first four months of 2023

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 1.9 million passengers utilized the airport (arrivals, departures and transit) in the first four months of 2023, constituting a surge of 26.9% from 1.5 million passengers in the same period of 2022, and relative to 765,820 passengers in the first four months of 2021. The number of arriving passengers reached 925,780 passengers in the first four months of 2023 and rose by 26.8% from 729,965 passengers in the same period of 2022, compared to 342,904 passengers in the first four months of 2021. Also, the number of departing passengers totaled 976,747 in the first four months of 2023 and increased by 28% from 763,619 passengers in the same period of last year, relative to 407,357 in the first four months of 2021. The increase in the number of airport passengers in the covered period is due in part to the rolling back of most travel restrictions around the world in light of the receding threat of the coronavirus pandemic, and the subsequent increase in mobility amid the resumption of normal activity.

In parallel, the airport's aircraft activity totaled 16,736 take-offs and landings in the first four months of 2023, representing a rise of 20.7% from 13,870 takeoffs and landings in the same period last year. In comparison, aircraft activity increased by 55.7% in the first four months of 2022 and decreased by 21.3% in the same period of 2021.

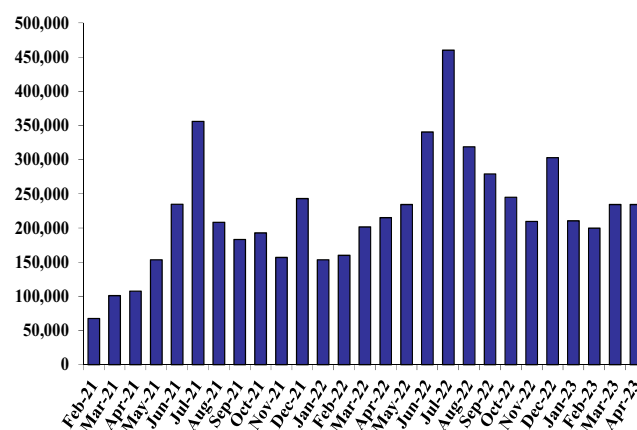
In addition, the HIA processed 17,572 metric tons of freight in the first four months of 2023 that consisted of 9,883 tons of import freight and 7,689 tons of export freight. Middle East Airlines had 7,449 flights in the covered period and accounted for 44.8% of HIA's total aircraft activity.

Currency in Circulation (LBP millions)



Source: Banque du Liban, Byblos Research

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

Nearly 65% of Treasury securities in Lebanese pounds have seven-year maturities or longer as at end-March 2023

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds reached LBP89,543bn at the end of March 2023 compared to LBP90,660bn at the end of March 2022. The outstanding Treasury securities denominated in Lebanese pounds were equivalent to \$5.97bn at the end of March 2023 based on the new official exchange rate of LBP15,000 per US dollar, but they become equivalent to \$995m based on the Sayrafa exchange rate of LBP90,000 per dollar at the end of March. The weighted interest rate on Lebanese Treasury securities denominated in Lebanese pounds was 6.36% in March 2023 compared to 6.53% in March 2022.

The distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP 34,565bn and accounted for 38.6% of aggregate securities denominated in Lebanese pounds at the end of March 2023, followed by seven-year Treasury bills with LBP18,672bn (21%), five-year Treasury securities with LBP16,002bn (18%), three-year Treasury bonds with LBP5,501bn (6%), two-year Treasury bonds with LBP5,049bn (5.6%), one-year Treasury securities with LBP3,838bn (4.3%), 12-year T-bills with LBP3,076bn (3.4%), 15-year Treasury securities with LBP1,417bn (1.6%), six-month T-bills with LBP969bn (1.1%), and three-month Treasury bonds with LBP454bn (0.5%). As such, 64.5% of outstanding Treasury securities have seven-year maturities or longer and 82.3% have five-year maturities or more.

In parallel, LBP960bn in outstanding Treasury securities denominated in Lebanese pounds matured in March 2023, of which 44.3% consisted of five-year Treasury bills, 21.5% were 12-months Treasury bills, 10.4% each consisted of three-year Treasury securities and of two-year Treasury bills, 7.2% were six-months Treasury bills, 4.2% consisted of three-months T-bills, and 2% were 10-year Treasury bonds. According to ABL, LBP14,447bn in outstanding Treasury bonds in Lebanese pounds will mature in 2023.

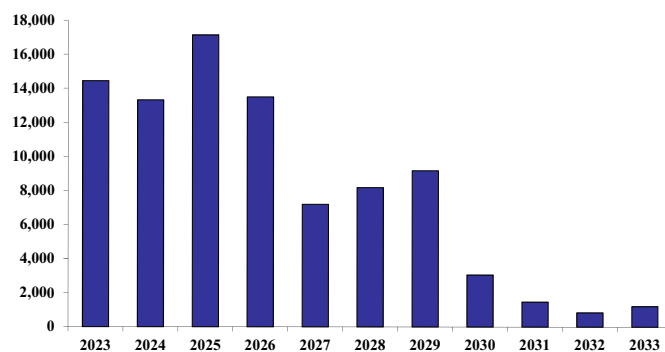
Banque du Liban extends measures related to interest payments on banks' placements

Banque du Liban (BdL) issued on April 25, 2022 Intermediate Circular 668/13549 addressed to banks, financial institutions and auditors that extends until the end of 2023 the clauses of Intermediate Circular 648/13495 that BdL issued on November 1, 2022. It said that the latter modifies Basic Circular 14/5258 dated September 17, 2020 related to the opening of deposit accounts in foreign currency at BdL, and Basic Circular 67/7534 dated March 2, 2000 about BdL's issuance of Certificates of Deposits in US dollars.

First, Intermediate Circular 648/13495 stipulates that BdL will reduce by 50% the interest rates that it pays on the commercial banks' term deposits in foreign currency placed at BdL, and that the latter will, on an exceptional basis, continue to pay half of the interest rates in US dollars and the other half in Lebanese pounds. Second, the circular added that it will reduce by 50% the interest rates that it pays on the Certificates of Deposits in US dollars that it has issued and that are held by commercial banks; and that it will, on an exceptional basis, continue to pay half of the interest rates in US dollars and the other half in Lebanese pounds.

BdL issued Intermediate Circular 536/13157 on December 4, 2019 that stipulates that BdL will, exceptionally and for a period of six months, apply new rules on the interest income it pays on term deposits that banks placed in US dollars at BdL and on the Certificates of Deposits that it issued in US dollars. Specifically, BdL indicated that it will pay 50% of the interest income in US dollars and 50% in Lebanese pounds on these dollar instruments. It then extended the terms of the circular for 12 months until the end of June 2021, for six months until the end of June 2022, and for an additional six months until the end of 2022.

Projected Maturities of Treasury Securities in LBP* (LBP billions)



*as at end-March 2023

Source: Association of Banks in Lebanon, Byblos Research

Government asks Banque du Liban to monitor implementation of circulars

The Council of Ministers decided on April 18, 2023, based on articles 70, 71 and 174 of the Code of Money and Credit, to ask Banque du Liban (BdL) to take all the necessary and appropriate measures for commercial banks in Lebanon to abide by the ceilings on deposit withdrawals and transfers, according to BdL's related circulars. It also called on BdL to make sure banks treat customers equally and avoid any preferential treatment for deposit accounts or for any other obligation in foreign currency irrespective of its type or origin, as well as to continue to allow customers to freely use the funds in their "fresh money accounts".

The Minister of Finance indicated that the government has submitted to Parliament a draft law to implement capital controls that aims to regulate foreign transfers, the conversions of funds in Lebanese pounds to foreign currencies, and cash withdrawals, in order to restore liquidity to the banking sector and to protect depositors. But it noted that the Parliament's delays in enacting the draft law is leading to the depletion of the banks' foreign currency reserves, which would impact the rights of depositors. It added that the prevailing situation mandates the Council of Ministers to take exceptional measures, until Parliament enacts the capital controls draft law.

BdL issued since 2020 a series of circulars addressed to banks about exceptional measures related to cash withdrawals from foreign accounts at banks in Lebanon. Basic Circular 151/13221 dated April 21, 2020 allowed clients who have accounts in US dollars or in any other foreign currency at banks in Lebanon to withdraw banknotes in Lebanese pounds from these accounts at a fixed exchange rate of LBP3,900 per US dollar, then at LBP8,000, and currently at LBP 15,000 per dollar. BdL set the maximum amount that a client can withdraw in Lebanese pounds under Basic Circular 151 at \$5,000 per month, then at \$3,000, and is \$1,600 currently. The circular covers clients who are not eligible to benefit from Basic Circular 148. The latter allows clients to withdraw, through a specific mechanism, the total amount they have in Lebanese pounds in all their accounts at a bank, provided that the net aggregate amount they have does not exceed LBP5,000,000, or the equivalent of \$3,000 in any foreign currency as at March 3, 2020.

In addition, BdL issued Basic Circular 158/13335 dated June 8, 2021 that indicated that eligible depositors can withdraw up to \$400 in foreign currency banknotes per month for a 12-month period, and up to the equivalent of \$400 converted to Lebanese pounds at the rate of LBP12,000 per US dollar, with half of the amount in Lebanese pounds disbursed in cash and the other half to be used through a payment card.

Further, Basic Circular 161/13384 dated December 16, 2021 stipulates that BdL will provide commercial banks cash US dollar banknotes instead of the supply of Lebanese pound banknotes, at the daily exchange rate of the Lebanese pound to the US dollar, based on the operations conducted on BdL's Sayrafa electronic exchange platform on the previous day. Second, 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 of each client. BdL has extended repeatedly the implementation of the above circulars.

Port of Beirut processes 359,000 tons of freight in January 2023

Figures released by the Port of Beirut show that the port processed 359,000 tons of freight in January 2023, constituting decreases of 10.7% from 402,000 tons in December 2022 and of 4% from 374,000 tons in the same month of 2022. Imported freight amounted to 294,000 tons in the first month of the year, down by 9.8% from 326,000 tons in December 2022 and by 8% from 320,000 tons in January 2022, while it accounted for 82% of the total freight volume processed through the port. In addition, the volume of exported cargo reached 65,000 tons in January 2022, constituting a decrease of 14.5% from 76,000 tons in the preceding month and an increase of 20.4% from 54,000 tons in January 2022. It represented 18% of aggregate freight in the covered month. A total of 89 vessels docked at the port in the first month of 2023, unchanged from January 2022, and representing a decrease of 19.8% from 111 ships in December 2022.

In parallel, the Port of Tripoli processed 265,185 tons of freight in January 2023, nearly unchanged from 265,366 tons in January 2022, and constituting a decrease of 135,437 tons, (-33.8%) from 400,622 tons in December 2022. Imported freight amounted to 106,613 tons in January 2023, representing drops of 119,377 tons (-52.8%) from 225,990 tons in December 2022 and of 99,550 tons (-48.3%) from 206,163 tons in January 2022. Imports accounted for 40.2% of freight activity in the covered month. In parallel, the volume of cargo that was exported through the port reached 158,572 tons in the first month of the year, constituting a decrease of 16,060 tons (-9.2%) from 174,632 tons in December 2022 and an increase of 99,369 tons (+167.8%) from 59,203 tons in January 2022. It represented 59.8% of total freight in January 2022. Further, revenues generated through the Port of Tripoli reached \$54.1m in January 2023, down by 15.5% from \$63.9m in December 2022 but they surged by 455.6% from \$9.7m in January 2022. A total of 59 vessels docked at the port in January 2023, nearly unchanged from 60 ships in December 2022, and declined by 14.5% from 69 vessels in January 2022.



Lebanon ranks 119th globally, third among Arab countries in press freedom

In its 2023 survey about press freedoms in 180 countries, international organization Reporters Without Borders ranked Lebanon in 119th place worldwide and in third place among 20 Arab countries. In comparison, Lebanon came in 130th place globally and in fifth place regionally in the 2022 survey.

The index measures the level of freedom that journalists and the media have in each country, as well as government efforts to respect press freedoms. The index is based on answers to a questionnaire, along with quantitative data on abuses and acts of violence against journalists and media outlets during the covered period. It calculates the score of each country or territory based on five contextual indicators that are the Political Context, the Legal Framework, the Economic Context, the Sociocultural Context, and Safety. The survey assigns index scores from zero to 100 per country, with a lower score reflecting a higher level of press freedom in a given jurisdiction. Further, it classifies countries in five situational categories of press freedom that are "good", "satisfactory", "problematic", "difficult", and "very serious".

Globally, Lebanon has a higher level of press freedoms than Equatorial Guinea, Tunisia and Kyrgyzstan, and a lower level than El Salvador, Kenya and Bolivia among economies with a GDP of \$10bn or more. Regionally, Lebanon trailed only Mauritania and Qatar. Lebanon received a score of 50.46 points in the 2023 index compared to 46.58 points in the 2022 survey. Lebanon's score was below the global average score of 58.4 points, but it came higher than the Arab countries' average score of 40.6 points.

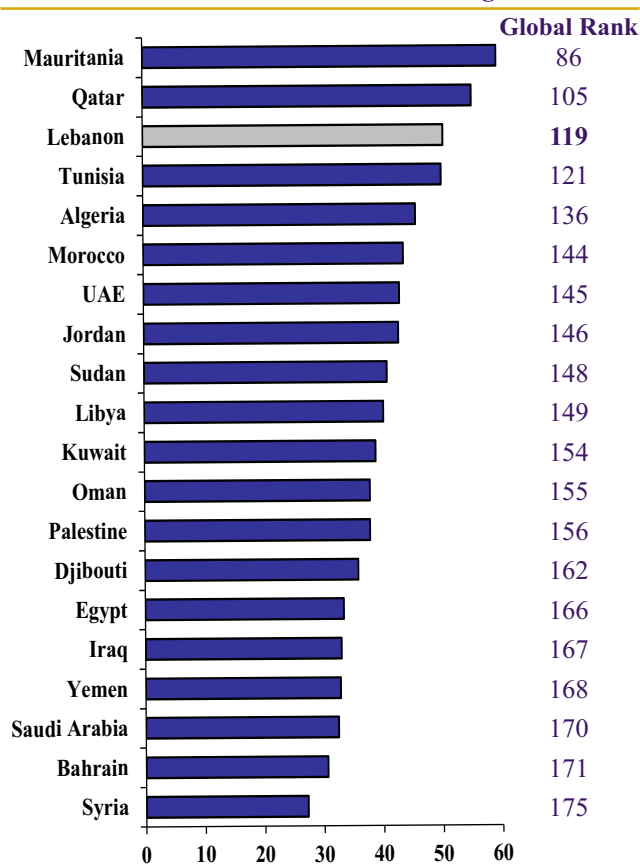
Further, Lebanon preceded the Democratic Republic of Congo and Ethiopia, and trailed Malawi and Nigeria on the Political Context category that captures the media's level of independence in case of political pressure from the State or from other political actors. Lebanon came behind only Tunisia, Mauritania, and Qatar among Arab economies on this category.

In addition, Lebanon ranked ahead of Pakistan and Israel, and lagged Tunisia and Morocco on the Legal Framework category. This category measures the degree of legal protection of journalists and the media from censorship or judicial sanctions, as well as the ability of journalists to access information without discrimination and to protect sources. Lebanon trailed only Mauritania, Tunisia, and Morocco among Arab countries on this category.

Also, Lebanon preceded Thailand and the UAE, and came behind Nepal and Tanzania on the Safety category, which measures the journalists' level of psychological or emotional distress that could result from intimidation, coercion, harassment and surveillance, and the risk of losing their job. Lebanon trailed Qatar, Kuwait, Mauritania, Oman, Sudan, and Jordan in the Arab world on this category.

The survey classified the level of press freedoms in Lebanon, along with 42 other countries worldwide, in the "difficult situation" category. Also, Lebanon was among eight Arab countries that came in the "difficult situation" segment, while two Arab states were in the "problematic situation" category and the remaining 10 sovereigns fell in the "very serious situation" segment.

**Press Freedom Index for 2023
Arab Countries' Scores & Rankings**



Source: Reporters Without Borders, Byblos Research

Components of the Press Freedom Index for Lebanon

Component	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
Political Context	108	4	51.6	56.8	42.4
Legal Framework	130	4	48.1	59.4	36.1
Economic Context	147	6	35.7	48.7	33.8
Sociocultural Context	106	2	58.9	62.6	40.4
Safety	108	7	58.0	64.6	50.1

Source: Reporters Without Borders, Byblos Research

Term deposits account for 56.4% of customer deposits at end-February 2023

Figures issued by Banque du Liban about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at LBP1,531 trillion (tn) at the end of February 2023, or the equivalent of \$102.1bn at end-February 2023 based on the new exchange rate of LBP15,000 per US dollar that went into effect at the start of February. Total deposits include private sector deposits that reached LBP1,464.8tn, deposits of non-resident financial institutions that amounted to LBP49.8tn, and public sector deposits that stood at LBP16.4tn at the end of February 2023.

Term deposits in all currencies reached LBP864.1tn at the end of February 2023 and accounted for 56.4% of total deposits in Lebanese pounds and in foreign currency as at end-February 2023, relative to a share of 54.7% at the end of 2022 and 54.3% at end-January 2023. The increase in the share of term deposits is due to the effect of the new exchange rate on the Lebanese pound component of the balance sheet. Further, the foreign currency-denominated term deposits of the public sector dropped by 48.2% in the first two months of 2023, followed by a decrease of 26% in the term deposits of the non-resident financial sector, a contraction of 9.4% in the term deposits of non-residents, a downturn of 2% in the foreign currency-denominated term deposits of the resident private sector, and a retreat of 0.3% in the term deposits in Lebanese pounds of the resident private sector from end-2022. This was partly offset by an increase of 6.4% in the term deposits in Lebanese pounds of the public sector. Aggregate term deposits declined by \$108.9bn since the end of September 2019, based on the new exchange rate, due to cash withdrawals and to the migration of funds from term to demand deposits, amid the confidence crisis that started in September 2019.

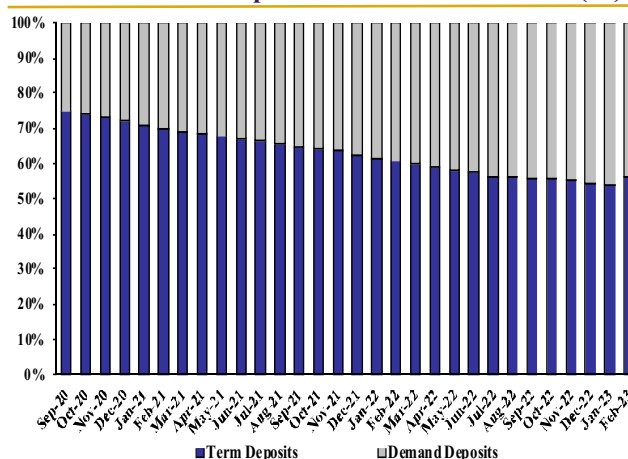
In addition, the foreign currency-denominated term deposits of the resident private sector reached \$40.4bn and accounted for 39.5% of aggregate deposits at the end of February 2023. Term deposits of non-residents followed with \$13.4bn or 13% of the total, then term deposits of the non-resident financial sector with \$2.1bn (2%), term deposits in Lebanese pounds of the resident private sector with LBP17.3tn (\$1.15bn) (1.1%), and term deposits of the public sector in Lebanese pounds with LBP4.6tn (\$306m) and term deposits of the public sector in foreign currency with \$297.5m (0.3% each).

In parallel, demand deposits in all currencies at commercial banks stood at LBP667tn at the end of February 2023. They accounted for 43.6% of total deposits at end-February 2023 relative to a share of 45.3% at end of 2022 and 45.7% at end-January 2023. The decrease in the share of demand deposits was mainly due to a decline of \$538m in demand deposits of non-residents in the first two months of 2023, a decrease of \$262.5m in demand deposits of the non-resident financial sector, a contraction of \$80m in foreign currency-denominated demand deposits of the resident private sector, and a retreat of LBP252.5bn in demand deposits in Lebanese pounds of the resident private sector. This was partly offset by an increase of \$38.3m in demand deposits in foreign currency of the public sector and a rise of LBP347bn in demand deposits in Lebanese pounds of the public sector.

Also, demand deposits in foreign currency of the resident private sector totaled \$33bn and represented 32.4% of deposits at end-February 2023. Demand deposits of non-residents followed with \$8.1bn (8%), then demand deposits in Lebanese pounds of the resident private sector with LBP24.8tn (1.6%), demand deposits of the non-resident financial sector with \$1.2bn (1.2%), demand deposits in foreign currency of the public sector with \$377.2m (0.4%), and demand deposits in Lebanese pounds of the public sector with LBP1.7tn (0.1%).

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

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban

Ministry of Energy and Water signs contracts to build solar energy production plants

The Ministry of Energy & Water signed contracts with 11 private companies based on the approval of the Council of Ministers on May 12, 2022, to issue licenses to the companies to build solar photovoltaic farms, or solar energy production plants, across Lebanon with a capacity of 15 megawatts (MW) per plant. The licenses are the result of a tender that the government launched in January 2017, based on international best practices, when the ministry invited all interested firms to submit their bids for the necessary plots of land, to provide the technology and equipment for constructing the stations, as well as to prepare their financial and technical offers.

The ministry indicated that the 11 companies consist of Dawtec-Loop-Staunch, Ecosys-Kaco, and Labwe Solar Farm for the Bekaa region; Elect-Stc-Solistis and Kfifane Phoenix Power Plant for the North of the country; Gds-Et-Nabatiyeh, Rimat 15 and South Power for the South; and Joun PV, Sibline Solar Farm and E/One for the Mount Lebanon region.

It said that the cost of solar energy that the companies will sell will be 5.7 cents per kilowatt-hour (KWH) in the Bekaa region, given that it is a plain area, and 6.27 cents per KWH in all other regions. It noted that the government's plan aims for the share of renewable energy to reach 30% of total power consumption by 2030, as per the national target. It pointed out that the purpose of the ministry is to install solar farms and individual solar panels with a capacity of 3,000 MW, and wind farms with a capacity of about 1,000 MW by 2030, in addition to the expansion of the solar water heating market and the heat pump market.

In January 2017, the ministry called on the private sector to submit expressions of interest for the construction of solar photovoltaic farms in Lebanon with an aggregate capacity of between 120 and 180 MW in various sites across the country. Each solar power plant will have a power capacity of a minimum of 10 MW and a maximum of 15 MW. Companies will finance, develop, acquire land, design, build, own, operate, and maintain the renewable energy plant, and will be responsible for all other aspects of the operation.

Import activity of top five shipping firms and freight forwarders down 13% in January 2023

Figures released by the Port of Beirut show that the aggregate volume of imports by the top five shipping companies and freight forwarders through the port reached 15,694 20-foot equivalent units (TEUs) in January 2023, constituting a decrease of 13% from 18,046 TEUs in January 2022. The five shipping and freight forwarding firms accounted for 82.7% of imports to the Lebanese market in January 2023. Mediterranean Shipping Company (MSC) handled 5,286 TEUs in January 2023, equivalent to 19.3% of the total import freight market to Lebanon. Merit Shipping followed with 5,238 TEUs (19%), then MAERSK with 2,406 TEUs (8.8%), Sealine Group with 1,507 TEUs (5.5%), and Gezairi Transport with 1,257 TEUs (4.6%). The five shipping and freight forwarding firms registered decreases in shipping activity from the same month last year, with Gezairi Transport posting a decline of 27.4%, the steepest among the five companies, while Sealine Group registered a surge of 384.6, the only increase among the five firms. Also, the import shipping operations of the top five firms through the port regressed by 18.4% in January 2023 from the preceding month.

In parallel, the aggregate volume of exports by the top five shipping and freight forwarding firms through the Port of Beirut reached 6,046 TEUs in January 2023, constituting a decrease of 12% from 6,394 TEUs in January 2022. The five shipping companies and freight forwarders accounted for 93.2% of exported Lebanese cargo in January 2023. Merit Shipping handled 3,258 TEUs of freight in the first month of the year, equivalent to 54% of the Lebanese cargo export market. MAERSK followed with 1,514 TEUs (25%), then MSC with 336 TEUs (5.6%), Seanautics with 315 TEUs (5.2%), and Sealine Group with 211 TEUs (3.5%). MAERSK posted a rise of 190% in exports in January 2023, the highest growth rate among the covered companies, while Merit registered a decrease of 35.7%, the steepest decline among the five firms in the covered period. The export-shipping operations of the top five companies decreased by 21.5% in January 2023 from the previous month.



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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