

## LEBANON THIS WEEK

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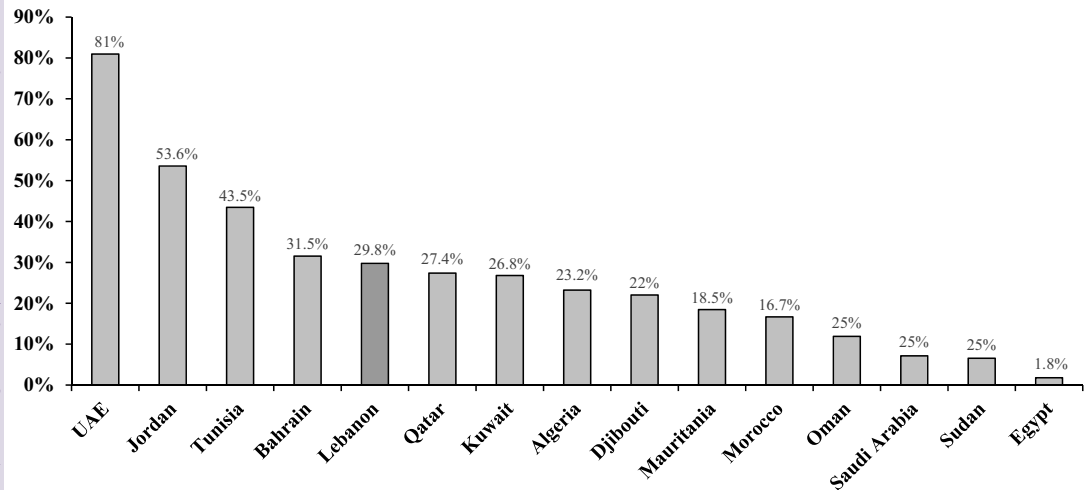
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### Ratio Highlights

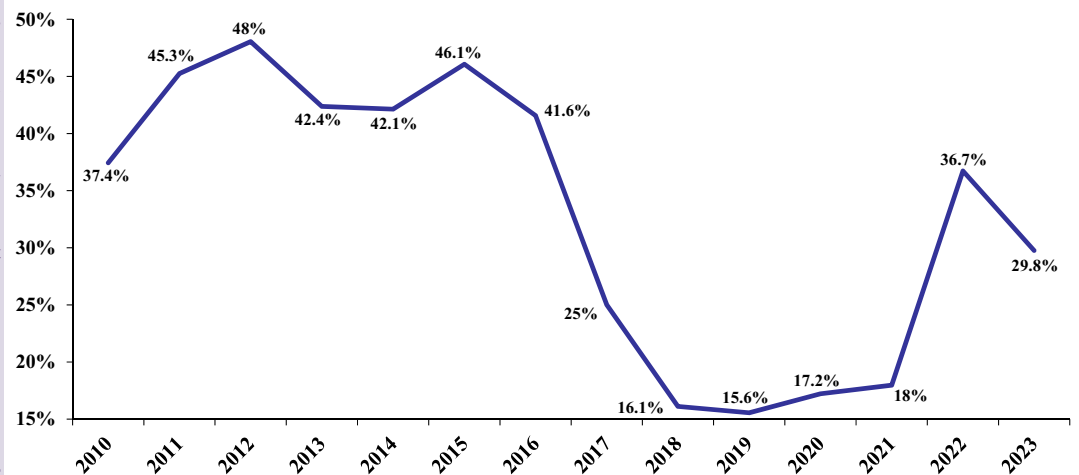
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### Charts of the Week

Percentile Rankings of Arab Countries in terms of Labor Freedom for 2023\*



Percentile Rankings of Lebanon in terms of Labor Freedom



\*The Heritage Foundation defines labor freedom as a quantitative measure that considers various aspects of the legal and regulatory framework of a country's labor market

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

### Quote to Note

"Absenteeism has paralyzed public services, and the provision of basic services like electricity, healthcare, and education has been severely disrupted."

*The Institute of International Finance, on the effects of the enduring strike of public sector workers and employees*

### Number of the Week

**12:** Number of months that the Council of Ministers has been operating in a caretaker capacity

## 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 %
Byblos Common	0.75	0.0	103,000	2.2%	Apr 2024	6.65	5.88	775.35
Solidere "A"	84.20	3.0	35,114	44.3%	Jun 2025	6.25	5.88	201.54
Solidere "B"	86.15	5.0	16,267	29.4%	Nov 2026	6.60	5.88	100.13
Audi Listed	1.95	14.7	3,000	6.0%	Mar 2027	6.85	5.88	90.01
Audi GDR	1.38	0.0	2,000	0.9%	Nov 2028	6.65	5.88	59.71
BLOM GDR	2.49	(0.4)	230	1.0%	Feb 2030	6.65	5.88	46.81
Byblos Pref. 09	29.99	0.0	-	0.3%	Apr 2031	7.00	5.88	39.33
BLOM Listed	2.56	0.0	-	2.9%	May 2033	8.20	5.88	30.57
HOLCIM	46.08	0.0	-	4.7%	Nov 2035	7.05	5.88	24.17
Byblos Pref. 08	27.00	0.0	-	0.3%	Mar 2037	7.25	5.88	21.61

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

Source: Refinitiv

	May 22-26	May 15-19	% Change	April 2023	April 2022	% Change
Total shares traded	166,761	136,569	22.1	315,447	2,124,884	(85.2)
Total value traded	\$4,478,130	\$8,182,796	(45.3)	\$17,282,146	\$30,360,019	(43.1)
Market capitalization	\$19.02bn	\$18.36bn	3.6	\$19.30bn	\$10.59bn	82.1

Source: Beirut Stock Exchange (BSE)



### **Special Investigation Commission clarifies process of Mutual Evaluation Report**

The Special Investigation Commission (SIC) for fighting money laundering and terrorism financing, which is Lebanon's Financial Intelligence Unit, indicated that the Financial Action Task Force (FATF), the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), discussed and adopted the Mutual Evaluation Report (MER) of Lebanon during the 36th Plenary & Working Groups meetings of the regional body MENAFATF that took place between May 23 and May 25, 2023. It said that the adoption of the MER concludes a lengthy 16-month period that assessed, under difficult circumstances, Lebanon's AML/CFT regime based on the FATF's assessment methodology that it applies across all jurisdictions.

It noted that the MER will acknowledge the positive aspects of Lebanon's AML/CFT regime, while it will identify deficiencies that need to be addressed. It pointed out that Lebanon will have to take corrective measures to address the identified deficiencies and submit to the MENAFATF a progress report in 2024. It added that, following due process, the FATF and the Lebanese authorities will publish the adopted MER in June 2023, and that the SIC will issue an official statement in this regard.

The SIC's most recent annual report on actions related to tracing money generated from illegal activities in Lebanon indicated that the SIC received 404 cases suspected to be related to money laundering or terrorism financing in 2021 compared to 463 suspected cases in 2020. It received 274 cases, or 67.8% of the total, from local sources, and 130 cases or 32.2% of the total from international sources in 2021. In turn, the SIC referred 244 suspected cases to the judicial authorities, while 38 cases are still pending and the remaining 122 cases did not fall within the framework of Law 44. Overall, the SIC investigated 366 out of 404 suspected cases, or 90.6% of the total in 2021, relative to 83% of cases in 2020, 86.7% of cases in 2019, 85% of cases in 2018, 86% of cases in 2017, 85% of cases in 2016, 77.5% of cases in 2015, 73.6% of cases in 2014, 84.7% of cases in 2013 and 67.3% of cases in 2012.

Forgery accounted for 14.2% of the cases that the SIC received in 2021, followed by fraud with 11.6%, cybercrime with 11.1%, corruption with 8.8%, tax evasion with 10%, terrorism & terrorism financing with 7.4%, narcotics trafficking with 5.4%, embezzlement of private funds with 2.6%, smuggling with 1.7%, insider trading with 1.4%, human trafficking & migrant smuggling with 0.9%, extortion with 0.6%; and counterfeiting of goods, sexual exploitation and organized crime with 0.3% each; while the remaining 23.6% of cases did not fall under a specific category.

In cases related to terrorism or terrorism financing, the SIC received 23 names (eight cases) from domestic sources and 65 names (18 cases) from foreign parties. The breakdown of local sources shows that money transfer operators supplied 12 names (seven cases), and ministries provided 11 names (one cases). The distribution of foreign sources reveals that foreign judicial authorities delivered 59 names (14 cases) and the United Nations Security Council provided six names (four cases).

### **Government requests LBP22.8 trillion in additional Treasury advances to cover public-sector wage increases**

The Council of Ministers approved on May 26, 2023 a draft law for an advance from the Treasury in the 2023 budget for LBP21.23 trillion that aims to provide temporary financial compensation to all workers and employees in the public sector, as well as to retirees who benefit from a monthly pension payment. Further, it endorsed a draft law for an additional advance from the Treasury in the 2023 budget for LBP1.55 trillion to cover the increase in the transportation stipend to public sector workers and employees. The two advances total LBP 22.78 trillion, which is equivalent to \$1.5bn at the new official exchange rate of LBP15,000 per US dollar that went into effect at the start of February 2023 and to \$260m at the exchange rate of the dollar on Banque du Liban's Sayrafa electronic exchange platform.

The Council of Ministers approved on April 18, 2023 Decree 11227 that stipulates 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 on April 18, 2023 Decree 11225 that adjusted the transportation stipend for public sector personnel from LBP95,000 per day to LBP450,000 per day, for each day that they report to work.



### Political deadlock undermining implementation of comprehensive recovery plan

The World Bank projected Lebanon's real GDP to contract by 0.5% in 2023 relative to a decline of 2.6% in 2022, and considered that the outlook is subject to significant uncertainties amid the repeated episodes of sharp currency depreciation. It attributed the anticipated slower contraction in real GDP this year to a sustained but modest pickup in private consumption and a narrowing of the current account deficit relative to 2022, as well as to the milder reductions in investments and gross fixed capital formation. It noted that its projections also take into account the persistent lack of political will for the implementation of comprehensive reforms, as well as the prevailing institutional vacuum that it expects to continue throughout 2023.

It added that the Lebanese economy is still far from a stabilization path despite the normalization of the crisis, and that the deceleration in the contraction rate of the economy is due to favorable base effects rather than an indication of a stabilizing economy. As such, it pointed out that it does not rule out further economic contraction in case the delivery of public services deteriorates, foreign currency reserves decline, and the currency depreciation-inflation spiral accelerates.

In parallel, it expected that the 2022 budget will continue to have a considerable impact on public finances in 2023, given the significant delay in ratifying a budget for this year. It projected the fiscal balance to shift from a surplus of 0.3% of GDP in 2022 to a deficit of 0.5% of GDP in 2023, the first deficit since 2020, amid the authorities' anticipated expansionary fiscal policy. As such, it expected the probable monetization of the fiscal deficit to have implications on narrow money supply and to exacerbate inflationary pressures. However, it projected public expenditures and revenues to decline significantly in 2023, as it forecast public spending to decline by 88.8% between 2018 and 2023 and for public revenues to decrease by 84.3% during the covered period.

In addition, it expected the current account deficit to narrow from 20.6% of GDP in 2022 to 14% of GDP this year. It attributed the narrowing of the deficit to the normalization of imports following the increase in the exchange rate for customs tariffs, given that the pre-announcement of the new tariffs triggered a record increase in imports in 2022, which led to the widening of the trade deficit. It also anticipated the modifications of the exchange rate for customs tariffs to improve the trade balance in 2023 due to the expected decrease in imports.

Further, the World Bank considered that the persistent political deadlock is weighing on the authorities' crisis management decisions, and continues to undermine a comprehensive recovery plan across all economic pillars. It added that the sustained "socialization" of financial losses, ad hoc monetary policy, and the monetization of fiscal deficits have prompted a regressive currency depreciation-inflation spiral, which has further depressed economic output and worsened the living conditions of Lebanon's residents, mainly the most vulnerable segments of the population, and the majority of the local labor force who earn in Lebanese pounds and are witnessing a daily erosion to their purchasing power. Also, it pointed out that the deterioration of public finances has resulted in an acute collapse of the provision of public services and atrophy of state institutions.

It stressed the need for Lebanese authorities to urgently adopt a domestic, comprehensive and equitable solution to the prevailing crisis that is based on a new and credible exchange rate and monetary framework; a medium-term fiscal strategy to restore debt sustainability; key structural and sectoral reforms to enhance governance; as well as a restructuring plan of the banking sector that addresses the impairments of the sector's balance sheet, restores liquidity, and adheres to sound global practices of bail-in solutions.

#### Macroeconomic Indicators for Lebanese Economy

	2019	2020	2021e	2022e	2023f
Real GDP growth (%)	-6.9	-21.4	-7.0	-2.6	-0.5
Inflation Rate (Average, %)	2.9	84.3	154.8	171.2	165.0
Fiscal Balance (% of GDP)	-10.6	-3.3	1.0	0.3	-0.5
Public Debt Level (% of GDP)	172.3	179.2	172.5	162.6	183.5
Current Account Balance (% of GDP)	-22.0	-9.3	-12.5	-20.6	-14.0
Total debt stock (USbn)	88.90	56.81	39.90	35.05	32.95
Exchange rate, average (LBP/US\$)	1,554	3,688	11,755	27,309	84,068

Source: World Bank

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

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds reached LBP89,100bn at the end of April 2023 compared to LBP90,971bn at the end of April 2022. The outstanding Treasury securities denominated in Lebanese pounds were equivalent to \$5.94bn at the end of April 2023 based on the new official exchange rate of LBP15,000 per US dollar, but they become equivalent to \$1.03bn based on the Sayrafa exchange rate of LBP86,500 per dollar at the end of April. The weighted interest rate on Lebanese Treasury securities denominated in Lebanese pounds was 6.35% in April 2023 compared to 6.52% in April 2022.

The distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP 34,565bn and accounted for 38.8% of aggregate securities denominated in Lebanese pounds at the end of April 2023, followed by seven-year Treasury bills with LBP18,623bn (21%), five-year Treasury securities with LBP15,602bn (17.5%), three-year Treasury bonds with LBP5,201bn (5.8%), two-year Treasury bonds with LBP5,044bn (5.7%), one-year Treasury securities with LBP4,099bn (4.6%), 12-year T-bills with LBP3,076bn (3.5%), 15-year Treasury securities with LBP1,417bn (1.6%), six-month T-bills with LBP1,011bn (1.1%), and three-month Treasury bonds with LBP462bn (0.5%). As such, 64.7% of outstanding Treasury securities have seven-year maturities or longer and 82.2% have five-year maturities or more.

In parallel, LBP1,004bn in outstanding Treasury securities denominated in Lebanese pounds matured in April 2023, of which 39.8% consisted of five-year Treasury bills, 30% were three-year Treasury bonds, 12% consisted of one-year T-bills, 7% were three-months Treasury securities, 6% consisted of six-months Treasury bills, 5% were seven-year Treasury bonds, and 0.5% consisted of two-year Treasury bills. According to ABL, LBP13,623bn in outstanding Treasury bonds in Lebanese pounds will mature in 2023.

### Iraq to increase fuel oil shipments to Lebanon

The Ministry of Energy & Water announced on May 16, 2023 that it has reached an agreement with Iraqi Ministry of Oil to double the quantities of oil derivatives that Iraq has been supplying to Lebanon for the benefit of the state-owned Electricité du Liban (EdL). It indicated that the new quantity of fuel oil will increase the monthly supply of fuel to the country from 80,000 tons to 160,000 tons per month, or 1.92 million tons of fuel oil annually, which will lead to the provision of eight to 10 hours of electricity per day, up from four to five hours per day currently.

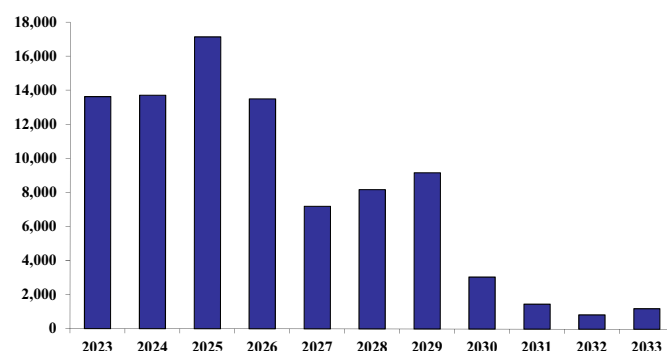
Further, the ministry asked the Ministry of Oil of Iraq to sign a new contract between Lebanon and Iraq pledging to supply two million tons of crude oil to Lebanon per year. It said that the new agreement will be implemented through a fair and competitive mechanism, including a six-month deferred payment from the date of the receipt of the cargo and at a preferential rate.

In July 2021, the Lebanese authorities reached a deal for one year with their Iraqi counterparts that allows the Lebanese government to buy one million tons of heavy fuel oil from Iraq and to resell the oil through monthly spot tenders on behalf of EdL in order to meet power production needs in the country. The ministry said that the Iraqi heavy fuel oil is unsuitable for Lebanon's power plants, so the Lebanese government has been exchanging the imports with refined fuel oil through tenders to swap the Iraqi heavy fuel oil with 'Grade B' fuel oil. As a result, the Emirates National Oil Company Limited (ENOC), a firm owned by the Emirate of Dubai, won on August 27, 2021 the tender to swap 84,000 tons of Iraqi "high sulphur black" heavy fuel oil for 30,000 tons of 'Grade B' fuel oil and 33,000 tons of gas oil. The quantities of heavy fuel oil that ENOC has been swapping each month range from 75,000 tons to 85,000 tons.

The Iraqi government agreed on August 11, 2022 to extend the fuel oil agreement with Lebanese authorities for one year under the same conditions of the current arrangement. The deal stipulates that Lebanon will buy one million tons of heavy fuel oil for the benefit of the state-owned Electricité du Liban in exchange for medical and consulting services, and that Iraq will export two shipments per month to Lebanon. The volume is equivalent to one third of Lebanon's fuel oil needs for electricity production.

In parallel, the Ministry of Energy & Water noted that it has asked the Iraqi Ministry of Oil to deliver the remaining quantities of fuel oil under the old agreement in four shipments between July and the end of October 2023.

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



\*as at end-April 2023

Source: Association of Banks in Lebanon, Byblos Research

### **World Bank approves \$300m loan for social safety net**

The World Bank indicated that it has approved \$300m in additional financing for the Lebanon Emergency Crisis and COVID-19 Response Social Safety Net Project (ESSN). It said that the new loan will expand existing cash transfers to poor and vulnerable Lebanese households and further support the development of a unified social safety net delivery system in the country. It pointed out that the new package follows a \$246m loan that it approved in January 2021 and an additional \$4m it extended in May 2022.

In parallel, it pointed out that the \$300m loan aim to provide cash transfers to 160,000 households for 24 months, including the current ESSN beneficiary households and new households that meet poverty and vulnerability criteria. It indicated that the program will provide a monthly cash transfer of \$20 per household member with a maximum of \$145 per family, in addition to a fixed amount of \$25 per household for up to six members. It said that the payment information as well as other critical messages will be communicated monthly to the recipient households through short message services on mobile phones, and that households will redeem their benefits in US dollars through mobile transfer operators.

Further, it noted that the new financing will provide additional cash transfers to support the education of 92,000 students between the ages of 13 and 18 to cover the direct costs of schooling, including school registration fees, parents' council fees, the cost of school textbooks and stationery, transportation, and the cost of school uniforms. It said that eligible students will receive between \$285 and \$425 per school year, depending on the school grade and education stream. It added that the Ministry of Education and Higher Education will monitor and report to the World Bank the attendance and academic performance of eligible students. Also, it indicated that the new financing will support the increased access to quality social services that the Social Development Centers of the Ministry of Social Affairs are providing to 400,000 individuals, and will deliver capacity-building activities to the social workers at the ministry and at the centers.

It considered that the ESSN project, known as AMAN, has built the foundations of a poverty-targeted social safety net system in Lebanon through the establishment of DAEM, the first fully digitized national social registry. It added that DAEM has facilitated cash transfers for up to 14 months to approximately 82,000 households that meet the extreme poverty and social vulnerability criteria. It said that the project is jointly implemented by the Ministry of Social Affairs and the Central Management Unit at the Presidency of the Council of Ministers.

Further, it stated that the additional financing will support the development of the DAEM Social Registry and will integrate it into a Social Protection Information System (SPIS) according to the needs of the Lebanese government. It noted that the SPIS will facilitate the integration of poverty-targeted social safety net programs under the National Poverty Targeting Program (NPTP) and the ESSN program, as well as the implementation of other social safety net initiatives through the same gateway. Further, it will cover the core functions of social safety net programs, which include intake & registration, assessment of needs and conditions, eligibility & enrollment, determination of benefits and services package, case management, delivery of benefits and services, grievance redress, and the continuous monitoring through respective modules in the system.

In parallel, the World Bank said that it conducted a survey that revealed that 43% of vulnerable households spent their cash transfers on food, followed by 12% of poor families who spent their funds on healthcare. It added that the survey found that around 99% of beneficiary households reported improved living conditions after the transfers, while 66% of beneficiary families with children said that the transfers facilitated school attendance.

### **Cement deliveries up 9% to 2.12 million tons in 2022**

Figures released by Banque du Liban indicate that cement deliveries in Lebanon totaled 2.12 million tons in 2022, compared to 1.95 million tons in 2021 and 1.96 million tons in 2020. The figures represent an increase of 8.9% in 2022 and a decrease of 0.4% in 2021, compared to a drop of 39% in 2020 from the preceding year. The volume of cement deliveries constitutes a proxy for the prevailing activity in Lebanon's construction sector during the covered period.

Further, cement deliveries reached 174,369 tons in December 2022 compared to 140,330 tons in December 2021 and 204,417 tons in December 2020. As such, cement deliveries rose by 24.3% in December 2022 from the same month of the previous year, and dropped by 31.4% in December 2021 from the corresponding month of 2020, while they improved by 77% in December 2020 from the same month of 2019.

In parallel, cement deliveries in Lebanon reached 218,980 tons in November; 183,603 tons in October; 223,860 tons in September; 208,349 tons in August; 182,52 tons in July; 226,639 tons in June; 192,914 tons in May; 195,652 tons in April; 122,435 tons in March; 86,537 tons in February; and 108,488 tons in January 2022. As such, cement deliveries averaged 177,029 tons per month in 2022 compared to 162,555 tons per month in 2021 and 163,180 tons per month in 2020.

### **Capital Markets Authority amends business and market conduct regulations**

The Capital Markets Authority (CMA) issued on March 8, 2023 Announcement No. 89 to licensed financial institutions about amendments to Business Conduct Regulations Series 3000 and Market Conduct Regulations Series 4000. It said that it based its decision on Capital Markets Law 161 dated August 17, 2011, as well as on decisions No. 19/9/22 and 6/2/23 that the CMA's board of directors took during its meetings of November 8, 2022 and February 28, 2023, respectively.

First, it said that licensed financial institutions have to send to their clients reports, financial statements and notifications according to the regulations, whether in hard copy or by electronic mail or text messages, on their mobile phones. It added that, in case the communication is by electronic mail or by text message, the institution has to abide by the clauses of Law 81 dated October 18, 2018, especially regarding organizing and saving the correspondence, and using secure means that identify the signatory and utilizing the electronic signature based on pre-approved protection measures.

Second, it stipulated that the licensed institution has to provide the client on a monthly basis with a copy of his or her statement that shows his/her investment portfolio and the transactions he/she has executed. It added that it can communicate the statement in hard copy, or to his/her email address, or by text message on the addresses or phone number that the client has provided. It noted that the compliance unit has to verify that the licensed institution has sent the statement through one of the above means, and to make sure the addresses are updated regularly. Also, it said that the client has the right to object to any transaction in the statement within two weeks of receiving the document.

Third, it stated that the licensed institution has to include in the agreement to open a new account, or before it conducts any transaction related to financial instruments with the client or on his behalf, a clause that lists the fees and commissions that the client must pay, and to get his signature on a dated document of this list. It added that, in case the institution decided to update the list of fees and commissions, it should communicate the updated fees to the client in hard copy, or to his/her email address, or by text message on the addresses or phone number that the client has provided. Further, it noted that the firm has to give the client a two-week period from the date of informing him/her about the changes in fees and commissions, in case the client wants to submit an objection on the updated list. It said that the new fees and commissions will go into effect after the two-weeks period if the client does not object to the new schedule of fees. It considered that the non-objection by the client means his/her implicit approval of the new schedule of fees and commissions, whereby the firm can start charging the client the fees based on the updated schedule.

In addition, it said that the compliance unit has to verify that the licensed institution has sent to the client the notification of the updated fees and commissions in hard copy, or to his/her email address, or by text message on the addresses or phone number that the client has provided.

### **Customs receipts at LBP2.58 trillion in 2022**

Figures released by Banque du Liban indicate that customs revenues totaled LBP2.58 trillion (tn) in 2022, compared to LBP1.61tn in 2021 and LBP1.33tn in 2020. The figures represent increases of 60.4% in 2022 and of 20.7% in 2021, compared to a drop of 29.3% in 2020 from the preceding year.

Further, customs revenues reached LBP553.7bn in December 2022 compared to LBP152.1bn in December 2021 and LBP131.4bn in December 2020. As such, customs receipts rose by 263.8% in December 2022 from the same month of the previous year, and increased by 15.8% in December 2021 from the corresponding month of 2020, while they improved by 9.5% in December 2020 from the same month of 2019.

In parallel, customs receipts reached LBP189bn in November, LBP204.2bn in October, LBP154.4bn in September, LBP237.7bn in August, LBP195.1bn in July, LBP192.2bn in June, LBP198.3bn in May, LBP155.3bn in April, LBP190bn in March, LBP162bn in February, and LBP145bn in January 2022. BdL indicated that, in December 2022, the authorities started using the new exchange rate of the US dollar at customs of LBP15,000 compared to the previous official exchange rate of LBP1,507.5 to the dollar.

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.

### **Balance sheet of investment banks at LBP20.3 trillion at end-March 2023**

Figures released by Banque du Liban (BdL) show that the consolidated balance sheet of investment banks in Lebanon reached LBP20.33 trillion (tn) at the end of March 2023, or the equivalent of \$1.36bn, constituting an increase of 0.4% from LBP20.26tn (\$1.35bn) at the end of February 2023. The dollar figures are based on the new exchange rate of LBP15,000 per US dollar that went into effect at the start of February 2023.

On the assets side, claims on resident customers amounted to LBP2.6tn (\$176.1m) at the end of March 2023 and decreased by 7.7% from the end of February 2023. Claims on resident customers in Lebanese pounds totaled LBP1.03tn at end-March 2023, constituting a decrease of 3.2% from end-2022 and of 21.7% from end-March 2022; while claims on resident customers in foreign currency amounted to \$107.5m at end-March 2023 and declined by 18% in the first quarter of the year and by 27.7% from end-March 2022. Also, claims on non-resident customers stood at \$44m at end-March 2023, representing increases of 10.6% from end-2022 and of 81.3% from a year earlier. In addition, claims on the resident financial sector reached LBP3tn (\$199.4m) at end-March 2023, up by 6% from LBP2.8tn at the end of February 2023. Claims on the resident financial sector in Lebanese pounds amounted to LBP1.23tn at end-March 2023 and surged by 58% in the first quarter of the year and by 148% from end-March 2022; while claims on the resident financial sector in foreign currency totaled \$117.1m at end-March 2023, up by 32.4% from end-2022 and down by 26.7% from end-March 2022. Further, claims on the non-resident financial sector reached \$56.2m at the end of March 2023, as they jumped by 57.8% in the first quarter of the year and by 17% from a year earlier. Also, claims on the public sector stood at LBP45.1bn at end-March-2023, constituting an increase of 2.7% from end-February 2023; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, amounted to LBP3.55tn at end-March 2023, representing a rise of 4.2% from LBP3.4tn at end-February 2023. In parallel, currency and deposits with local and foreign central banks reached LBP5.96tn (\$397.5m) at the end of March 2023 and regressed by 2.8% from LBP6.1tn at end-February 2023.

On the liabilities side, deposits of resident customers stood at LBP6.3tn (\$420m) at the end of March 2023, constituting an uptick of 0.8% from LBP6.25tn (\$416.6m) at end-February 2023. Deposits of resident customers in Lebanese pounds amounted to LBP744.5bn at end-March 2023 and expanded by 12.3% in the first quarter of the year and by 7.7% from a year earlier; while deposits of resident customers in foreign currency totaled \$370.5m at end-March 2023, representing an increase of 1.5% in the first quarter of the year and a contraction of 5.7% from end-March 2022. Also, deposits of non-resident customers reached \$76.5m at the end of March 2023, down by 22.6% from end-2022 and by 24% from end-March 2022.

Further, liabilities to the resident financial sector amounted to LBP826.2bn (\$55.1m) at end-March 2023 and grew by 2% from LBP810.6m at the end of February 2023. Liabilities to the resident financial sector in Lebanese pounds totaled LBP120.2bn at end-March 2023 and climbed by 635.2% from end-2022 and by 266.8% from a year earlier; while liabilities to the resident financial sector in foreign currency reached \$47.1m at end-March 2023, constituting an increase of 7.2% in the first quarter of the year and a decline of 28.6% from end-March 2022. In addition, liabilities to the non-resident financial sector amounted to \$71.7m at end-March 2023 and contracted by 58.2% from end-2022 and by 53.8% from end-March 2022. Also, public sector deposits totaled LBP119.6bn at end-March 2023 relative to LBP49.4bn at the end of 2022. Further, the aggregate capital account of financial institutions was LBP8.1tn (\$537m) at the end of March 2023 relative to LBP2.5tn (\$1.66bn) at end-2022 and LBP2.53tn (\$1.68bn) a year earlier.

### **Launch of first smart electric vehicles charging network in Lebanon**

The fuel distribution and retail company Issa Petrol Trade Group (IPT) and renewable energy firm Phoenix Energy sal launched EV ZONE, the first smart network for charging electric cars in Lebanon. They said that the project, which is a joint venture between the two companies, constitutes an important step towards promoting the use of clean energy sources and reducing carbon emissions and pollution in the country. The project aims to set up 50 electric vehicle charging stations (EVCSs) in its first phase, and plans to install 150 EVCSs by the end of 2023. The two firms pointed out that the EVCSs will be available at supermarkets, major malls, hotels, resorts and gas stations across Lebanon, which would allow customers to charge their cars while spending their time at the designated locations. They added that businesses at the designated locations will have the option to provide special offers on the cost of vehicle charging.

Further, they considered that the EV ZONE constitutes a step towards developing the necessary infrastructure for charging electric vehicles and to gradually increase reliance on clean and sustainable energy sources. The firms added that they are developing a mobile application to allow the owners of electric vehicles to spot the nearest charging location, book a charging appointment, and pay through their digital wallet.

Established in 1970, the IPT Group specializes in the import, storage and distribution of petroleum products, mainly gasoline, diesel oil, lubricants, and liquefied petroleum gas. Phoenix Energy sal, a member of the Phoenix group of companies and of the INDEVCO Group, focuses on renewable energy applications, particularly on solar energy, and promotes sustainability in the construction industry.





## 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	1,507.5
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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