

LEBANON THIS WEEK

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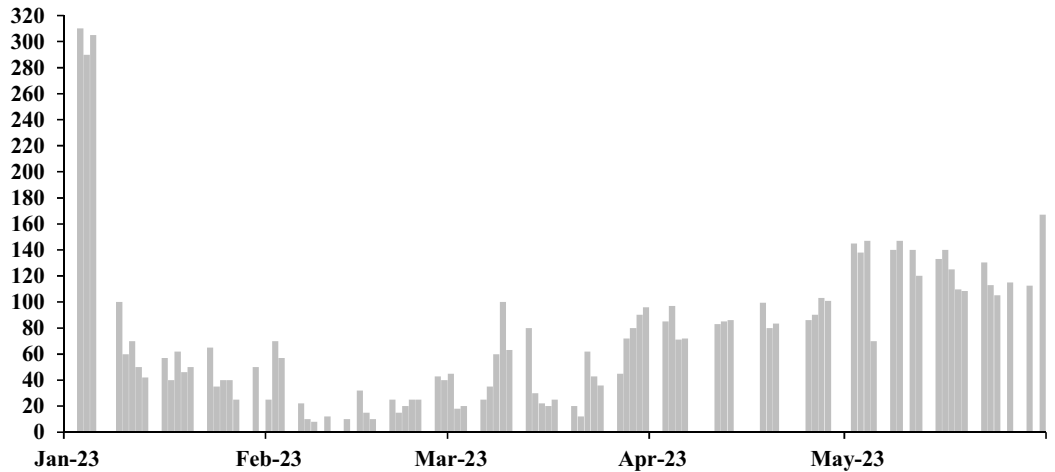
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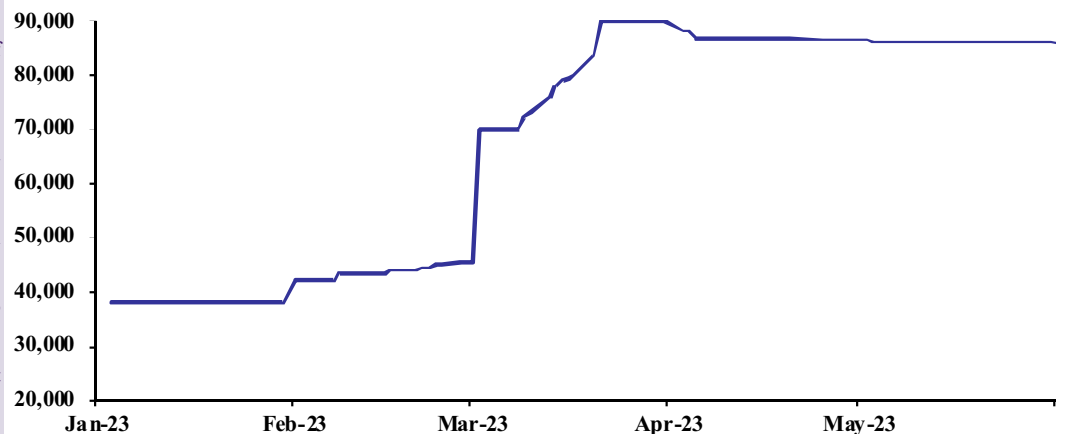
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Charts of the Week

Daily Volume of Transactions on Banque du Liban's Sayrafa Platform in First Five Months of 2023 (US\$ million)



Daily Exchange Rate of the Lebanese pound against the US dollar on the Sayrafa Platform (in First Five Months of 2023)



Source: Banque du Liban, Byblos Bank

Quote to Note

"One year after reaching a preliminary Staff-Level Agreement with the International Monetary Fund, an IMF program remains in doubt as the authorities have yet to complete the required upfront reforms."

The World Bank, on the lack of political appetite to implement structural reforms

Number of the Week

7: Number of months that Lebanon has been without a Head of State since the end of the constitutional deadline to elect a president

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"	84.50	0.4	55,614	45.0%	Apr 2024	6.65	5.75	817.53
Audi GDR	1.37	(0.7)	26,651	0.9%	Jun 2025	6.25	5.75	206.02
Byblos Common	0.75	0.0	21,907	2.3%	Nov 2026	6.60	5.75	101.64
Solidere "B"	84.00	(2.5)	15,809	29.1%	Mar 2027	6.85	5.75	91.31
BLOM GDR	2.50	0.4	10,000	1.0%	Nov 2028	6.65	5.75	60.43
Audi Listed	1.70	(12.8)	3,529	5.3%	Feb 2030	6.65	5.75	47.34
Byblos Pref. 09	29.99	0.0	-	0.3%	Apr 2031	7.00	5.75	39.75
BLOM Listed	2.56	0.0	-	2.9%	May 2033	8.20	5.75	30.87
HOLCIM	46.08	0.0	-	4.8%	Nov 2035	7.05	5.75	24.40
Byblos Pref. 08	27.00	0.0	-	0.3%	Mar 2037	7.25	5.75	21.81

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

Source: Refinitiv

	May 29 - Jun 2	May 22-26	% Change	May 2023	May 2022	% Change
Total shares traded	143,520	166,761	(13.9)	817,904	1,659,677	(50.7)
Total value traded	\$6,264,135	\$4,478,130	39.9	\$29,115,048	\$55,621,005	(47.7)
Market capitalization	\$18.79bn	\$19.02bn	(-1.2)	\$18.93bn	\$14.78bn	28.1

Source: Beirut Stock Exchange (BSE)



Clearing and settlement operations for fresh funds go into effect

Banque du Liban's (BdL) Basic Circular 165/13548 addressed to banks and financial institutions about electronic settlement operations for "Fresh Funds" went into effect on June 1, 2023. BdL issued the circular on April 19, 2023, following the upgrade of its national payment system (NPS) to include the electronic transfers, clearing and settlement of "fresh funds".

Article 1 of the circular stipulates that BdL defines "fresh funds" as money transferred from abroad and/or funds received in foreign currency banknotes after November 17, 2019, as well as the amounts that have been or will be deposited in cash in "fresh" Lebanese pounds accounts and that meet the conditions of Basic Circular 150/13217 dated April 9, 2020. Article 2 asks banks and financial institutions that are enrolled in the BdL-NPS system to comply with the provisions and rules of this circular. Article 3 indicates that settlement operations for fresh funds will be subject to the settlement and clearing operations related to bank transfers and electronic clearing according to the content of Basic Circular 127/11081 dated June 27, 2012 about BdL's Real Time Gross Settlements, and of Basic Circular 130/11597 of November 6, 2023 about BdL's Clearing and Settlement Arrangements for Retail Payments (CLEAR), provided that the settlements take place exclusively through the new accounts as defined in the circular.

Article 4 asked all participating institutions in the BdL-NPS system to open new accounts at BdL in Lebanese pounds and in US dollars by the end of April 2023 to be used exclusively for the clearing of checks and for the electronic transfers of "fresh funds", in addition to Direct Debits and Credit Transfers files in the BdL-CLEAR system that are in "fresh funds". It added that participants have to deposit the banknotes in the new accounts in order to ensure there are enough "fresh funds" to implement the settlement operations through the BdL-NPS system, and that each bank has to determine the amounts it wants to deposit in the accounts as long as there are enough funds to execute the settlement operations. It stated that, in case the funds in the accounts are insufficient to cover the settlement operations, the concerned bank will be subject to the clauses of Law 2/67 dated January 16, 1967 about the non-payment of banks, and will have to pay a penalty of at least LBP1bn. In addition, BdL can levy an amount that is equivalent to twice the shortfall in the Lebanese pounds account from any of the bank's accounts at BdL in Lebanese pounds, other than "fresh funds" accounts. Further, it asked banks to submit to BdL's Directorate of Monetary Operations requests for checkbooks to be used exclusively for withdrawals from the new accounts, and prohibited banks from issuing bankers' checks in "fresh funds" drawn on their accounts at BdL except for the concerned bank to withdraw banknotes from these accounts. It also asked banks to send to the Directorate of Payment Systems to participate in the New Stream Agreements for the clearing of checks and for Small Credit Transfers and Direct Debits for "fresh funds".

Article 5 stipulates that BdL will link the new accounts to an additional SWIFT code in order to identify the bank as a "fresh funds" participant. Article 6 indicates that BdL will execute daily clearing operations for checks in "fresh funds". Article 10 prohibits participating banks to make transfers from or to "fresh funds" accounts to and from any other accounts at BdL.

Banque du Liban's Circular 158 leads to deposit withdrawals of \$1.78bn as of April 2023

Banque du Liban (BdL) announced that 180,976 deposit accounts benefited from the implementation of Basic Circular 158 between June 8, 2021, the start of the circular's implementation date, and the end of April 2023. It indicated that commercial banks disbursed about \$1.78bn to the beneficiaries as at the end of April 2023, with \$889.6m coming from BdL and \$889.6m originating from the liquidity of commercial banks.

Further, it pointed out that banks settled the balance of 87,623 deposit accounts by the end of April 2023, or 48.4% of clients who decided to benefit from the terms of the circular, and indicated that 93,583 customers are still benefiting from Circular 158 as at end-April 2023. Also, it noted that the accounts of resident customers represented 92.9% of the aggregate accounts that benefited from the circular with the balance of 7.1% consisting of non-resident accounts. It added that 55.1% of beneficiaries are males and 44.9% are females. It added that the aggregate amount of special accounts that are still benefiting from the circular was \$1.05bn as at end-April 2023.

BdL issued on June 8, 2021 Circular 158 to banks operating in Lebanon about exceptional measures related to the gradual disbursement of deposits in foreign currency from accounts that clients opened prior to October 31, 2019. The circular stipulates 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. The circular stipulated that banks and BdL will equally source the foreign currency liquidity needed for the withdrawals, as 50% of the funds will originate from freeing part of the compulsory reserves that commercial banks place at BdL, while banks can use their deposits at correspondent banks abroad for this purpose.

Also, the circular authorized banks to use the liquidity that they accumulated at correspondent banks as per Circular 154. The latter mandated banks to place at an account at foreign correspondent banks, by the end of February 2021, the equivalent of at least 3% of the aggregate amount of the bank's deposits in foreign currency as at end-July 2020. Circular 158 added that, in case the liquidity in this account falls short of the 3% floor, banks have until the end of 2022 to meet the threshold. In addition, the circular forbids banks from using funds for the implementation of circular 158 from the foreign currency liquidity at "fresh deposit accounts" that clients opened as per Circular 150 of April 2020, as well as from the liquidity that depositors repatriated in compliance with Circular 154, while it noted that BdL will transfer to banks on a monthly basis its share of the funds. Also, BdL issued Intermediate Circular 658/13527 dated January 20, 2023 that modified Basic Circular 158 to reflect the new exchange rate of LBP15,000 that went into effect at the start of February 2023. The modification stipulates that eligible depositors can withdraw up to the equivalent of \$400 converted to Lebanese pounds at the rate of LBP15,000 per US dollar instead of the LBP12,000 per dollar previously, and maintained the ceiling for the withdrawal of foreign currency banknotes at \$400 per month.

Banque du Liban's foreign assets at \$14.5bn, gold reserves at \$18.1bn at end-May 2023

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP1,556.2 trillion (tn), or the equivalent of \$103.7bn, on May 31, 2023, constituting increases of 0.5% from LBP1,548.8tn (\$103.3bn) at mid-May 2023 and of 1.6% from LBP1,531.6tn (\$102.1bn) at end-April 2023. Assets in foreign currency reached \$14.46bn at end-May 2023, representing a decline of \$724.7m, or of 4.8%, from the end of 2022 and a drop of \$1.56bn (-9.7%) from \$16bn at end-May 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.

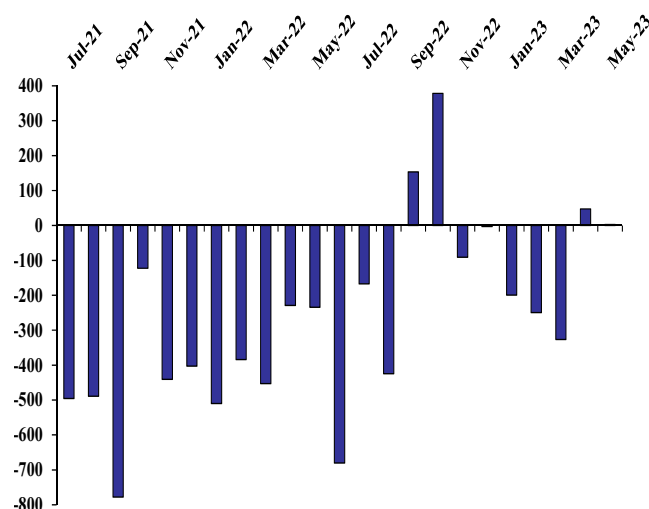
BdL's gross foreign currency reserves, which consist of its assets in foreign currency excluding Lebanese Eurobonds, stood at \$9.43bn on May 31, 2023, constituting a decrease of \$98.5m (-1%) from \$9.53bn at mid-May 2023 and nearly unchanged from end-April 2023. They dropped by \$724.7m (-7.1%) from the end of 2022 and by \$1.56bn (-14.2%) from \$11bn at end-May 2022. The cumulative decline of BdL's gross foreign-currency reserves in the past 12 months is largely due to the financing of imports, such as 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 LBP80,854.8bn on May 31, 2023, representing an increase of 1% from LBP80,171.3bn at the end of 2022 and a surge of 85.7% from LBP43,537.2bn at end-May 2022. Also, the item "Other Assets" on BdL's balance sheet reached LBP102.3bn, or \$6.8bn at end-May 2023, representing a decline of 37.2% from LBP162,870.6bn (\$11bn) a month earlier.

In parallel, the value of BdL's gold reserves reached \$18.1bn at end-May 2023, constituting a rise of \$1.4bn (+8.5%) from the end of 2022 and an increase of \$977.1m (+5.7%) from \$17.1bn at end-May 2022. The value of gold reserves reached a peak \$18.7bn at mid-April 2023. Also, the securities portfolio of BdL totaled LBP66,780.7bn, or \$4.46bn, at end-May 2023. In addition, loans to the local financial sector stood at LBP16,073.2bn, or \$1.07bn; while the deposits of the financial sector reached LBP1,345.3tn, or \$89.7bn, on May 31, 2023. In addition, public sector deposits at BdL stood at LBP101,197.6bn at end-May 2023 and surged by LBP84,319.7bn from a year earlier.

Moreover, the balance sheet shows that BdL's loans to the public sector totaled LBP249,121.7bn, equivalent to \$16.6bn, as at end-May 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 \$16.6bn in loans to the public sector on the "assets" side.

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



*month-on-month change

Source: Banque du Liban, Byblos Research

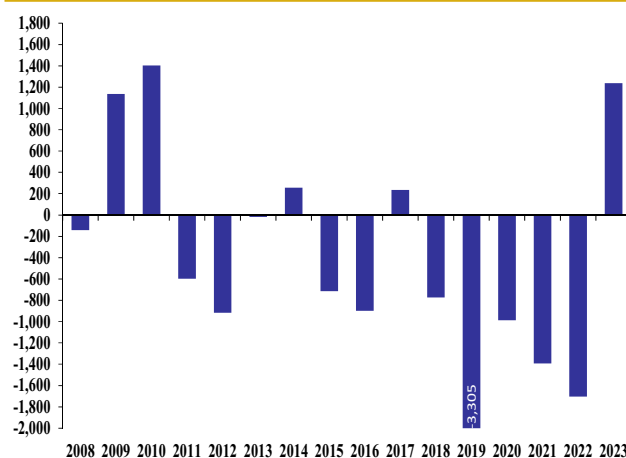
Net foreign assets of financial sector up \$1.2bn in first four months of 2023

Figures issued by Banque du Liban (BdL) show that the net foreign assets of the financial sector, which are a proxy for Lebanon's balance of payments, increased by \$1.24bn in the first four months of 2023, compared to decreases of \$1.7bn in the same period of 2022 and of \$1.4bn in the first four months of 2021.

The cumulative surplus in the first four months of 2023 was caused by an increase of \$2.02bn in the net foreign assets of banks and financial institutions, which was partly offset by a drop of \$783.6m in those of BdL. Further, the net foreign assets of the financial sector increased by \$62.3m in April 2023 compared to a drop of \$463.5m in March 2023 and to a decrease of \$229.4m in April 2022. The April rise was caused by increases of \$15.8m in the net foreign assets of banks and financial institutions and of \$46.5m in those of BdL.

The cumulative increase in the banks' net foreign assets is mostly due to a decline in their foreign liabilities. The decrease in foreign liabilities was driven mainly by the contraction in liabilities to the non-resident financial sector and in non-resident customer deposits. In parallel, the decline in BdL's net foreign assets was due in part to the financing of the imports of 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.

Change in Net Foreign Assets of Financial Sector* (US\$m)



*in first four months of each year

Source: Banque du Liban, Byblos Research

Ministry of Finance issues mechanism for disbursement of compensation for public sector personnel

The Ministry of Finance issued Decision 1/391 dated June 1, 2023 that details the mechanism for the implementation of Decree 11227 that stipulates the payment of a temporary compensation for public sector personnel starting in June 2023. The ministry indicated that it will disburse the temporary compensation in mid-June and that it will cover the months of May and June for retirees who receive a monthly pension payment, as well as the month of May for active workers in the public administration and the military. It added that the payments will be no less than LBP8m for workers in the public administration and for retirees, and no less than LBP7m for military personnel.

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.



Ministry of Energy & Water extends deadline for applications to Electricity Regulatory Authority

The Ministry of Energy & Water (MoEW) declared that it has extended the deadline for applications to the board of directors of Electricity Regulatory Authority (ERA) until the end of August 2023. It attributed its decision to the lack so far of enough applicants with the required specializations, as well as to the recommendation of the Mediterranean Energy Regulators (MEDREG) to extend the deadline. It added that the conditions to apply for the ERA's positions remain unchanged. The objective of the ERA is to regulate the sector and to restructure the electricity market.

The MoEW unveiled on December 9, 2022 the recruitment process for selecting the president and the board members of the Lebanon Electricity Regulatory Authority (ERA). It said that the recruitment procedures will be based on open competition among candidates who meet a set of general and specific requirements in terms of knowledge, professional and technical expertise. It added that it will establish an independent committee that is composed of local and international experts to evaluate the candidates, and that the committee will conduct the recruitment process according to best practices of member countries of the European Union. The first deadline for candidates to submit the required documents was January 31, 2023. Also, the ministry considered that the establishment of the ERA and the recruitment of its members are the only remaining conditions of the World Bank to approve a loan to finance the transport of gas and electricity from Egypt and Jordan, respectively, to Lebanon as per the agreements that the three countries have already signed.

Law 462 of September 2002 about reforming the electricity separates the role of the ministry from the role of the regulator. According to the MoEW, the law transfers key regulatory functions to the ERA but leaves some gaps and also overlaps with the ministry's policy-making roles.

The mandate of the ERA consists of preparing studies related to the general master plan for the power sector in the generation, transmission and distribution fields; preparing decrees and regulations related to the implementation of the law; and providing comments on draft laws and decrees about the electricity sector. Further, it should promote investments in the electricity sector; ensure and encourage competition in the sector; determine and classify the various categories of generation, transmission and distribution services; set the ceiling of the prices of generation services and tariffs; as well as formulate the technical and environmental standards and rules and control their implementation.

In addition, the ERA has to determine the rules and standards of the licenses and authorizations; issue, renew, suspend, amend and cancel licenses and authorizations; as well as ensure the compliance of the holders of generation and distribution licenses and authorizations and of the transmission sector, with the laws, regulations, agreements, and conditions of the licenses and authorizations, and with the tender documents. Also, the ERA's mandate includes ensuring that all holders of licenses and authorizations benefit equally from the transmission equipment according to the tariffs set; verify the smooth running of the generation, transmission and distribution services; and examine and approve the requests for license and authorization holders to modify the services that they have to offer.

Ministry of Telecommunications re-launches tender to manage postal service in Lebanon

The Ministry of Telecommunications announced on June 1, 2023 a new tender to manage the postal service in Lebanon. The postal service organization LibanPost has been managing the country's postal services since 1998. The ministry indicated that the Build, Operate and Transfer (BOT) contract of LibanPost expired at the end of 2019, but that it has asked the firm to continue managing the postal service since then. It said that the government approved the launch of a tender for the public contract for postal services in May 2022 and that it initiated the first bidding process on October 18, 2022 with a submission deadline of January 24, 2023, and then extended the deadline to February 16, 2023 due to the lack of bidders. It noted that the government launched a second call for tender under the same conditions and set the deadline for March 29, 2023 for submitting the bids. The ministry declared on March 31, 2023 that Colis Privé France and Merit Invest sal won the bid to manage the postal service in Lebanon starting in June of this year, but it rescinded its results due to inconsistencies in the terms of reference. It added that the new tender documents will be available on the website of the Public Procurement Authority starting on June 7 until July 12, 2023.

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

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

Number of airport passengers up 23% in first five months of 2023

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 2.5 million passengers utilized the airport (arrivals, departures and transit) in the first five months of 2023, constituting an increase of 23% from 2 million passengers in the same period of 2022, and relative to 1.05 million passengers in the first five months of 2021. The number of arriving passengers reached 1.2 million passengers in the first five months of 2023 and expanded by 24.8% from 964,228 passengers in the same period of 2022, compared to 496,275 passengers in the first five months of 2021. Also, the number of departing passengers totaled 1.25 million in the first five months of 2023 and increased by 22.2% from 1.02 million passengers in the same period of last year, relative to 536,099 in the first five 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 21,292 take-offs and landings in the first five months of 2023, representing a rise of 18.5% from 17,972 takeoffs and landings in the same period last year. In comparison, aircraft activity increased by 53.3% in the first five months of 2022 and regressed by 2.7% in the same period of 2021.

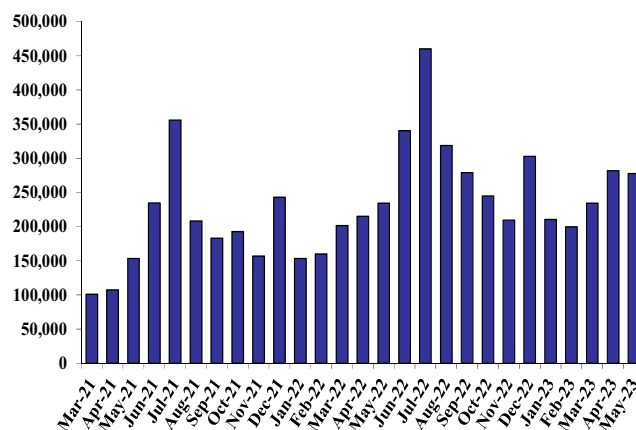
In addition, the HIA processed 22,623 metric tons of freight in the first five months of 2023 that consisted of 12,705 tons of import freight and 9,918 tons of export freight. Middle East Airlines had 9,450 flights in the covered period and accounted for 44.4% of HIA's total aircraft activity.

Port of Beirut processes 1.3 million tons of freight in first quarter of 2023

Figures released by the Port of Beirut show that the port processed 1.3 million tons of freight in the first quarter of 2023, constituting an increase of 1% from 3.85 million tons of freight in the same quarter of 2022. Imported freight totaled 1.06 million tons in the first quarter of 2023, up by 3.5% from 1.02 million tons in the same quarter of 2022, and accounted for 83.4% of total processed freight. In addition, the volume of exported cargo reached 211,000 tons in the first quarter of 2023, representing a decrease of 9.8% from 234,000 tons in the same quarter of 2022, and accounting for 16.6% of aggregate freight in the covered period. A total of 306 vessels docked at the port in the first quarter of 2023, constituting a rise of 8% from 283 ships in the same quarter of 2022. The port handled 472,000 tons of freight in March 2023, up by 7.8% from 438,000 tons in February 2023. In addition, 124 vessels docked at the port in March 2023, up by 33.3% from 93 ships in the previous month.

In parallel, the Port of Tripoli processed 833,197 tons of freight in the first quarter of 2023, representing an increase of 88,234 tons (+11.8%) from 744,963 tons in the same quarter of 2022. Imported freight totaled 311,765 tons in the first quarter of 2023 and declined by 263,254 tons (-45.8%) from 575,019 tons in the same quarter last year. Imports accounted for 37.4% of freight activity in the covered quarter. In parallel, the volume of cargo that was exported through the port reached 521,432 tons in the first quarter of 2023, up by 351,488 tons (+206.8%) from 169,944 tons in the same quarter of the previous year, and represented 62.6% of total freight in the covered quarter. A total of 179 vessels docked at the port in the first quarter of 2023, representing a decrease of 18.6% from 220 ships in the same quarter of 2022.

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

Private sector deposits at \$98bn at end-April 2023 based on new exchange rate

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at LBP1,734.6 trillion (tn) (\$115.6bn) at the end of April 2023, constituting a rise of 0.4% from LBP1,727.2tn (\$115.1) at end-March 2023. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar of LBP1,507.5 per dollar until the end of January 2023 and of LBP15,000 per dollar starting in February 2023.

Loans extended to the private sector totaled LBP147.3tn at the end of April 2023, constituting a decrease of 1.8% from LBP150tn at end-March 2023. Loans to the resident private sector reached LBP128.5tn at end-April 2023 and contracted by 2.3% from LBP131.4bn a month earlier, while credit to the non-resident private sector amounted to LBP18.8tn at the end of April 2023 and increased by 1.3% from LBP18.6tn at end-March 2023. Loans extended to the private sector in Lebanese pounds reached LBP13.7tn at the end of April 2023, constituting decreases of 14.4% from LBP14.3tn at end-March 2023, of 8% from end-2022, and of 20% from end-April 2022; while loans in foreign currency totaled \$8.9bn at the end of April 2023 and contracted by 1.5% from the previous month, by 12.4% in the first four months of the year, and by 36% from end-April 2022.

In nominal terms, credit to the private sector in Lebanese pounds decreased by LBP1.2tn in the first four months of 2023 relative to a decline of LBP1.14tn in the same period of 2022, while lending to the private sector in foreign currency decreased by \$1.26bn in the first four months of 2023 relative to a contraction of \$1.7bn in the same period of 2022. Further, loans extended to the private sector in Lebanese pounds shrank by LBP13.9tn (-50.3%) and loans denominated in foreign currency decreased by \$32.2bn (-78.3%) since the start of 2019. The dollarization rate of private sector loans changed from 55% at end-April 2022 to 90.7% at the end of April 2023 due to the new exchange rate of LBP15,000 per dollar that went into effect on February 1, 2023. The average lending rate in Lebanese pounds was 3.07% in April 2023 compared to 6.01% a year earlier, while the same rate in US dollars was 2.46% relative to 6.11% in April 2022.

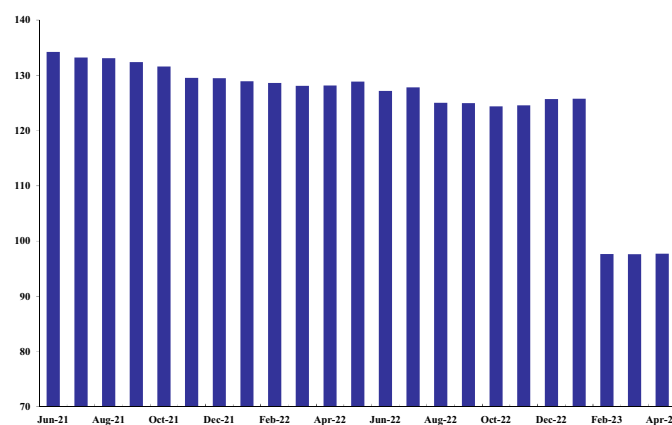
In addition, claims on non-resident financial institutions reached \$4.2bn at the end of April 2023, nearly unchanged from end-2022 and constituting an increase of \$150.6m (+3.7%) from a year earlier. Also, claims on non-resident financial institutions dropped by \$4.9bn (-54%) from the end of August 2019 and by \$7.8bn (-65%) since the start of 2019. Further, deposits at foreign central banks totaled \$821.7m at the end of April, constituting increases of \$22m (+2.8%) from end-March 2023 and of \$17.2m (+2.1%) in the first four months of 2023, and a decrease of \$277.8m (-25.3%) from end-April 2022. In addition, the banks' claims on the public sector reached LBP54.8tn at end-April 2023 based on the new exchange rate, down from LBP55tn at end-March 2023. The banks' holdings of Lebanese Treasury bills stood at LBP12.1tn, while their holdings of Lebanese Eurobonds reached \$2.8bn at end-April 2023 relative to \$4.5bn a year earlier. Further, the deposits of commercial banks at Banque du Liban amounted to LBP1,270.9tn (\$84.7bn) at the end of April 2023, nearly unchanged from end-March 2023.

In parallel, private sector deposits totaled LBP1,465.7tn at the end of April 2023, or \$97.7bn based on the new exchange rate, nearly unchanged from the end of March 2023. Deposits in Lebanese pounds reached LBP56.8tn at end-April 2023, as they increased by 8.4% from the previous month, by 25.2% from the end of 2022, and by 33.4% from a year earlier; while deposits in foreign currency stood at \$93.9bn and regressed by 0.2% from end-March 2023, by 1.8% in the first four months of the year, and by 6% from the end of April 2022. Resident deposits accounted for 78% and non-resident deposits represented 22% of total deposits at end-April 2023.

In nominal terms, private sector deposits in Lebanese pounds increased by LBP4.4tn from end-March 2023 and by LBP11.4tn in the first four months of the year, while foreign currency deposits regressed by \$204.8m from end-March 2023 and by \$1.7bn from end-2022. In addition, private sector deposits dropped by \$15.4bn in 2019, by \$19.7bn in 2020, by \$9.7bn in 2021, and by \$3.75bn in 2022, including a decrease of \$11.4bn between September and December 2019. Further, aggregate private sector deposits in Lebanese pounds shrank by LBP20.4tn (-26.4%) and foreign currency deposits declined by \$29.1bn (-23.7%) since the start of 2019. The dollarization rate of private sector deposits changed from 78% at end-April 2022 and 76.1% at the end of 2022 to 96.1% at end-April 2023 due to the effects of the new exchange rate on the Lebanese pound component of the balance sheet.

In addition, the liabilities of non-resident financial institutions reached \$3.3bn at the end of April 2023 and increased by 1.6% from \$3.2bn at end-March 2023, while they decreased by 23.8% from \$4.3bn at end 2022 and by 25.8% from \$4.4bn at the end of April 2022. Also, the average deposit rate in Lebanese pounds was 0.59% in April 2023 compared to 0.88% a year earlier, while the same rate in US dollars was 0.08% relative to 0.15% in April 2022. Further, the banks' aggregate capital base stood at LBP74.8tn (\$5bn) at the end of April 2023, up by LBP1.65tn from LBP73.1tn at end-March 2023.

Private Sector Deposits (US\$bn)



Source: Banque du Liban, Byblos Research

Stock market capitalization up 28% to \$18.9bn at end-May 2023

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 27.7 million shares in the first five months of 2023, constituting a jump of 281% from 7.3 million shares traded in the same period of 2022; while aggregate turnover amounted to \$173.3m and increased by 26.6% from a turnover of \$137m in the first five months of 2022. Further, the market capitalization of the BSE stood at \$18.9bn at the end of May 2023, representing an increase of 28.1% from \$14.8bn a year earlier, with real estate equities accounting for 74.4% of the total, followed by banking stocks (20%), and industrial shares (5.7%). The market liquidity ratio was 0.92% at the end of May 2023 compared to 0.93% a year earlier.

Banking stocks accounted for 93% of the trading volume in the first five months of 2023, followed by real estate equities (6.8%) and industrial shares (0.1%). Also, real estate equities accounted for 85.2% of the aggregate value of shares traded, followed by banking stocks (14.4%), and industrial shares (0.4%). The average daily traded volume for the first five months of 2023 was 288,574 shares for an average daily amount of \$1.8m. The figures represent a surge of 276.8% of the average daily traded volume and an increase of 25.3% of the average daily value in the covered period.

In parallel, the Capital Markets Authority's (CMA) Market Value-Weighted Index for stocks traded on the BSE increased by 97% in the first five months of 2023, while the CMA's Banks Market Value-Weighted Index regressed 2.4% from the end of 2022. The increase in the Market Value-Weighted Index is mainly due to the rise in the prices of Solidere 'A' and Solidere 'B' shares by 39% and 43.3%, respectively, from the end of 2022, given that the shares had market weights of 44.7% and 29.7%, respectively, on the last trading day in May 2023, the highest among listed companies on the BSE. The rise in the prices of Solidere shares has been mainly driven by the increase in demand for the shares from several bank depositors, given that they consider it a way to channel their deposits out of the banking sector in light of the government's economic rescue plan that stipulates the conversion of deposits into bank shares as part of the restructuring of the banking sector.

CMA CGM posts net profits of \$2bn in first quarter of 2023

The Lebanese-owned and France-based container-shipping firm CMA CGM declared consolidated net profits of \$2bn in the first quarter of 2023 compared to profits of \$7.2bn in the same period of 2022, while its revenues totaled \$12.7bn in the covered period and decreased by 30.2% from \$18.2bn in the first quarter of 2022. Further, the company's earnings before interest, taxes, depreciation and amortization (EBITDA) reached \$3.4bn in the first quarter of 2023, constituting a drop of 61.3% from \$8.9bn in the same period last year.

The distribution of revenues show that the consolidated revenues from maritime shipping operations amounted to \$8.9bn in the first quarter of 2023 and decreased by 40.3% from \$14.9bn in the same quarter last year, while the EBITDA of shipping activity totaled \$3bn in the covered period and decreased by 64.3% from \$8.5bn in the first quarter of 2022. The average revenue per twenty-foot equivalent unit (TEU) reached \$1,766, down by 37% from the first quarter of 2022. The firm said that it transported 5.02 million TEUs in the third quarter of the year, constituting a decrease of 5.3% from 5.3 million TEUs in the same quarter of 2022. It attributed the decrease in volume to a decline in the consumption of goods by households in Europe and North America, elevated inflation rates, inventory adjustments, and a rebound in consumer spending on services, mainly tourism and leisure activity. Further, it pointed out that revenues from logistics operations totaled \$3.9bn in the first quarter of 2023, constituting an increase of 14% from \$3.4bn in the same quarter of 2022, while the EBITDA of logistics operations stood at \$343m and rose by 37% from \$250m in the same quarter last year. It attributed the surge in activity to the consolidation of the acquisitions of Ingram CLS, Gefco and Colis Privé along with the normalization of air and sea freight activities. It said that the CMA CGM Group signed an agreement with La Poste group in the first quarter of 2023 to capitalize on their respective expertise in parcel delivery, transportation and storage. In addition, it indicated that revenues from other activities, which include port terminals, CMA CGM Air Cargo, and the media, reached \$405m in the first quarter this year, representing an uptick of 5.3% from \$384m in the same quarter of 2022. The EBITDA of other activities stood at \$45m and declined by 47% from \$84m in the first quarter of 2022 due to the easing of port congestion.

CMA CGM is one of the largest container shipping companies in the world and operates a fleet with 593 vessels, with a capacity of 5 million TEUs that serves over 420 commercial ports and utilizes more than 257 shipping lines.

Bank Audi posts profits of LBP774.5bn in first quarter of 2023

Bank Audi sal, one of six listed banks on the Beirut Stock Exchange, declared unaudited consolidated net profits of LBP774.5bn in the first quarter of 2023, relative to profits of LBP119bn in the same period of 2022. The bank's net interest income reached LBP1,358.8bn in the first quarter of 2023, constituting a surge of 237.2% from LBP403bn in the same period of 2022; while its net earnings from fees & commission stood at LBP368bn compared to LBP35bn in the first quarter of 2022. Further, the bank's net operating income totaled LBP1,847.8bn in the first quarter of the year relative to LBP372.8bn in the same period of 2022. In addition, the bank's operating expenditures reached LBP985bn in the first quarter of 2023, representing a jump of 303.5% from LBP244bn in the same period last year, with personnel cost accounting for 52.7% of the total.

In parallel, the bank's aggregate assets stood at LBP277,647.7bn at the end of March 2023 compared to LBP40,591bn at end-2022. Net loans & advances to customers totaled LBP42,963.8bn at the end of March relative to LBP5,871bn at end-2022. Further, customer deposits reached LBP233,378.7bn relative to LBP29,101bn at end-2022. Also, net loans & advances to related parties amounted to LBP597.2bn, while deposits from related parties stood at LBP1,097.7bn at end-March 2023. In parallel, the bank's shareholders' equity was LBP20,523.6bn at the end of March relative to LBP6,055.3bn at end-2022.

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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