

# LEBANON THIS WEEK

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Byblos Bank posts net losses of LBP132bn in first quarter of 2023

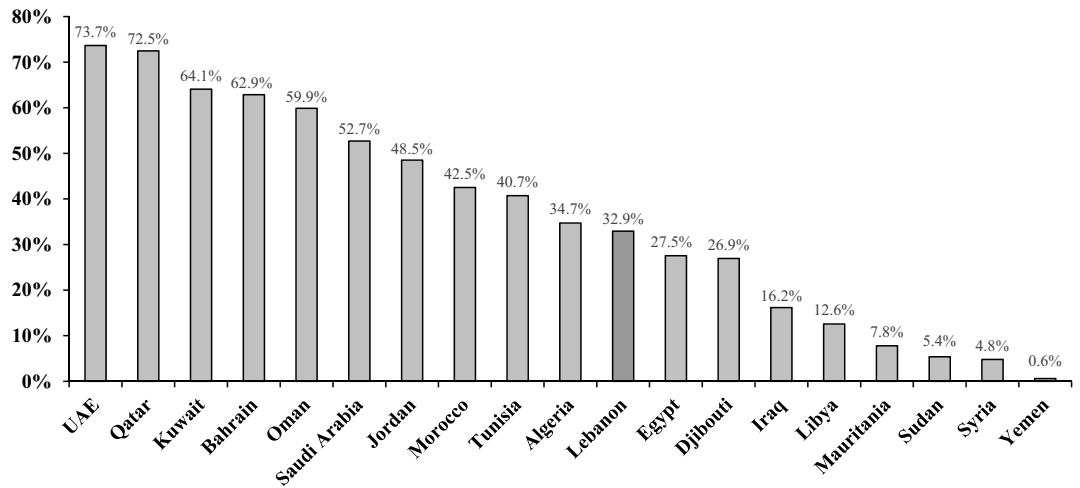
Byblos Bank invites shareholders to General Assembly

BLOM Bank registers profits of LBP7.2bn in 2022

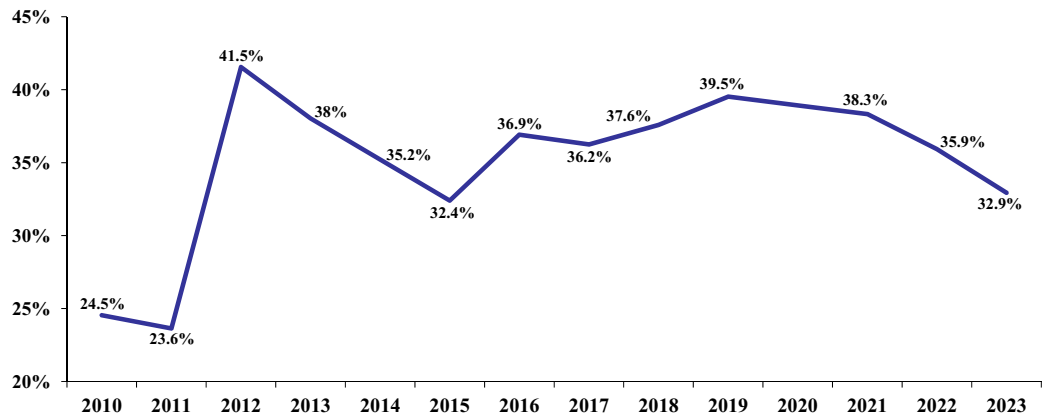
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## Charts of the Week

Percentile Rankings of Arab Countries on the Prosperity Index for 2023



Percentile Rankings of Lebanon on the Prosperity Index



Source: Legatum Institute, Prosperity Index for 2023, Byblos Bank

## Quote to Note

"The Ministerial Council highlighted the importance of implementing comprehensive structural reforms that ensure that Lebanon overcomes its political and economic crisis."

*The Ministerial Council of the Gulf Cooperation Council, calling on the Lebanese authorities to implement much-needed structural reforms*

## Number of the Week

**\$3.9bn:** Tourism revenues in Lebanon in the first nine months of 2022, according to the most recent figures from 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"	75.30	(9.1)	46,802	43.2%	Apr 2024	6.65	6.38	872.75
Byblos Common	0.74	(1.3)	32,000	2.4%	Jun 2025	6.25	6.38	203.90
Audi Listed	1.71	0.6	30,000	5.8%	Nov 2026	6.60	6.38	99.22
Solidere "B"	75.05	(9.0)	9,507	28.0%	Mar 2027	6.85	6.38	89.01
BLOM GDR	2.25	(10.0)	8,870	1.0%	Nov 2028	6.65	6.38	58.68
Audi GDR	1.38	1.5	7,648	0.9%	Feb 2030	6.65	6.38	45.88
HOLCIM	55.40	0.0	-	6.2%	Apr 2031	7.00	6.38	38.49
Byblos Pref. 09	29.99	0.0	-	0.3%	May 2033	8.20	6.38	29.87
BLOM Listed	2.56	0.0	-	3.2%	Nov 2035	7.05	6.38	23.58
Byblos Pref. 08	27.00	0.0	-	0.3%	Mar 2037	7.25	6.38	21.07

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

Source: Refinitiv

	Jun 19-23	Jun 12-16	% Change	May 2023	May 2022	% Change
Total shares traded	134,827	307,533	(56.2)	817,904	1,659,677	(50.7)
Total value traded	\$4,519,923	\$19,866,760	(77.2)	\$29,115,048	\$55,621,005	(47.7)
Market capitalization	\$17.45bn	\$18.70bn	(6.7)	\$18.93bn	\$14.78bn	28.1

Source: Beirut Stock Exchange (BSE)



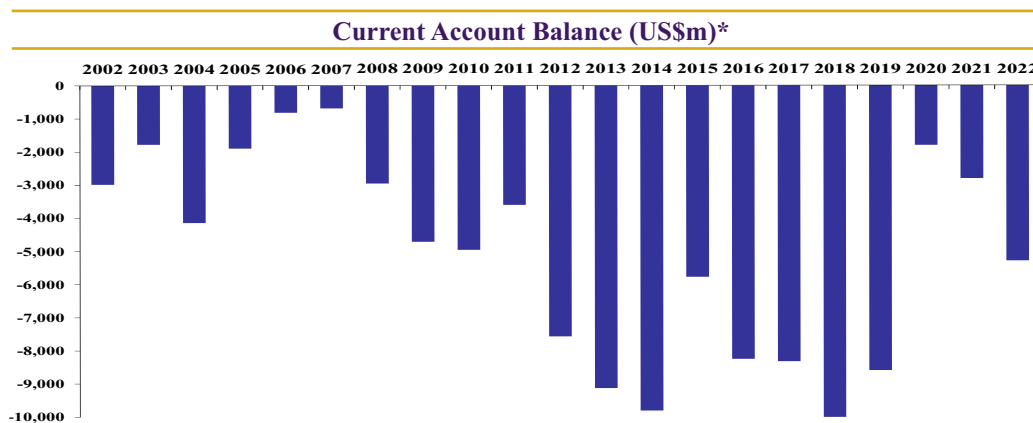
### Current account deficit widens by 89% to \$5.3bn in first nine months of 2022 on higher trade deficit

Figures released by Banque du Liban (BdL) show that the current account deficit reached \$5.3bn in the first nine months of 2022, constituting an increase of 88.5% from a deficit of \$2.8bn in the first nine months of 2021. The deficit was \$1.05bn in the first quarter, \$2bn in the second quarter, and \$2.2bn in the third quarter of 2022, representing increases of 1.1%, 76.2%, and 254.8%, respectively, from the corresponding quarters of the preceding year. The current account balance consists of the trade balance, which is the exports and imports of merchandise, as well as the services balance that covers the export and import of transportation services, tourism, insurance and other services. The current account balance also includes remittance inflows, investment income, and general government transfers.

The trade deficit reached \$10.4bn in the first nine months of 2022, widened by 63% from \$6.4bn in the same period of 2021, and posted its highest level since the first nine months of 2019. Imported goods grew by 45% to \$13.75bn in the first nine months of 2022, their highest value since the first nine months of 2019, while exports increased by 8.3% year-on-year in the first nine months of last year to \$3.4bn, their highest level since the first nine months of 2019.

Further, the inflows of expatriates' remittances to Lebanon stood at \$4.82bn in the first nine months of 2022, constituting an increase of 0.7% from \$4.79bn in the same period of 2021 relative to a decrease of 2.7% in the first nine months of 2021, and reached their second highest level since the first nine months of 2020. In addition, remittance outflows from Lebanon totaled \$1.3bn in the first nine months of 2022 and dropped by 12% from \$1.5bn in the same period of 2021, their lowest level during the first nine months of each year of the 2002-22 period. As such, net remittance inflows to Lebanon reached \$3.5bn in the first nine months of 2022, constituting and increased by 6.3% from \$3.3bn in the first nine months of 2021.

In addition, tourism receipts stood at \$3.9bn in the first nine months of 2022, up by 78% from \$2.2bn in the same period of 2021; while outbound tourism spending totaled \$2.3bn in the covered period and rose by 85.7% from \$1.25bn in the first nine months of 2021. As such, net tourism receipts surged by 67.8% to \$1.6bn in the first nine months of 2022. Tourism receipts, outbound tourism spending, and net tourism receipts posted each their highest level for the period since the first nine months of 2019.



\*in first nine months of each year

Source: Banque du Liban, Byblos Research

The other components of the balance of payments show that Lebanon's capital account balance, which includes foreign grants, posted a surplus of \$863.1m in the first nine months of 2022, up by 22.6% from a surplus of \$703.8m in the same period of the previous year, and constituting their second lowest surplus since the first nine months of 2013. The capital account posted an average surplus of \$1.2bn during the first nine months of each year of the 2013-18 period due to the inflow of foreign grants to support Syrian and non-Syrian refugees, as well as host communities in the country. But the surplus started to regress in 2019 due to the decline in the inflows of financial grants.

In addition, Lebanon's financial account balance, which includes net foreign direct investments (FDI), net portfolio investments and other investments, posted a surplus of \$3.8bn in the first nine months of 2022 relative to a surplus of \$1.6bn in the same period of 2021. FDI inflows totaled \$343.4m in the first nine months of 2022, constituting an increase of 24.8% from \$275.1m in the same period of 2021, while FDI outflows shifted from investments of \$1bn in the first three quarters of 2021 to divestments of \$74.3m in the first nine months of 2022. As such, net FDI inflows reached \$269.1m in the first nine months of 2022 and dropped by 79.3% from \$1.3bn in the first nine months of the preceding year. Further, net portfolio divestments reached \$2.8bn in the first nine months of 2022 compared to \$1.6bn in the first nine months of 2021. Also, inflows into other investments amounted to \$3.3bn in the first nine months of 2022 relative to outflows of \$3.65bn in the same period of 2021. Other investments consist of the component of the financial account balance that includes deposit flows to the banking sector, as well as debt arrears starting in March 2020.

In parallel, unrecorded transactions, or errors and omissions, stood at +\$659.8m in the first nine months of 2022 relative to +\$475.2m in the same period of the preceding year. According to BdL, unrecorded transactions are in part due to the inadequate sources of data on some economic sectors. They include time and other adjustments for external trade, insurance services, migrants' transfers, travel services, transportation services, private sector direct investments, and portfolio investments. Finally, BdL's net foreign assets declined by \$3.05bn in the first nine months of 2022 relative to a decrease of \$1.6bn in the same period of 2021.

### **Parliament approves funding to cover rise in public sector salaries**

The Lebanese Parliament enacted on June 19, 2023 a law that allows the Lebanese government to open a line of credit in the amount of LBP37.41 trillion to finance the temporary financial compensation for all employees in the public sector, and retirees who receive a monthly pension payment, as well as to cover the increase in the transportation stipend to public sector personnel. Further, it voted to open a line of credit of LBP265bn to cover the expenses of the bonuses and the transportation allowance of the professors of the Lebanese University to enable them to complete the academic year 2022/23. The two line of credits total LBP 37.7 trillion, which is equivalent to \$2.5bn at the new official exchange rate of LBP15,000 per US dollar that went into effect at the start of February 2023 and to \$437.1m at the exchange rate of the dollar on Banque du Liban's Sayrafa electronic exchange platform.

The Council of Ministers approved on May 26, 2023 a draft law for an advance from the Treasury in the 2023 budget 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 to cover the increase in the transportation stipend to public sector workers and employees.

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.

### **Banque du Liban provides details for calculation of reserve requirements**

Banque du Liban (BdL) issued Basic Circular 670/13556 dated June 19, 2023 addressed to banks that modifies Basic Circular 84/7835 of June 2, 2021 about reserve requirements, and Basic Circular 113/9763 dated November 9, 2007 about cash reserve requirements and the minimum reserves and mandatory placements of Islamic banks.

First, the circular determines the liabilities that are subject to reserve requirements in Lebanese pounds based on the monthly distribution of funds between deposits at sight and term deposits, including for Lebanese pound banknotes that have been, or that will be, deposited in Lebanese pounds-denominated "fresh money" accounts, according to Basic Circular 165/13548 dated April 19, 2023.

Second, the circular stipulates that, in order to calculate the reserve requirement ratio, banks have to include in the daily cash balances of the banks' accounts in Lebanese pounds at BdL the balance of Lebanese pound accounts opened prior to April 19, 2023 and the balances in Lebanese pounds-denominated "fresh accounts" as per Basic Circular 165/13548 of April 19, 2023. It excluded from the daily cash balances of the banks' accounts at BdL the funds in accounts earmarked to conduct foreign exchange transactions in US dollars for clients, as well as term deposit accounts and blocked accounts that are assigned for capital increases.

### **Banque du Liban issues circular about foreign currency operations**

Banque du Liban (BdL) issued Intermediate Circular 671/13557 dated June 20, 2023 addressed to banks and auditors that modifies Basic Circular 159/13353 of August 17, 2021 about exceptional restrictions on some operations of commercial banks.

Article 1 of Circular 159 prohibited banks from calculating any incoming transfers from abroad, or any foreign currency amount that they receive in cash from their clients or to their benefit, at more than their real value. At the time, the decision aimed to stop what is known as the "multiplier" effect that some banks have implemented on foreign currency deposits in "fresh money". Further, the article exempted from this decision the "fresh money" deposits in foreign currency that clients use to settle their debt in full, on the condition that banks inform the Banking Control Commission of Lebanon of this settlement. Intermediate Circular 671 canceled the part of Article 1 about exempting from the decision the "fresh money" deposits in foreign currency that clients use to settle their debt in full.

Also, the new circular stated that, with the exception of "fresh dollars", banks can only conduct operations with their clients in foreign currencies at the exchange rate that BdL determines in its dealings with banks. As such, it removed the exceptions that were in Basic Circular 159 that covered basic circulars 151 and 158, in order to align all exchange rates with the current rate of LBP15,000 per US dollar that BdL has been using since February 2023 in its dealings with banks.



### Lebanon ranks 132<sup>nd</sup> globally, seventh among Arab countries on gender gap index

The World Economic Forum ranked Lebanon in 132<sup>nd</sup> place among 146 countries and in seventh place among 12 Arab countries on its Global Gender Gap Index for 2023. In comparison, Lebanon ranked in 119<sup>th</sup> place globally and in second place regionally on the 2022 index, while it came in 123<sup>rd</sup> place among 136 countries worldwide and in seventh place among 14 Arab countries on the 2013 index. Lebanon's global rank deteriorated by 13 spots and its regional rank decreased by five notches from the 2022 survey, while its global rank deteriorated by nine spots and its regional rank was unchanged from the 2013 index.

The index ranks countries according to their proximity to gender equality rather than on the degree of female empowerment. It aims to capture the magnitude and scope of gender-based disparities in each country and to track their progress over time. The index is based on four sub-indices that measure Economic Participation & Opportunity, Educational Attainment, Health & Survival, and Political Empowerment.

Globally, Lebanon had a narrower gender gap than Qatar, Egypt and Niger, and a wider gap than Türkiye, Nigeria, and Saudi Arabia among economies with a GDP of \$10bn or more. It also ranked ahead of Qatar, Egypt, Morocco, Oman, and Algeria among Arab countries. Lebanon received a score of 0.628 points, which means that Lebanon closed about 63% of the gender gap in 2023. Still, Lebanon's score was lower than the global average of 0.712 points and the Arab average of 0.637 points. Further, Lebanon's score decreased by 2.3% from the 2022 survey, while it improved by 4.2% from the 2013 survey.

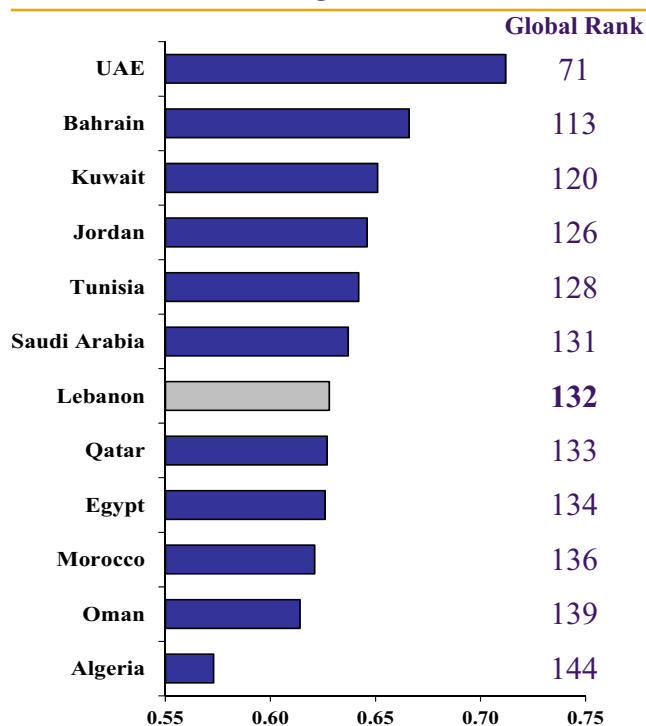
Lebanon ranked in 127<sup>th</sup> place globally and fourth among Arab countries on the Economic Participation & Opportunity Sub-Index. This category captures the difference between the labor-force participation rates of males and females, and measures their earned income in similar professions. Lebanon preceded the UAE, Benin and Saudi Arabia, and trailed Sri Lanka, Jordan and Chad globally. According to the survey, Lebanon closed 53.8% of the gap between males and females on this category, compared to the narrowing of the gender gap by 66.5% globally. Regionally, Lebanon came ahead of the UAE and trailed Jordan on this category.

Also, Lebanon ranked in 90<sup>th</sup> place worldwide and in sixth place among Arab states on the Educational Attainment Sub-Index. This category captures the gap between females' and males' current access to education through the ratios of women to men in primary-, secondary- and tertiary-level education. Globally, Lebanon ranked ahead of the Maldives, Bolivia and Qatar, and came behind the UAE, Saudi Arabia, and Vietnam worldwide. Lebanon closed about 98.4% of the gender gap in education, compared to the narrowing of the gender gap by 96% worldwide. Lebanon ranked ahead of Qatar and trailed Saudi Arabia among Arab countries on this category.

Further, Lebanon ranked in 68<sup>th</sup> place globally and in first place among Arab countries on the Health & Survival Sub-Index. This category measures the differences between the health of females and males, as reflected by the gap between women's and men's life expectancy and by the sex ratio at birth. Globally, Lebanon preceded Chile, Tajikistan and Finland, while it trailed Germany, Singapore, and Ethiopia. Lebanon closed about 97.1% of the gender gap on this category, which is nearly equal to the global average.

Finally, Lebanon ranked in 144<sup>th</sup> place worldwide and in 12<sup>th</sup> place in the Arab region on the Political Empowerment Sub-Index. This category captures the ratio of females to males in ministerial-level positions and in parliament, in addition to the number of years that females serve in executive office. Lebanon ranked ahead of only Afghanistan worldwide among economies with a GDP of \$10bn or more. Lebanon closed 2.1% of the gender gap on this category, while countries worldwide closed about 25.2% of the political gender gap. Regionally, Lebanon trailed all Arab countries on this category.

**Global Gender Gap Index for 2023  
Scores & Rankings of Arab Countries**



Source: World Economic Forum, Byblos Research

**Components of the 2023 Global Gender Gap Index for Lebanon**

	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
Economic Participation & Opportunity	127	4	0.54	0.67	0.49
Educational Attainment	90	6	0.98	0.96	0.97
Health & Survival	68	1	0.97	0.97	0.96
Political Empowerment	144	12	0.02	0.25	0.12

Source: World Economic Forum, Byblos Research

### Consumer Price Index up 260% year-on-year in May 2023

The Central Administration of Statistics' Consumer Price Index increased by 223.9% in the first five months of 2023 from the same period of 2022. In comparison, it grew by 215.2% and by 138% in the first five months of 2022 and 2021, respectively.

The CPI rose by 260.2% in May 2023 from the same month of 2022, and registered its 35<sup>th</sup> consecutive triple-digit increase since July 2020. The cumulative surge in the inflation rate is due in part to the repeated increase in customs tariffs, to the rise of telecommunications rates and electricity tariffs, and to the inability of authorities to monitor and contain retail prices. It is also due to the fluctuation of the Lebanese pound's exchange rate on the parallel market and to the lifting of subsidies on hydrocarbons and on a range of basic products in 2021 and 2022, which have encouraged opportunistic wholesalers and retailers to raise the prices of consumer goods disproportionately. In addition, the smuggling of subsidized imported goods has resulted in shortages of these products locally, which contributed to the rise in prices.

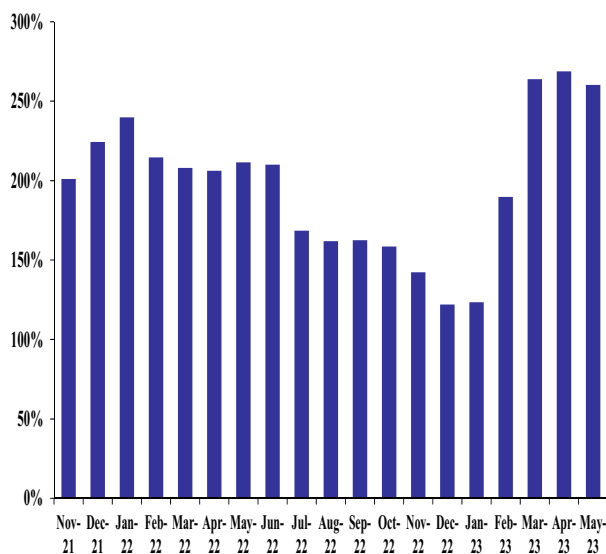
Communication costs surged by seven times in May 2023 from the same month of 2022, followed by the cost of alcoholic beverages & tobacco (+5.6 times), rates at restaurants & hotels (+4.8 times), the prices of food & non-alcoholic beverages and healthcare costs (+4 times each), the prices of furnishings & household equipment and the cost of clothing & footwear (+3.9 times each), transportation costs (+3.6 times), the prices of miscellaneous goods & services (+3.4 times), and the cost of recreation & entertainment (+3.2 times). In addition, the cost of education rose by 193% year-on-year in May 2023, followed by the prices of water, electricity, gas & other fuels (+174%), imputed rent (+208.3%), and actual rent (+129.3%). Also, the distribution of actual rent shows that new rent surged by 242.6% and old rent increased by 30.4% in May 2023 from the same month of 2022.

In parallel, the CPI increased by 5.3% in May 2023 from the previous month, compared to a month-on-month rise of 8.6% in April 2023 and to a surge of 33.3% in March 2023.

Imputed rent increased by 34.7% in May 2023 from April 2023, followed by actual rent (+25%), the rates at restaurants & hotels (+7.4%), the cost of recreation & entertainment (+6%), the prices of furnishings & household equipment (+5.7%), the prices of alcoholic beverages & tobacco (+3.9%), the cost of healthcare (2.6%), the prices of miscellaneous goods & services (+1.5%), the prices of clothing & footwear (+1.1%), and the prices of food & non-alcoholic beverages (+0.1%). In contrast, the prices of water, electricity, gas and other fuels decreased by 2.5% month-on-month in May 2023, followed by the cost of communications (-0.8%) and transportation costs (-0.7%); while the cost of education was unchanged in May 2023. Also, the distribution of actual rent shows that new rent grew by 40% and old rent expanded by 6.5% in May 2023 from the previous month.

Further, the CPI increased by 14.4% in Beirut, by 5.9% in Mount Lebanon, by 5.5% in the North, and by 4.5% in the Nabatieh during May 2023 from the previous month; while it regressed by 1.4% in the Bekaa and by 0.3% in the South. In parallel, the Fuel Price Index regressed by 10.7% and the Education Price Index was unchanged month-on-month in May 2023.

Annual Change in Consumer Price Index\* (%)



\*from the same month of the previous year

Source: Central Administration of Statistics, Byblos Research

### **Surveyed economists expect Lebanon's real GDP growth at 0.6% in 2023**

Bloomberg's quarterly survey of economists and analysts about the outlook on the Lebanese economy projected economic activity to grow by 0.6% in 2023, unchanged from an earlier forecast of a real GDP growth rate of 0.6% in the March 2023 survey. The individual forecasts for 2023 ranged from a contraction of 2% to an expansion of 5% for the current year, with a median real GDP growth rate of 0.5% for 2023. Also, the poll indicates that the consensus forecast among 60% of participants is that real GDP will improve by more than 0.5% this year. Bloomberg conducted the poll in June 2023, and the survey's results are based on the opinions of 10 economists and analysts based in Lebanon and abroad.

Further, participants forecast the average inflation rate in Lebanon at 157.8% in 2023 compared to a projection of 122.3% in the March 2023 survey. The opinions of surveyed analysts differed on the magnitude of the increase in consumer prices in 2023, with expectations ranging from 50% to 250% and a median inflation rate of 165% for 2023. Also, 70% of participants predicted that the inflation rate would range between 100% and 250% this year.

In addition, surveyed analysts projected Lebanon's fiscal deficit at 1.2% of GDP in 2023 compared to a previous forecast of 3.2% of GDP in the March 2023 survey. The projections of polled economists for the fiscal balance ranged from a deficit of 3.5% of GDP to a surplus of 1.5% of GDP in 2023, with a median deficit of 1.5% of GDP. Further, the survey's participants forecast the current account deficit at 22.5% of GDP in 2023 compared to a previous forecast of a deficit of 16% of GDP in March 2023 survey. The polled analysts expected the current account deficit to range from 42.9% of GDP to 11.4% of GDP in 2023, with a median deficit of 15% of GDP for the year.

### **UN disburses \$163m in food and agriculture assistance in first quarter of 2023**

The United Nations (UN) indicated that international contributions to the food security and agriculture component of the Lebanon Crisis Response Plan (LCRP) reached \$163m in the first quarter of 2023. The food security and agriculture program aims to provide food assistance to vulnerable households. It also noted that it carried \$130m from funding it received in 2022, which is equivalent to 10% of the total appealed funds for 2023.

The LCRP 2022-2023 is a joint initiative between the Lebanese government and international and national partners that aims to address challenges posed by the large presence of Syrian refugees in the country. The LCRP for 2023 includes 118 partner organizations and aims to reach 3.2 million crisis-affected persons in Lebanon, who consist of 1.5 million displaced Syrians, 1.5 million vulnerable Lebanese citizens, 180,000 Palestinian refugees in Lebanon, and 31,400 Palestinian refugees from Syria. The plan comes after the expiration of the LCRP for the 2015-2016 and the 2017-2021 periods.

Also, the UN indicated that it distributed food assistance to 1.67 million individuals across Lebanon in the first quarter of 2023 who consist of 958,452 displaced Syrians, or 57.3% of the total, followed by 697,437 vulnerable Lebanese citizens (41.7%), 8,000 Palestinian refugees in Lebanon and 8,000 individuals from other nationalities (0.5% each), and 1,470 Palestinian refugees from Syria (0.1%).

Further, it said that the partners of the LCRP support 365,751 vulnerable Lebanese citizens through the National Poverty Targeting Program (NPTP) due to their growing needs and the multiple prevailing crises in Lebanon. It pointed out that the total value of cash transfers reached \$51.7m, including through the NPTP, while the total amount disbursed in Lebanese pounds was LBP78bn for cash-based and food vouchers modalities of assistance.

In parallel, the UN indicated that it enhanced the technical and operational capacities of 5,154 small-scale farmers during the first quarter of 2023 in order to alleviate the impact of the financial and economic crises on the agricultural community.

Also, it pointed out that it invested about \$244,706 in agriculture in the first quarter of 2023. It said that it provided in-kind, financial, or technical support to 163 agricultural cooperatives and/or agricultural associations. It added that it granted \$454,789 to around 73 of the agricultural cooperatives and/or associations. In addition, it noted that it provided training on skills and competencies in the agriculture sector to 517 individuals who are employed in temporary casual labor. It indicated that the assistance provided employment opportunities in return of cash, while creating agricultural assets that benefited small-scale farmers and farming communities.

### **French financial support to Lebanon at €214m in 2020-2022 period**

The French Court of Audit indicated that French President Emmanuel Macron announced a series of aid packages to Lebanon following the devastating explosion at the Port of Beirut on August 4, 2020, in an attempt to mitigate the impact of the multiple crises that the country has been facing since 2019. It noted that the objective of the financial aid is to provide relief to the Lebanese population by supporting the efforts of civil society organizations, and to help find solutions to recover from the crisis. As such, it conducted an audit to assess the effectiveness of the French government's financial aid to Lebanon in order to better meet the needs of the Lebanese population.

The audit indicated that financial aid from the French government originated mainly from four sources. First, the Crisis and Support Centre of the Ministry for Europe and Foreign Affairs, which significantly intervened in the days and weeks that followed the blast at the Port of Beirut, has provided €14.56m over the 2020-22 period and made it possible to deliver an additional €17.7m in in-kind donations from various sources. Second, the Agence Française de Développement distributed €111 million in aid between 2020 and 2022, with 90% of the amount in the form of donations. Third, the Agence pour l'Enseignement Français à l'Étranger, which has in Lebanon a network of 63 accredited educational institutions with more than 60,000 students, provided €33.56m in assistance to schools, universities, and families over the covered period. Fourth, the Direction des Nations Unies, des Organisations Internationales, des Droits de l'Homme et de la Francophonie (NUOI) of the Ministry for Europe and Foreign Affairs deployed €32.5m in voluntary contributions to various multilateral organizations, so they can direct the funds towards the needs of the Lebanese population and/or refugees. It added that the Direction Générale du Trésor committed €7.3m to finance new projects under bilateral aid and €2.1m as part of its contribution to multilateral aid for Lebanon in the 2020-22 period, through a trust fund that the World Bank established and that disbursed €4.59m between 2020 and 2022.

The results of the audit showed that France mobilized €214m in financial aid to Lebanon between 2020 and 2022, and that the annual government appropriations allocated to Lebanon increased by nearly threefold since 2020. The funds were earmarked mainly to education (45%) and healthcare (25%), as well as to food and agriculture, the reconstruction of Beirut and the rehabilitation of the economy, and to civil society (10% each).

In addition, the audit highlighted the need to step up efforts to collect and aggregate reliable data, as well as to deploy permanent mechanisms for consolidating statistics in order to have the necessary tools to measure the coherence, effectiveness and impact of French public aid to Lebanon, and to better direct financial flows towards the needs of the Lebanese population. Also, it considered that it is logical for political considerations to interfere in the usage of aid and loans to Lebanon. However, it stressed the need to strengthen monitoring commitments and payments at the central level.

Finally, the Court of Audit recommended the establishment of a financial monitoring system of French financial aid to Lebanon, in order to verify its consistency and compliance with the set objectives, to assess its impact, and to provide effective "steering" instruments for the transparent usage of these funds. It expected the monitoring to allow for a more accurate assessment of "the nature and scope of the loans granted, the verification of their consistency, the evaluation of their impact, and the provision of effective tools for the direction of the funds."



### **Byblos Bank posts net losses of LBP132bn in first quarter of 2023**

Byblos Bank sal declared unaudited net losses of LBP132.1bn in the first quarter of 2023 relative to unaudited net losses of LBP65.6bn in the same quarter of 2022. The Bank's net interest income reached LBP667.3bn in the first quarter of 2023 compared to LBP278.6bn in the same quarter of 2022, while its net earnings from fees & commissions stood at LBP71.3bn in the first quarter of 2023 relative to losses of LBP65.4bn in the first quarter last year. Also, net operating income totaled LBP492.7bn in the first quarter of 2023 compared to LBP71.4bn in the first quarter of the preceding year. Further, the Bank's operating expenditures reached LBP442.5bn in the first quarter of 2023 relative to LBP112.6bn in the same quarter of 2022, with personnel cost accounting for 37.6% of the total.

Also, Byblos Bank's aggregate assets reached LBP182,915bn at the end of March 2023 compared to LBP26,844.3bn at end-2022. Net loans & advances to customers totaled LBP10,396.8bn at the end of March 2023 relative to LBP2,073.6bn at end-2022, while net loans & advances to related parties stood at LBP81.1bn compared to LBP5.5bn at end-2022.

Further, the Bank's customer deposits reached LBP153,458.8bn at end-March 2023 relative to LBP18,607bn at the end of 2022; while deposits from related parties amounted to LBP1,012bn at the end of March 2023 compared to LBP111.8bn at end-2022. In parallel, the Bank's equity was LBP13,690.6bn at the end of March 2023 relative to LBP4,659.8bn at the end of 2022. The surge in the figures is due to the effect of the new exchange rate on the Lebanese pound component of the balance sheet.

### **Byblos Bank invites shareholders to General Assembly**

Byblos Bank sal invited its common and preferred shareholders to attend an Ordinary General Assembly that will be held on July 12, 2023. The agenda of the meeting consists of hearing and approving the Board of Directors' and the auditors' general and special reports for fiscal year 2022, and approving the accounts and the results of fiscal year 2022, among other items.

Further, the Bank invited common shareholders to determine the compensation of auditors, of members of the Board of Directors, and of the members of board committees for fiscal year 2023, and to discharge the Chairman and Board members from their duties during the fiscal year 2022, among other tasks.

In addition, Byblos Bank sal invited its shareholders to attend an Extraordinary General Assembly that will be held on July 12, 2023. The agenda of the meeting includes the approval of the acquisition of the assets, rights, liabilities and obligations of Byblos Invest Bank sal, among other items on the agenda.

Byblos Bank sal declared unaudited net losses of LBP1,446.3bn in 2022, compared to audited net losses of LBP25.8bn in 2021. The Bank's aggregate assets reached LBP26,077bn, with net loans & advances to customers at LBP2,072bn and net loans & advances to related parties at LBP11.2bn at the end of 2022. Further, customer deposits stood at LBP18,608.2bn, with deposits from related parties reaching LBP114.5bn at the end of 2022. Also, the Bank's equity was LBP4,111.5bn at the end of 2022 and increased by 54.2% from LBP2,666bn a year earlier.

### **BLOM Bank registers profits of LBP7.2bn in 2022**

BLOM Bank sal, one of Lebanon's listed banks on the Beirut Stock Exchange, declared audited net profits of LBP7.2bn in 2022 compared to earnings of LBP6.7bn in 2021. The bank's net interest income reached LBP2,178.7bn in 2022 relative to LBP2,245.6bn in 2021, while its net losses from fees & commission stood at LBP109.7bn compared to losses of LBP246bn in 2021, mainly due to fees and commission expenses of LBP412.5bn that outweighed receipts from fees and commission of LBP302.8bn. Also, the bank's net operating income totaled LBP1,249.7bn in 2022, constituting an increase of 121.8% from LBP563.4bn in 2021. In parallel, the bank's operating expenditures reached LBP1,221.5bn last year, and surged by 163.8% from LBP463.1bn in 2021, with personnel cost accounting for 67.8% of the total in 2022.

Also, the bank's aggregate assets amounted to LBP38,876.5bn at the end of 2022, constituting a decline of 2.6% from LBP39,901.5bn at end-2021. Further, net loans & advances to customers totaled LBP2,577.3bn at end-2022, and declined by 23.5% from LBP3,370.5bn at end-2021, while net loans & advances to related parties stood at LBP6.3bn at end-2022. In addition, customer deposits reached LBP30,690bn at end-2022 compared to LBP30,587bn at end-2021, with deposits from related parties standing at LBP73.3bn. In parallel, the bank's shareholders' equity was LBP4,718.5bn at end-2022, down by 1.6% from LBP4,796.6bn at end-2021.

In parallel, the firm's external auditors indicated that "the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the group as at December 31, 2022, and its financial performance and its cash flows for the year that ended in accordance with International Financial Reporting Standards", since the financial statements do not take into account the impact of hyperinflation on the revenues stream. It said that "the group translated its assets and liabilities denominated in foreign currencies and the assets and liabilities of its foreign operations as at December 31, and all transactions in foreign currencies that occurred during the year that ended, using the official published exchange rates to the consolidated financial statements."

## 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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