

LEBANON THIS WEEK

In This Issue

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

Renewable energy capacity reaches 732 MW at end-2022, grows by 11% during 2013-2022 period

Draft budget annex forecasts fiscal deficit at 5.8% of expenditures

Amount of cleared checks in Lebanese pounds up 78% in first nine months of 2023

Tourist arrivals up 25% to 1.4 million in first nine months of 2023

Economic outlook clouded by war scenarios

Lebanon ranks in 107th place globally, seventh in Arab region on Rule of Law Index

Lebanon was on track to post first positive growth rate in five years

UN disburses \$112m in basic assistance in first half of 2023

Cost of mobile data in Lebanon is 81st highest globally, fifth highest among Arab countries

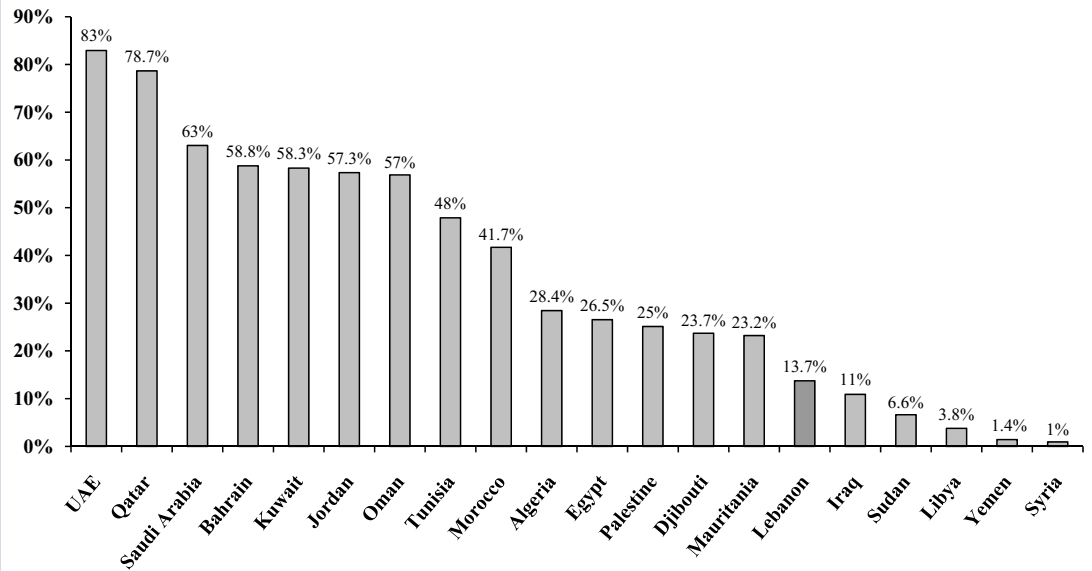
Corporate Highlights

Import activity of top five shipping firms and freight forwarders down 5.5% in first seven months of 2023

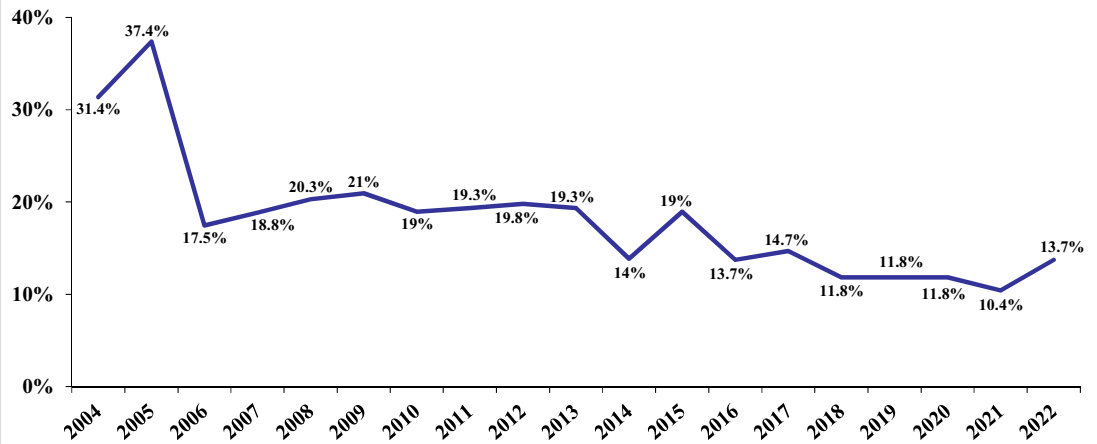
Ratio Highlights.....9
National Accounts, Prices and Exchange Rates9
Ratings & Outlook.....9

Charts of the Week

Percentile Rank of Arab Countries on the the Control of Corruption Indicator for 2022 (%)



Percentile Rank of Lebanon on the the Control of Corruption Indicator (%)



Source: World Bank Governance Indicators for 2022, Byblos Bank

Quote to Note

"Negotiations with investors on a government debt restructuring agreement are likely to be postponed due to prolonged delays in appointing key government officials, amid internal political disputes."

S&P Global Ratings, on the low prospects of the government starting negotiations with Eurobond holders

Number of the Week

12: Number of months that Lebanon has been without a President

Lebanon in the News

\$m (unless otherwise mentioned)	2022	Jan-Aug 2022	Jan-Aug 2023	% Change*	Aug-22	Dec-22	Aug-23
Exports	3,492	2,411	1,704	-29.4%	282	272	89
Imports	19,053	12,773	10,285	-19.5%	1,964	1,251	487
Trade Balance	(15,562)	(10,362)	(8,582)	-17.2%	(1,682)	(979)	(397)
Balance of Payments	(3,197)	(3,101)	1,071	-	(314)	17	145
Checks Cleared in LBP	27,146	15,167	6,820**	-55.0%	2,470	3,686	338**
Checks Cleared in FC	10,288	7,436	2,590**	-65.2%	787	577	188**
Total Checks Cleared	37,434	22,603	9,410**	-58.4%	3,257	4,263	526**
Fiscal Deficit/Surplus	-	-	-	-	-	-	-
Primary Balance	-	-	-	-	-	-	-
Airport Passengers	6,360,564	4,194,798	5,005,141	19.3%	793,287	551,632	914,262
Consumer Price Index	171.2	197.3	233.0	3,563bps	161.9	122.0	229.8

\$bn (unless otherwise mentioned)	Dec-22	Aug-22	May-23	Jun-23	Jul-23	Aug-23	% Change*
BdL FX Reserves	10.40	10.63	9.72	9.29	8.76	8.82	-17.0%
In months of Imports	-	-	-	-	-	-	-
Public Debt	101.81	103.65	-	-	-	-	-
Bank Assets	169.06	168.75	115.21	116.43	117.19	113.72	-32.6%
Bank Deposits (Private Sector)	125.72	125.02	97.31	97.40	96.35	95.59	-23.5%
Bank Loans to Private Sector	20.05	22.82	9.53	9.30	9.04	8.92	-60.9%
Money Supply M2	77.34	50.87	8.10	8.80	7.01	6.64	-87.0%
Money Supply M3	152.29	127.71	80.76	81.10	79.09	78.38	-38.6%
LBP Lending Rate (%)	4.56	4.85	3.53	4.24	3.60	3.77	(108)
LBP Deposit Rate (%)	0.60	0.60	0.84	0.67	0.81	0.41	(19)
USD Lending Rate (%)	4.16	5.51	2.30	2.02	2.61	2.40	(311)
USD Deposit Rate (%)	0.06	0.10	0.09	0.05	0.08	0.03	(7)

*year-on-year

**checks figures do not include compensated checks in fresh currencies

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"	68.00	(9.9)	205,546	41.1%	Apr 2024	6.65	6.25	3,139.53
Solidere "B"	69.25	(4.7)	57,046	27.2%	Jun 2025	6.25	6.25	271.45
Byblos Common	0.71	(6.6)	50,834	2.4%	Nov 2026	6.60	6.25	113.92
BLOM GDR	2.00	(7.0)	43,731	0.9%	Mar 2027	6.85	6.25	100.78
HOLCIM	57.00	(5.0)	1,309	6.7%	Nov 2028	6.65	6.25	63.78
Audi GDR	1.17	(14.0)	1,300	0.8%	Feb 2030	6.65	6.25	49.03
BLOM Listed	3.00	(6.3)	1,000	3.9%	Apr 2031	7.00	6.25	40.74
Audi Listed	1.90	0.0	-	6.8%	May 2033	8.20	6.25	31.26
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	6.25	24.48
Byblos Pref. 09	29.99	0.0	-	0.4%	Mar 2037	7.25	6.25	21.80

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

Source: Refinitiv

	Oct 23-27	Oct 16-20	% Change	September 2023	September 2022	% Change
Total shares traded	362,766	81,844	343.2	1,102,733	4,715,731	(76.6)
Total value traded	\$18,937,274	\$5,091,409	271.9	\$75,415,078	\$34,022,646	121.7
Market capitalization	\$17.68bn	\$17.68bn	(6.4)	\$18.26bn	\$12.81bn	42.6

Source: Beirut Stock Exchange (BSE)



Renewable energy capacity reaches 732 MW at end-2022, grows by 11% during 2013-2022 period

The International Renewable Energy Agency (IRENA) indicated that the aggregate capacity of renewable energy in Lebanon reached 732 megawatts (MW) in 2022 relative to 482 MW in 2021 and to a capacity of 288 MW in 2013, which constitutes a compound annual growth rate (CAGR) of 11% during the 2013-22 period. In comparison, the capacity for renewable energy grew by a CAGR of 14.7% in the Arab world and by 9% globally during the covered period. It said that renewable energy accounted for 20.8% of total electricity capacity in Lebanon in 2022 compared to 14.1% in 2021 and 8.1% in 2013. It added that renewable energy represented 40.3% of total power capacity worldwide in 2022 relative to 38.4% in 2021 and 27.2% in 2013, while renewable energy accounted for 8.7% total power capacity in the Middle East in 2022 compared to 7.8% in 2021 and 5.7% in 2013.

The IRENA defines renewable energy capacity as the maximum net generating capacity of power plants and other installations that use renewable energy sources to produce electricity.

The survey ranked Lebanon in 112th place among 224 countries and territories globally and in sixth place among 12 Arab countries in terms of total renewable energy capacity in 2022. In comparison, Lebanon came in 118th place worldwide and in fifth place regionally in 2021, while it ranked in 114th place globally and in third place in the Arab world in 2013. It noted that Lebanon's total installed renewable energy power capacity trailed only the UAE with 3,591 MW, Jordan with 2,555 MW, Iraq with 1,599 MW, Syria with 1,557 MW, and Qatar with 824 MW among 12 Arab countries. Also, Lebanon's share of renewable energy accounted for 5.8% of total renewable power capacity among Arab economies and for 0.02% of global renewable power capacity in 2022.

Further, the distribution of renewable energy capacity in the country shows that the installed solar power capacity in Lebanon consisted of 440 MW or 60.1% of the total in 2022, followed by 282 MW from hydropower sources (38.5%), 7 MW from biogas (1%), and 3 MW from wind energy (0.4%). In comparison, it noted that the installed capacity in the country consisted of 282 MW from hydropower sources, 190 MW from solar power, 7 MW from biogas, and 3 MW from wind energy in 2021; relative to 282 MW from hydropower sources, 2 MW from solar power, 2 MW from biogas, and 2 MW from wind energy in 2013. Also, the renewable energy capacity from solar energy in Lebanon increased by a CAGR of 82.1%, the capacity from biogas grew by a CAGR of 15%, while the capacity from wind energy expanded by a CAGR of 4.6% in the 2013-22 period.

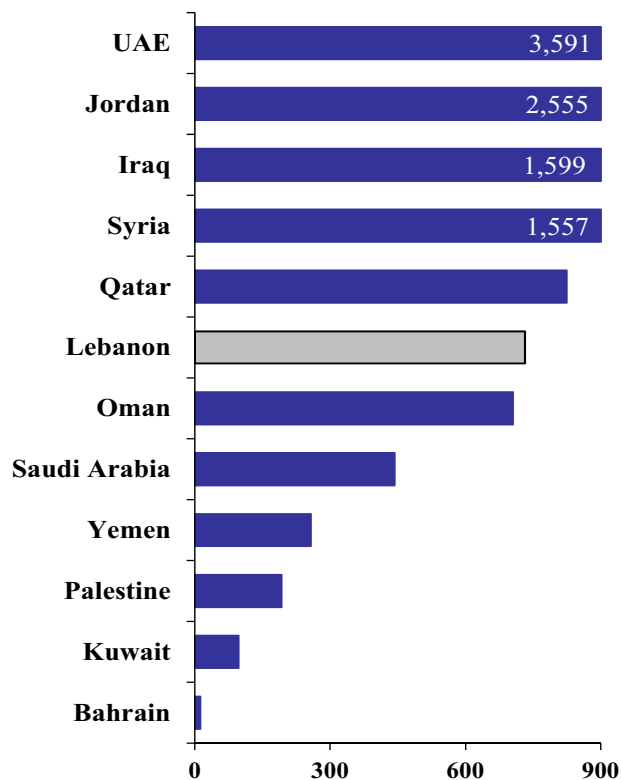
In parallel, Lebanon ranked in 65th place worldwide and in fifth place in the Arab world in terms of renewable energy capacity from solar energy in 2022. The survey shows that the installed capacity from solar energy in Lebanon was similar to that in Saudi Arabia, exceeded Yemen (257 MW) and Palestine (192 MW), and trailed Qatar (805 MW) and Oman (655 MW) among 12 Arab countries with available data. As such, Lebanon accounted for 5.2% of the total power production capacity from solar energy in Arab countries and for 0.04% of worldwide capacity in 2022.

Also, Lebanon came in 107th place globally and in second place among Arab economies in terms of installed capacity from hydropower sources in 2022. The output capacity from hydropower sources in the country came ahead of Jordan (14 MW), and trailed Iraq (1,797 MW) and Syria (1,490 MW) among four Arab countries with available data. Lebanon accounted for 7.9% of total hydropower production capacity in the Arab world and for 0.02% of global capacity last year.

In addition, Lebanon ranked in 66th place worldwide and in second place among Arab economies in terms of installed capacity from biogas in 2022. The installed capacity from biogas in Lebanon was similar to that of Syria, preceded Qatar (4 MW) and the UAE (3 MW), and trailed Jordan (13 MW) among five Arab countries with available data. Lebanon accounted for 20.6% of total power production capacity from biogas among Arab countries and for 0.03% of global capacity in 2022.

Finally, Lebanon came in 107th place globally and in fourth place in the Arab world in terms of installed capacity from wind energy sources in 2022. The agency noted that the installed capacity from wind energy in the country was similar to that of Saudi Arabia, preceded Bahrain and Syria (1 MW each), while it trailed Jordan (614 MW), Oman (50 MW), and Kuwait (12 MW) among seven Arab countries with available data. Lebanon accounted for 0.4% of installed wind energy production among Arab economies and for 0.0003% of the world's capacity last year.

Capacity of Renewable Energy in Arab Countries in 2022 (MW)



Source: IRENA, Byblos Research

Draft budget annex forecasts fiscal deficit at 5.8% of expenditures

The annex to the draft budget for 2024 that the Ministry of Finance prepared shows budget expenditures at LBP295,113.4bn and revenues at LBP277,924bn, leading to a primary deficit of LBP2,541.4bn and a budget deficit of LBP17,189.6bn. As such, the budget deficit would be equivalent to 5.8% of expenditures compared to a projected deficit of 25.9% of spending in the 2023 draft budget and a deficit equivalent to 23.6% of expenditures in 2022. The projections differ from the figures in the first version of the 2024 draft budget. The ministry did not provide the macroeconomic indicators and assumptions that it used for the draft budget, such as the real GDP growth rate, the inflation rate, the deflator, and the nominal GDP for 2024.

The ministry indicated that the main objective of the 2024 budget is to reduce the fiscal deficit by raising public revenues through increasing tax collection and fees, and from reducing non-essential expenditures through the corrective measures included in the budget draft. It said that narrowing the deficit is positive for financial and monetary stability, and is essential for the sustainability of the public sector in light of the absence of any new sources of government financing either from international capital markets or from external sources. It noted that some measures included in the 2022 budget, especially adjusting the exchange rate of the Lebanese pound, led to the increase of public revenues from 6% of GDP in 2022 to an expected 14% of GDP in 2023. It considered that the measures proposed in the 2024 draft budget aim to continue the trend of increasing revenues, especially through the indexation of taxes, fees and licenses to the inflation rate, which would generate revenues of at least 17% of GDP in 2024 and would allow the Treasury to finance the needs of the public sector as well as to support financial and monetary stability.

In parallel, the ministry indicated that the draft budget for 2024 comes within the context of the government's economic, fiscal, institutional and structural reforms plan for the 2024-27 period that aims to revitalize economic activity, support growth and create jobs. In addition, it said the plan intends to reduce the public debt level to less than 100% of GDP by the end of 2026 and to 80% of GDP at end-2032 by eliminating fiscal deficits, restructuring the Eurobonds component of the public debt, lifting all forms of subsidies, improving the collection of fees, and implementing the unified tax on income in 2025, among other measures. It added that it plans to narrow the fiscal deficit gradually and to achieve a primary surplus of 1.5% of GDP in the medium to long terms.

On the expenditures side, the budget annex estimates current expenditures at LBP275,236bn and capital spending at LBP19,877bn, or 94.3% and 6.7%, respectively, of aggregate public spending. The distribution of current expenditures shows that wages, salaries, social benefits and allocations account for 51.3% of current spending, followed by spending on goods & services at 15%, various expenditures (8.5%), transfers (7.3%), emergency expenditures (5.2%) and debt servicing (5%), while maintenance, equipment, construction underway, and miscellaneous spending accounted for the balance of current expenditures. On the revenues side, the draft budget annex projects tax revenues at LBP212,589.2bn and non-tax receipts at LBP65,334.8bn, or 76.5% and 23.5%, respectively, of total public revenues, and included LBP17,189.6bn in exceptional receipts for the year.

Amount of cleared checks in Lebanese pounds up 78% in first nine months of 2023

The amount of cleared checks in Lebanese pounds reached LBP45,699bn in the first nine months of 2023, constituting a surge of 78% from LBP25,682bn in the same period last year, while the amount of cleared checks in foreign currency was \$2.85bn and dropped by 64.4% from \$8bn in the first nine months of 2022. Also, there were 353,183 cleared checks in the first nine months of 2023, down by 73% from 1.3 million checks in the same period of 2022. In addition, the amount of cleared checks in Lebanese pounds reached LBP4,462bn in September 2023, as it declined by 12% from LBP5,063bn in August 2023 and rose by 58.4% from LBP2,817bn in September 2022. Further, the amount of cleared checks in foreign currency was \$258m in September 2023, as it increased by 37.2% from \$188m in the previous month and decreased by 54.5% from \$567m in September 2022. Also, there were 26,048 cleared checks in September 2023 relative to 29,092 checks in August 2023 and to 80,864 cleared checks in September 2022. In addition, the amount of cleared checks in "fresh" Lebanese pounds stood at LBP501bn, while the amount of cleared checks in "fresh" foreign currency was \$2.53m in the third quarter of 2023. Also, there were 336 cleared checks in "fresh" Lebanese pounds and 128 cleared checks in "fresh" foreign currency in the covered three months.

In parallel, the amount of returned checks in Lebanese pounds reached LBP660bn in the first nine months of 2023 compared to LBP175bn in the same period last year, while the amount of returned checks in foreign currency was \$174m and increased by 61% from \$108m in the first nine months of 2022. Also, the amount of returned checks in Lebanese pounds stood at LBP136bn in September 2023, as it posted increases of 655.6% from LBP18bn in August 2023 and of 547.6% from LBP21bn in September 2022. Moreover, the amount of returned checks in foreign currency was \$11m in September 2023, as it dropped by 26.7% from \$15m in the previous month and surged by 57% from \$7m in September 2022. In addition, the amount of returned checks in "fresh" foreign currency stood at \$3,760, while the amount of returned checks in "fresh" Lebanese pounds stood at LBP2bn in the third quarter of 2023.

Further, there were 2,916 returned checks in the first nine months of 2023, down by 73.7% from 11,069 returned checks in the same period last year. Also, the number of returned checks in foreign currency reached 1,235 in the covered period and dropped by 77% from 5,346 in the first nine months of 2022, while the number of returned checks in Lebanese pounds totaled 1,681 and retreated by 54.2% from 3,670 checks from the same period last year. In addition, there were 214 returned checks in September 2023, relative to 170 returned checks in the preceding month and to 536 checks in September 2022. Further, there were 106 returned checks in Lebanese pounds in September 2023 compared to 98 in the previous month and to 276 in September 2022, while there were 108 returned checks in foreign currency in September relative to 72 checks in the preceding month and 260 returned checks in September 2022. Also, there were three returned checks in "fresh" foreign currency and two returned checks in "fresh" Lebanese pounds in the third quarter of 2023.

Tourist arrivals up 25% to 1.4 million in first nine months of 2023

Figures compiled by the Ministry of Tourism indicate that the number of incoming visitors to Lebanon totaled 1,404,768 tourists in the first nine months of 2023, constituting an increase of 25.3% from 1,120,927 tourists in the first nine months of 2022 and a surge of 113.2% from 659,030 visitors in the first nine months of 2021.

The number of incoming visitors reached 274,787 visitors in the first quarter, 476,403 in the second quarter, and 653,578 in the third quarter of 2023, relative to 212,950 visitors in the first quarter, 357,788 in the second quarter, and 550,189 in the third quarter of 2022. The figures represented increases of 29% in the first quarter, 33.2% in the second quarter, and 18.8% in the third quarter in 2023 from the corresponding quarters of the preceding year. The figures exclude Lebanese, Syrian and Palestinian arrivals. In addition, the number of incoming visitors reached 88,378 in January, 85,682 in February, 100,727 in March, 123,399 in April, 143,208 in May, 209,796 in June, 267,702 in July, 210,458 in August, and 175,418 in September 2023. The figures constituted increases of 41.8% in January, 26.4% in February, 21.6% in March, 41% in April, 24% in May, 35.6% in June, 12.2% in July, 21.7% in August, and 26.5% in September 2023 from the corresponding months of the previous year.

Visitors from European countries totaled 581,511 tourists and accounted for 41.4% of incoming visitors in the first nine months of 2023, followed by those from Arab countries with 353,518 visitors (25.2%), the Americas with 295,116 tourists (21%), Asia with 65,233 visitors (4.6%), Oceania with 61,562 visitors (4.4%), and Africa with 47,740 tourists (3.4%). Further, the number of visitors from Asia surged by 48.3% in the first nine months of 2023 from the same period last year, followed by those from Europe (+31.4%), Oceania (+30%), the Americas (+21.7%), the Arab countries (+16.8%), and Africa (+13.8%).

On a country basis, tourists from Iraq accounted for 12.6% of visitors in the first nine months of 2023, followed by visitors from the United States (11.3%), Germany (8.7%), France (8.5%), Canada (7%), Egypt and Sweden (4.2% each), Jordan (4.1%), England (3.6%), Türkiye (2.2%), Kuwait (1.7%), Italy (1.5%), Brazil (1.4%), Venezuela (0.5%), Qatar (0.4%), Bahrain and Saudi Arabia (0.3% each), and the UAE (0.06%); while other countries accounted for the remaining 72.4%.

The increase in the number of visitor arrivals in the first nine months of 2023 is due to the resumption of normal activity following the lifting of lockdown and social distancing measures in the country that the authorities imposed to contain the spread of the coronavirus, to the relaxation of travel restrictions in the main country sources of visitors to Lebanon, as well as to promotion campaigns by the Ministry of Tourism and to the competitive advantages that Lebanon presents in terms of the combination of attractiveness and pricing.

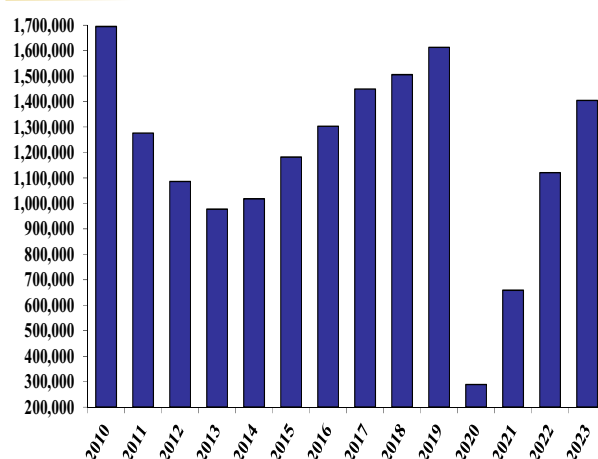
Economic outlook clouded by war scenarios

The Institute of International Finance (IIF) projected Lebanon's real GDP growth at 0.6% in 2023 and 1.2% in 2024 prior to the war in Gaza, while it expected the fiscal deficit to narrow from 5.1% of GDP this year to 2% of GDP next year before the eruption of the military confrontation. It also anticipated the current account balance to post deficits of 18.2% of GDP in 2023 and 13% of GDP in 2024, and forecast foreign currency reserves at about \$8.5bn in the 2023-24 period.

However, given the ongoing war, the IIF developed two scenarios. The first scenario assumes that the fighting remains limited to Gaza. As such, the IIF projected Lebanon's real GDP to contract by 0.5% in 2023 and by 1% in 2024, while it anticipated the fiscal deficit to widen from 5.3% of GDP this year to 6.3% of GDP next year. It also forecast the current account balance to post deficits of 17.5% of GDP in 2023 and 18.2% of GDP in 2024, and expected foreign currency reserves to decline from \$8bn at the end of 2023 to \$7bn at end-2024.

The second scenario assumes higher chances of a regional conflict, that Lebanon would be dragged into the war, and that the conflict would extend for more than six months. Under this scenario, the IIF anticipated heavy Israeli bombardments to the south of Lebanon and to major cities across the country. It expected this development to heavily weigh on the Lebanese economy and on the country's weak infrastructure, and considered that the potential for additional losses in capital stock due to the war could take more than a decade to reverse and, as a result, lead to additional delays in the economic recovery. As such, it projected Lebanon's real GDP to contract by more than 15% in the fourth quarter of 2023, by 4% in full year 2023 and by 26.2% in 2024. It also anticipated the fiscal deficit to widen from 6% of GDP this year to 9.5% of GDP next year. Further, it forecast the current account balance to post deficits of 21% of GDP in 2023 and 42.8% of GDP in 2024, and expected foreign currency reserves to decline from \$6bn at the end of 2023 to \$3bn at end-2024.

Number of Tourist Arrivals to Lebanon*



*in first nine months of each year

Source: Ministry of Tourism, Byblos Research

Lebanon ranks in 107th place globally, seventh in Arab region on Rule of Law Index

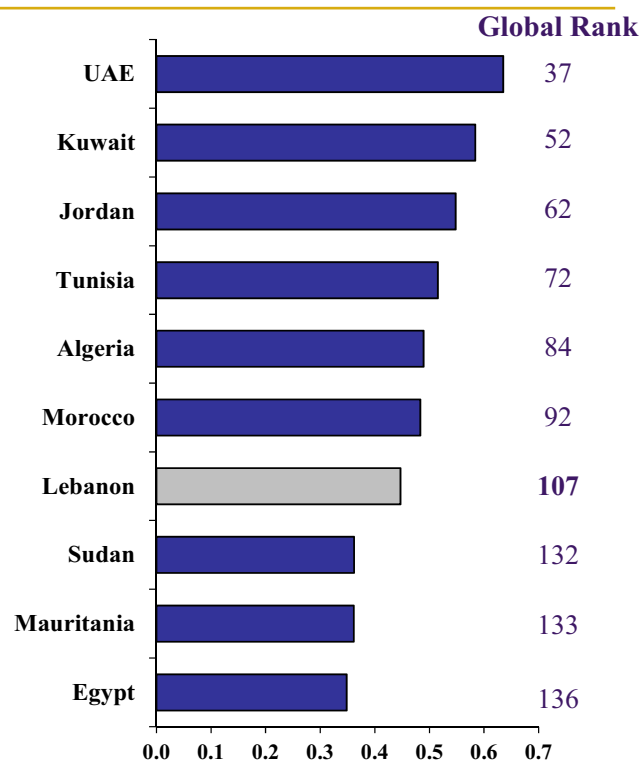
The World Justice Project ranked Lebanon in 107th place among 142 countries around the world and in seventh place among 10 Arab countries on its Rule of Law Index for 2023. In comparison, Lebanon ranked in 106th place among 140 countries globally and in sixth place among nine Arab economies on the 2022 index, while it came in 57th place among 97 countries worldwide and in fourth place among six Arab economies on the 2012-13 index. Based on the same set of countries included in the 2022 and 2023 surveys, Lebanon's global rank improved by one spot from the 2022 index, while its rank among Arab countries was unchanged year-on-year.

The index measures the implementation of the rule of law by aggregating 44 sub-factors into eight factors that are the Constraints on Government Powers, Absence of Corruption, Open Government, Fundamental Rights, Order & Security, Regulatory Enforcement, Civil Justice, and Criminal Justice. The scores and rankings of each factor and sub-factor are based on the results of an opinion poll of the general public and of a survey of legal professionals in each country. The scores range from zero to one point, with a score of one point reflecting the strongest adherence to the rule of law. The general population poll covers the three major urban areas in each country. The Lebanon survey covered 1,000 participants in Beirut, Sidon, and Tripoli.

Globally, the implementation of the rule of law in Lebanon is better than in El Salvador, Niger, and Guatemala, and is weaker than in Belarus, Zambia, and Côte d'Ivoire among economies with a GDP of \$10bn or more. Regionally, the rule of law in Lebanon is more effective than in Sudan, Mauritania and Egypt, while it is less effective than in the UAE, Kuwait, Jordan, Tunisia, Algeria and Morocco. Lebanon received a score of 0.447 points in the 2023 survey, nearly unchanged from 0.446 points in the 2022 survey, compared to a score of 0.51 points on the 2012-13 index. Lebanon's score came lower than the global average score of 0.55 points and the Arab countries' average score of 0.48 points.

In addition, the survey classified the 142 countries into four quartiles based on a country's score on each factor. The scores in the first quartile range from zero to 0.25 points and cover countries with the weakest adherence to the factors, followed by the second quartile with scores between 0.25 and 0.50 points, the third quartile with scores in the 0.50 to 0.75 points range, and the fourth quartile with scores between 0.75 to one point, with countries in the latter quartile demonstrating the strongest adherence to the factors. Lebanon came in the third quartile among 71 countries on the Order & Security factor; while it was in the second quartile on the Constraints on Government Powers along with 58 jurisdictions, as well as in the second quartile on the Absence of Corruption (78 economies), Open Government (69 countries), Fundamental Rights (53 economies), Regulatory Enforcement (75 jurisdictions), Civil Justice (62 countries), and Criminal Justice factors (81 countries).

Rule of Law Index for 2023
Scores and Rankings of Arab Countries



Source: World Justice Project, Byblos Research

Components of the 2023 Rule of Law Index for Lebanon

Factors	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
Constraints on Government Powers	89	5	0.49	0.54	0.45
Absence of Corruption	109	8	0.36	0.51	0.47
Open Government	99	2	0.44	0.52	0.37
Fundamental Rights	97	2	0.46	0.56	0.41
Order and Security	93	7	0.68	0.72	0.72
Regulatory Enforcement	107	7	0.44	0.54	0.48
Civil Justice	124	7	0.40	0.54	0.49
Criminal Justice	118	9	0.32	0.47	0.42

Source: World Justice Project, Byblos Research

Lebanon was on track to post first positive growth rate in five years

In its Macro Poverty Outlook dated October 5, 2023, the World Bank indicated that Lebanon's highly polarized political landscape, the 11-month presidential vacuum, a caretaker government with restricted executive powers, an interim governor at Banque du Liban (BdL), and the limited legislative action by Parliament have led to significantly slower progress on a comprehensive crisis resolution plan.

It projected Lebanon's real GDP growth rate at 0.2% in 2023, constituting the first year of positive growth in five years. It expected that the improving consumption as a result of tourism activity, remittance inflows and the stabilization in private sector activity will underpin the modest growth rate in 2023, but considered that the outlook is still subject to extraordinarily high uncertainties and that Lebanon's protracted crisis will likely have a long-lasting effect on potential growth. Also, it revised its estimate for real GDP contraction in 2022 from 2.6% to 0.6% in 2022, given the better-than-expected recent data on high frequency indicators on tourism receipts, remittance inflows and domestic consumption in 2022. It also forecast the exports of goods and services to grow by 4.1% in real terms in 2023 and for private consumption to expand by 0.3% in real terms this year. In contrast, it anticipated gross fixed capital investment to decline by 59.4% in real terms in 2023, followed by government consumption (-19.3%) and the imports of goods and service (-0.3%) this year.

In addition, it noted that the pace of the depreciation of the exchange rate of the Lebanese to the US dollar has moderated due to the interventions of BdL in the foreign exchange market, as well as the increase of foreign currency liquidity in the domestic market as a result of higher tourism receipts and remittance inflows. It said that the exchange rate has stabilized at about LBP90,000 per US dollar since July 2023, but pointed out that it depreciated by more than 98.3% from its pre-crisis level. Also, it indicated that the inflation rate average 171.2% in 2022, due to mainly to the depreciation of the exchange rate, and projected it to average 231.3% in 2023.

In parallel, it projected the fiscal deficit to narrow from 3% of GDP in 2022 to 1.3% of GDP in 2023, primarily due to BdL's decision to no longer finance the fiscal deficit in the absence of a legal framework, and in case the authorities implement the planned revenue mobilization measures, including the revaluation of the exchange rate for customs and taxes. Also, it estimated that revenues were equivalent to 6.1% of GDP last year relative to 13.1% of GDP in 2020. It added that the increase in revenues in 2022 was more than offset by a rise in public expenditures, including off-budget spending, that was driven by the increase in personnel costs as a result of the social assistance schemes for public-sector employees, transfers to Électricité du Liban, and other current expenditures that included wheat subsidies. It also expected that the planned suspension of BdL's financing of the fiscal deficit will reduce pressures on the balance of payments and on BdL's gross foreign currency reserves.

Further, it forecast the current account deficit to narrow from 32.7% of GDP in 2022 to 12.8% of GDP in 2023, in case of a decline in imports of goods and services. It noted that the authorities are financing the deficit mostly through the remaining usable gross reserves at BdL and the cash-based economy.

UN disburses \$112m in basic assistance in first half of 2023

The United Nations indicated that international contributions for the basic assistance track of the Lebanon Crisis Response Plan (LCRP) reached \$85m in the first half of 2023 compared to \$76.3m in the same period of 2022. They represented 17.2% of the \$494m that the LCPR appealed for to assist affected Lebanese and non-Lebanese individuals in the country in 2023. It also noted that \$27m were carried over from funding received in 2022, which is equivalent to 5.5% of the total appealed funds, and resulted in total funding of \$112m in the covered period. As such, it said that international contributions covered 22.7% of the funds appealed in the first half of 2023, resulting in a funding gap of 77.3% in the covered period.

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 the LCRP assistance to 1,327,927 individuals across Lebanon in the first half of 2023 who consist of 907,980 displaced Syrians, or 68.4% of the total, followed by 387,959 vulnerable Lebanese citizens (29.2%), 30,193 Palestinian refugees from Syria (2.3%), and 1,795 Palestinian refugees in Lebanon (0.1%). Further, it said that the LCRP disbursed \$19.3m as regular cash transfers in the second quarter of 2023 to cover the basic needs of vulnerable households and children.

Further, it noted that it provided regular cash grants to 261,997 households for basic needs in the second quarter of 2023 who consist of 181,616 displaced Syrian families, or 69.3% of the total, followed by 70,538 Lebanese households (26.9%), and 9,843 Palestinian families from Syria (3.8%). It also pointed out that it provided social assistance to 18,800 individuals with specific vulnerabilities in the covered quarter. In addition, it said that it delivered in-kind assistance to 5,583 households in Lebanon in the second quarter of 2023.



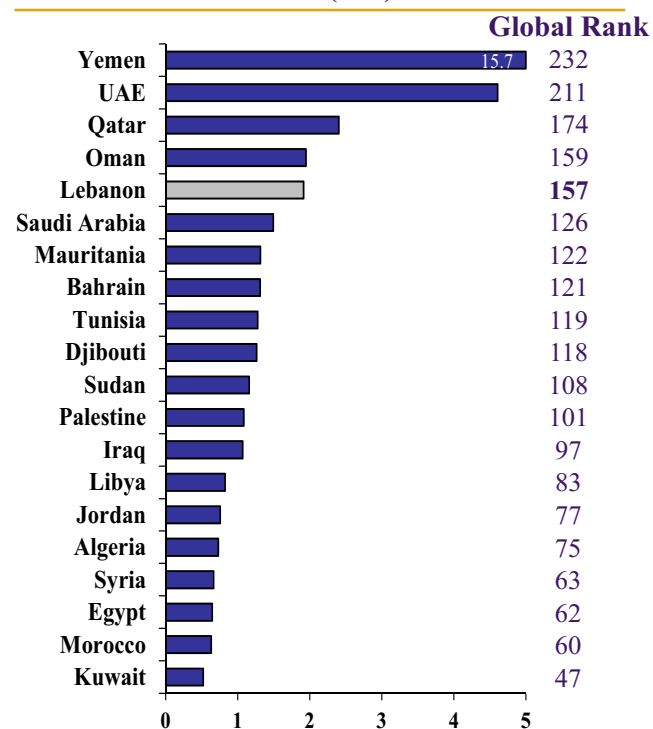
Cost of mobile data in Lebanon is 81st highest globally, fifth highest among Arab countries

The Worldwide Mobile Data Pricing survey published by Cable.co.uk ranked Lebanon in 157th place among 237 countries around the world and in 16th place among 20 Arab countries in terms of the cost of one gigabyte (1GB) of mobile data in 2023. In comparison, Lebanon ranked in 179th place among 233 countries globally and in 17th place in the Arab world on the 2022 survey. The figures show that that Lebanon has the 81st highest cost of mobile data worldwide and the fifth highest in the Arab world in 2023. Lebanon also came in 43rd place among 54 lower middle-income countries (LMICs) included in the 2023 survey. Based on the same number of countries in the 2022 and 2023 surveys, Lebanon's rank improved by 22 spots globally, while its regional rank increased by one notch among Arab economies.

Cable.co.uk, a price comparison site for telecommunications services, compiled the figures from 5,600 mobile data plans across the world between June 1, 2023 and September 30, 2023. The survey indicated that the average cost of 1GB per month in a country or jurisdiction is the simple average of all qualified plans in the country, either in the country's own currency or in the currency that mobile data providers advertise their prices. The firm then converts all prices to US dollars for comparative purposes. The survey indicated that the average cost of 1GB of mobile data in Lebanon is \$1.91 per month in 2023, which is lower than the global average cost of \$2.59 per month and the LMICs' average cost of \$2.2 per month, as well as lower than the Arab region's average cost of \$2.07 per month. Also, the average cost of 1GB in Lebanon is lower than the Gulf Cooperation Council's (GCC) average cost of \$2.05 per month and the non-GCC Arab countries' average cost of \$2.07 per month. The cost of 1GB of mobile data in Lebanon ranges between \$0.932 per month and \$99.9 per month in 2023.

Globally, the average cost of 1GB per month in Lebanon is higher than the average cost in Bolivia (\$1.87), Brunei Darussalam (\$1.89), and Georgia (\$1.9), while it is lower than the cost in Oman (\$1.95), Botswana (\$1.99), and Mexico (\$2.03) among economies with a GDP of \$10bn or more. Also, the average cost of 1GB of mobile data in Lebanon is higher than it is in Senegal (\$1.63), Tajikistan (\$1.66) and Bolivia, while it is lower than it is in Benin (\$2.37), Zambia (\$8), and Zimbabwe (\$43.8) among LMICs. Further, the average cost of 1GB in Lebanon is lower than the corresponding cost in Oman (\$1.95), Qatar (\$2.4), the UAE (\$4.6), and Yemen (\$15.7) among Arab countries.

Average Price of 1GB Mobile Data in Arab Countries in 2023 (US\$)



Source: Cable.co.uk, Byblos Research

Import activity of top five shipping firms and freight forwarders down 5.5% in first seven months of 2023

Figures released by the Port of Beirut show that the aggregate volume of imports by the top five shipping companies and freight forwarders through the port reached 122,962 20-foot equivalent units (TEUs) in the first seven months of 2023, constituting a decrease of 5.5% from 130,155 TEUs in the same period last year. The five shipping and freight forwarding firms accounted for 85% of imports to the Lebanese market in the covered period.

Merit Shipping handled 42,750 TEUs in the first seven months of 2023, equivalent to 18.7% of the total import freight market to Lebanon. Mediterranean Shipping Company (MSC) followed with 37,532 TEUs (16.4%), then MAERSK with 22,258 TEUs (9.7%), Sealine Group with 11,129 TEUs (4.9%), and Gezairi Transport with 9,092 TEUs (4%). Sealine Group registered a surge of 41% in imported goods in the first seven months of 2023, the highest growth rate among the covered companies, while MSC posted a decline of 11.6%, the steepest decline among the five firms in the covered period. Also, the import shipping operations of the top five firms through the port increased by 3.3% in July 2023 from the preceding month.

In parallel, the aggregate volume of exports by the top five shipping and freight forwarding firms through the Port of Beirut reached 44,222 TEUs in the first seven months of 2023, constituting an increase of 8.7% from 40,689 TEUs in the same period of 2022. The five shipping companies and freight forwarders accounted for 94.3% of exported Lebanese cargo in the covered quarter.

Merit Shipping handled 25,030 TEUs of freight in the first seven months of the year, equivalent to 53.4% of the Lebanese cargo export market. MAERSK followed with 10,395 TEUs (22.2%), then Sealine Group with 3,616 TEUs (7.7%), MSC with 2,831 TEUs (6%), and Gezairi Transport with 2,138 TEUs (4.6%). Gezairi Transport posted a rise of 43% in exported goods in the first seven months of 2023, the highest growth rate among the covered companies, while MSC registered a decrease of 17%, the steepest decline among the five firms in the covered period. The export-shipping operations of the top five companies increased by 4.3% in July 2023 from the previous month.

Ratio Highlights

(in % unless specified)	2020	2021	2022	Change*
Nominal GDP (\$bn)	24.7	20.5	21.8	1.3
Public Debt in Foreign Currency / GDP	56.8	188.1	189.8	1.7
Public Debt in Local Currency / GDP	93.8	302.1	277.7	(24.4)
Gross Public Debt / GDP	150.6	490.2	467.5	(22.7)
Trade Balance / GDP	(8.1)	(4.7)	(2.8)	1.9
Exports / Imports	31.3	28.5	18.3	(10.2)
Fiscal Revenues / GDP	16.0	9.8	6.3	(3.4)
Fiscal Expenditures / GDP	20.3	8.7	11.3	2.5
Fiscal Balance / GDP	(4.3)	1.1	(4.9)	-
Primary Balance / GDP	(1.0)	2.4	(4.3)	-
Gross Foreign Currency Reserves / M2	41.5	26.0	13.4	(12.6)
M3 / GDP	209.0	96.9	41.8	(55.2)
Commercial Banks Assets / GDP	296.2	127.1	46.4	(80.7)
Private Sector Deposits / GDP	219.2	94.1	34.5	(59.6)
Private Sector Loans / GDP	57.0	20.1	5.5	(14.6)
Private Sector Deposits Dollarization Rate	80.4	79.4	76.1	(3.3)
Private Sector Lending Dollarization Rate	59.6	56.3	50.7	(5.6)

*change in percentage points 22/21;

Source: Banque du Liban, Ministry of Finance, Central Administration of Statistics, International Monetary Fund, 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	196	480
Nominal GDP (US\$ bn)	24.7	18.0	18.3
Real GDP growth, % change	-25.9	-8.4	-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	8.7	6.6
Imports of goods and services	-33.4	-1.1	10.6
Consumer prices, %, average	84.9	154.8	171.2
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	30,313
Weighted average exchange rate LBP/US\$	3,878	10,876	26,222

Source: Central Administration of Statistics, Institute of International Finance- May 2023

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	-	RD	RD	-
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



Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut – Lebanon
Tel: (961) 1 338 100
Fax: (961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

Lebanon This Week is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from Lebanon This Week may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Boulevard Bischoffsheim 1-8
1000 Brussels
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293