

LEBANON THIS WEEK

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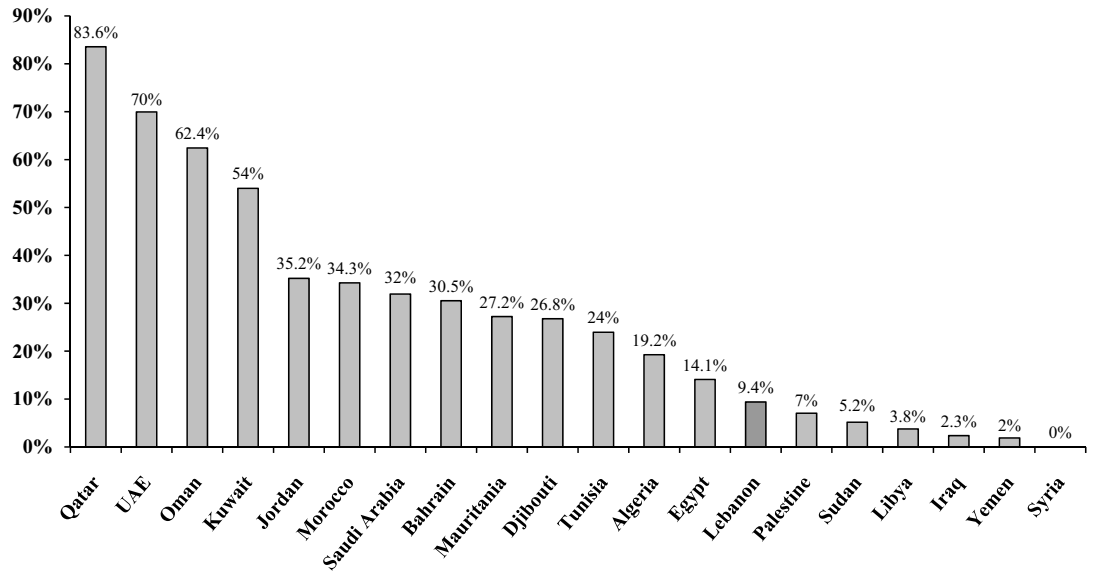
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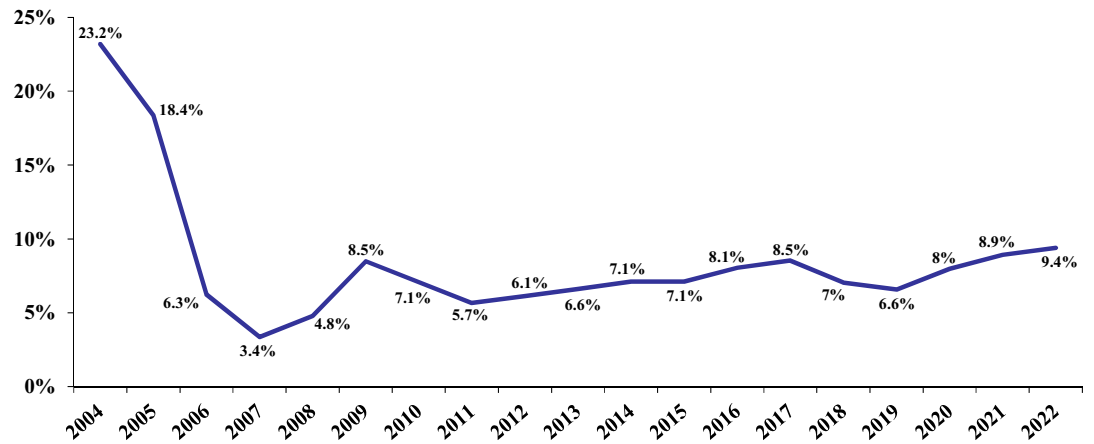
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Charts of the Week

Percentile Rank of Arab Countries on the Political Stability Indicator for 2022 (%)



Percentile Rank of Lebanon on the Political Stability Indicator (%)



Source: World Bank Governance Indicators for 2022, Byblos Bank

Quote to Note

"Such visitors are likely to have somewhat more inelastic demand to regional geopolitical considerations."

S&P Global Ratings, on the fact that almost 80% of total tourist arrivals in the first seven months of 2023 were Lebanese expatriates and Arab nationals, which will help shield the tourism sector from a larger shock

Number of the Week

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

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"	69.60	5.5	49,831	41.8%	Apr 2024	6.65	6.13	3,492.12
BLOM GDR	2.50	25.0	20,000	1.1%	Jun 2025	6.25	6.13	284.62
Solidere "B"	66.00	0.0	12,827	25.8%	Nov 2026	6.60	6.13	116.79
Byblos Common	0.71	0.0	-	2.4%	Mar 2027	6.85	6.13	103.12
HOLCIM	61.05	0.0	-	7.2%	Nov 2028	6.65	6.13	64.89
Audi GDR	1.39	0.0	-	1.0%	Feb 2030	6.65	6.13	49.77
BLOM Listed	3.00	0.0	-	3.9%	Apr 2031	7.00	6.13	41.30
Audi Listed	1.90	0.0	-	6.7%	May 2033	8.20	6.13	31.64
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	6.13	24.75
Byblos Pref. 09	29.99	0.0	-	0.4%	Mar 2037	7.25	6.13	22.04

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

Source: Refinitiv

	Nov 6-10	Oct 30 - Nov 3	% Change	October 2023	October 2022	% Change
Total shares traded	82,658	553,260	(85.1)	1,495,844	2,422,324	(38.2)
Total value traded	\$4,366,291	\$37,069,853	(88.2)	\$89,583,309	\$27,576,340	224.9
Market capitalization	\$16.64bn	\$16.24bn	2.4	\$16.31bn	\$13.41bn	21.6

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 77th globally, eighth in Arab region in terms of talent competitiveness

The France-based INSEAD business school's Global Talent Competitiveness Index (GTCI) ranked Lebanon in 77th place among 134 countries around the world and in eighth place among 13 Arab countries for 2023. Lebanon also came in sixth place among 39 lower middle-income countries (LMICs) included in the survey. In comparison, the index ranked Lebanon in 84th place among 133 countries around the world and in eighth place among 13 Arab countries in 2022, as well as in 48th place among 103 countries globally and in fourth place among nine Arab economies on the 2013 index. Based on the same set of countries included in the 2022 and 2023 surveys, Lebanon's global rank improved by eight spots in 2023, while its Arab rank was unchanged from the 2022 survey. INSEAD published the index in collaboration with the U.S.-based research and educational Portulans Institute and the Singapore-based Human Capital Leadership Institute.

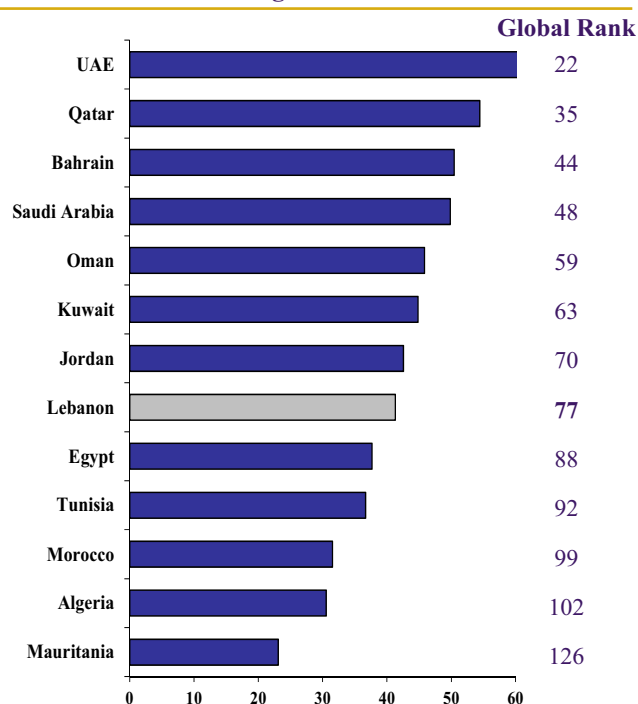
The index measures a country's ability to attract, develop and retain talent. It assesses the steps and decisions that countries take to develop and acquire talented individuals, as well as a country's ability to provide the set of skills required to have a productive, innovative and competitive economy. The index is a composite of six pillars grouped in two sub-indices that are the Talent Competitiveness Input Sub-Index and the Talent Competitiveness Output Sub-Index. A country's score is the simple average of its scores on the six pillars, with a higher score reflecting a better performance in terms of talent competitiveness. The countries included in the GTCI account for nearly 94% of the world's population and for more than 97% of global GDP.

Globally, the talent level in Lebanon is more competitive than talent in Thailand, Indonesia and Türkiye, and is less competitive than talent in Mexico, Vietnam and Mongolia among economies with a GDP of \$10bn or more. Also, Lebanon preceded Kyrgyzstan, Egypt and Sri Lanka, and trailed Jordan, Vietnam and Mongolia among LMICs; while it came ahead of Egypt, Tunisia, Morocco, Algeria and Mauritania in the Arab world. In addition, Lebanon received a score of 41.3 points in the 2023 survey, up by 12.8% from 36.6 points in the 2022 survey and compared to a score of 44.9 points on the 2013 index. Lebanon's score came lower than the global average score of 45.1 points and the Arab region's average score of 42.4 points, but it was higher than the LMIC's average score of 32 points. Further, it was lower than the Gulf Cooperation Council's (GCC) average score of 51.3 points, but came higher than the non-GCC countries' average score of 34.8 points.

Lebanon preceded the Dominican Republic, Kyrgyzstan and the Philippines, while it trailed Namibia, Paraguay and Bosnia & Herzegovina globally on the Talent Competitiveness Input Sub-Index. This category covers the policies, resources and efforts that a country can use to promote its talent competitiveness. It consists of four pillars that show how much the regulatory, market, and business environments support a favorable climate for talent to develop and thrive. It focuses on what countries are doing to attract, grow and retain talented individuals. Lebanon preceded Kyrgyzstan, the Philippines and Tunisia, while it trailed Mongolia, Uzbekistan and Vietnam among LMICs. Also, Lebanon came ahead Tunisia, Egypt, Morocco, Algeria and Mauritania among Arab economies on this category.

Further, Lebanon ranked ahead Bahrain, Moldova and Mauritius, while it came behind Greece, Armenia and Trinidad & Tobago worldwide on the Talent Competitiveness Output Sub-Index. This category measures the quality of talent in a country that results from domestic policies, resources, and efforts. It is composed of two pillars that assess the current situation of a particular country in terms of vocational and technical skills, as well as in terms of global knowledge skills. Lebanon ranked in second place after Uzbekistan among LMICs on this category; while it trailed only the UAE, Saudi Arabia and Qatar in the Arab world.

**Global Talent Competitiveness Index for 2023
Scores & Rankings in Arab Countries**



Source: INSEAD, Byblos Research

Components of the 2023 Talent Competitiveness Index for Lebanon

	Global Rank	LMICs Rank	Arab Rank	Lebanon Score
Talent Competitiveness Input	87	7	8	
Enablers	97	18	11	36.0
Attract	79	10	8	47.8
Grow	66	4	6	37.9
Retain	89	9	9	46.0
Talent Competitiveness Output	56	2	4	
Vocational & Technical Skills	70	4	7	46.3
Global Knowledge Skills	46	1	2	33.8

Source: INSEAD, Byblos Research

Lebanese expatriates account for 61% of visitor arrivals in first nine months of 2023

Figures compiled by the Ministry of Tourism and the Lebanese General Security indicate that the number of incoming visitors to Lebanon totaled 3,621,860 in the first nine months of 2023, and consisted of 2,217,092 Lebanese expatriates and 1,404,768 Arab and foreign visitors. In comparison, the number of incoming visitors to Lebanon totaled 2,877,773 in the first nine months of 2022, who consisted of 1,756,846 Lebanese expatriates and 1,120,927 Arab and foreign visitors. As such, the number of incoming Lebanese expatriates increased by 26.2% and the number of Arab and foreign visitors grew by 25.3% in the first nine months of 2023 from the same period of 2022. Lebanese expatriates accounted for 61.2% of the total number of incoming visitors in the first nine months of 2023, while Arab and foreign visitors represented the balance of 38.8%. In comparison, Lebanese expatriates accounted for 61% of visitors to the country and Arab and foreign tourists represented 39% of the total in the first nine months of 2022.

In addition, the number of incoming Lebanese expatriates stood at 578,217 in the first quarter, 760,582 in the second quarter, and 878,293 in the third quarter of 2023. In comparison, the number of incoming Lebanese expatriates was 416,787 in the first quarter, 562,470 in the second quarter, and 777,589 in the third quarter of 2022. This constituted increases of 38.7% in the first quarter, 35.2% in the second quarter, and 13% in the third quarter of 2023 from the corresponding quarters of 2022. Also, the number of incoming Lebanese expatriates reached 213,056 in January, 163,169 in February, 201,992 in March, 234,908 in April, 230,294 in May, 295,380 in June, 325,493 in July, 280,865 in August, and 271,935 in September 2023. The figures represented surges of 68.6% in January, 28.7% in February, 23.4% in March, 37.8% in April, 24.2% in May, 42.9% in June, 12.6% in July, 11.7% in August, and 14.8% in September 2023 from the corresponding months of 2022.

In parallel, the number of foreigners that include Arab visitors totaled 274,787 in the first quarter, 476,403 in the second quarter, and 653,578 in the third quarter of 2023, while the number of foreigners that include Arab visitors was 212,950 in the first quarter, 357,788 in the second quarter, and 550,189 in the third quarter of 2022. This constituted rises of 29% in the first quarter, 33.2% in the second quarter, and 18.8% in the third quarter of 2023 from the corresponding quarters of 2022. In addition, the number of foreigners that include Arab visitors stood at 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. This represented increases of 41.8% in January, 26.4% in February, 21.6% in March, 40.9% 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 2022. The figures exclude Syrian and Palestinian arrivals.

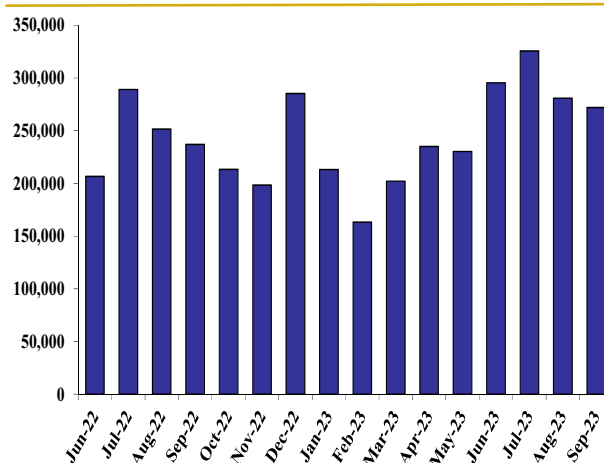
Net foreign assets of financial sector up \$1.5bn in first nine months of 2023

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 \$1.54bn in the first nine months of 2023, compared to decreases of \$3.05bn in the same period of 2022 and of \$1.58bn in the first nine months of 2021.

The cumulative surplus in the first nine months of 2023 was caused by an increase of \$2.8bn in the net foreign assets of banks and financial institutions, which was partly offset by a drop of \$1.26bn in those of BdL. Further, the net foreign assets of the financial sector increased by \$470.2m in September 2023 compared to rises of \$145.1m in August 2023 and of \$48.5m in September 2022. The September increase was caused by an uptick of \$88.5m in the net foreign assets of BdL and a surge of \$381.7m in those of banks and financial institutions.

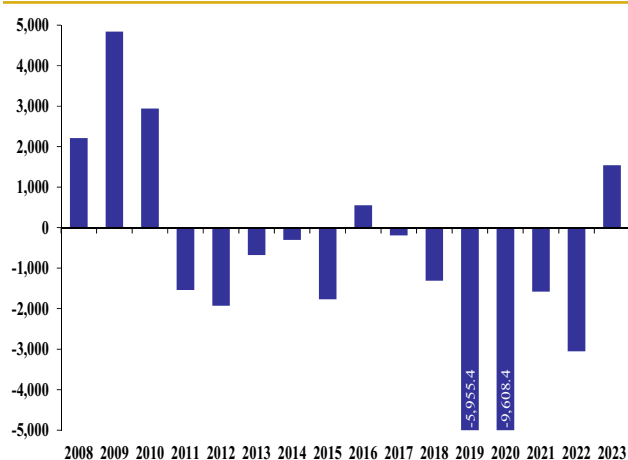
The cumulative increase in the banks' net foreign assets is mostly due to a decline in their foreign liabilities. The decrease in foreign liabilities was driven mainly by the contraction in liabilities to the non-resident financial sector and in non-resident customer deposits. In parallel, the decline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

Number of Lebanese Expatriates Arrivals to Lebanon



Source: Ministry of Tourism, Lebanese General Security, Byblos Research

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



*in first nine months of each year
Source: Banque du Liban, Byblos Research

Council of Ministers receives draft law addressing profits on repayment of loans

The Deputy Prime Minister submitted to the Council of Ministers a draft law that aims to earmark a portion of direct tax revenues to fund the planned Deposit Recovery Fund. The draft law consists of one article that stipulates the following: first, it asked the concerned tax authorities to review and verify, by the end of 2024, the tax declarations of natural or moral taxpayers who took out loans from banks and financial institutions operating in Lebanon, and who have repaid their loans and obligations at an exchange rate and at a value that differ from the actual value of their loan and, as such, realized profits as a result of the exchange rate differential and the loan repayments. It noted that this will apply to cases where the statute of limitations has not expired based on the prevailing laws and regulations. It added that, in case the tax authorities determine that there is a need to modify the tax declaration or impose an additional tax, they will issue the necessary decision and will communicate it to the taxpayer directly, but without imposing any penalty, unless the taxpayer does not comply with the pre-set legal deadline to pay the taxes.

Second, the draft law exempts from this procedure mortgages, retail loans, and consumption loans, which natural persons took, that do not exceed \$100,000 or their equivalent in Lebanese pounds on the date that the loan was extended. Third, it stipulates that the revenues that the Lebanese State will generate from the tax on undeclared profits, as specified in the first point, will be earmarked to the Deposit Recovery Fund that the Lebanese authorities plan to establish as part of the draft law to restore balance to the financial system in the country, or to any other fund that has the same purpose. Fourth, it said that the implementation of this law will be based on decrees that the Council of Ministers will approve based on the recommendation of the Minister of Finance.

It added that the draft law is based on prevailing Lebanese laws, particularly on Income Tax Law 144 dated June 12, 1959 and the Tax Procedures Law 44 dated November 11, 2008, and in coordination with the Special Investigation Commission and the Banking Control Commission of Lebanon according to Law 306 of October 28, 2022 that modified the banking secrecy law. The Ministry of Finance is currently reviewing the content of the draft law.

In parallel, in its Article IV Country Report on Lebanon dated June 2023, the International Monetary Fund considered that the decline in the banks' foreign currency loan book resulted in a loss to depositors and a "transfer of wealth" to borrowers. It indicated that borrowers received an implicit subsidy of up to \$15bn between March 2020 and January 2023, given that many of these loans were repaid in local currency at the official exchange rate rather than at the prevailing parallel market exchange rate. It noted that this preferential exchange rate treatment on the repayment of foreign currency loans will be ultimately borne by depositors, as it led to a decline in assets denominated in foreign currency and, therefore, in the amount of recoverable foreign currency deposits. Further, figures issued by Banque du Liban show that loans denominated in foreign currency dropped by \$33.2bn, or by 81%, between the start of 2019 and the end of September 2023.

Economy Ministry to introduce blockchain technology in public sector

The Ministry of Economy and Trade (MoET) signed a Memorandum of Understanding (MoU) with DigiWeb LLC, Choueh Law Firm and the Lebanese Association for Digital Transformation (LADT) to introduce blockchain technology to Lebanon's public sector.

The MOU, which was dubbed "Towards the Future, Towards Lebanon as a Digital Country", aims to support the MoET and other ministries in the digital transformation process through training their staff in blockchain technologies, as well as to bring practical solutions to public administrations and citizens and develop working methods for public and private sector businesses. It also plans to organize the blockchain conference "Blockchaining Lebanon" in order to support the ministry's digital transformation process.

The MoET considered that blockchain technology is an essential deterrent against corruption, and that it improves transparency in the public sector, as well as efficiency of services and operations, and communication between public administration and citizens. It added that the technology is key to reduce costs and increase the productivity of ministries and public administrations.

Blockchain is a technology solution for storing and transmitting information in a transparent and secure manner, which operates without a centralized monitoring authority. Digiweb is a telecommunications company based in Ireland that provides business solutions in the fields of communications, commerce, consultancy, data, and blockchain technology, among others. The LADT is a non-profit organization based in Lebanon that focuses on promoting and facilitating the application of digital transformation in various sectors.

Currency in circulation down 31% in first nine months of 2023

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP86,341bn at the end of September 2023, constituting a decrease of 12.6% from LBP98,780.4bn at the end of 2022 and an increase of 13.4% from LBP76,168.6bn at end-September 2022. Currency in circulation stood at LBP50,405.7bn at the end of September 2023, as it declined by 31.4% from LBP73,514bn at end-2022 and decreased by 7.5% from LBP54,484.4bn at end-September 2022. Also, demand deposits in local currency stood at LBP35,935.4bn at the end of September 2023, as it surged by 42.2% from the end of 2022 and by 65.7% from end-September 2022. Money supply M1 increased by 3% in September from LBP83,910.8bn at end-August 2023, with currency in circulation regressing by 0.8% and demand deposits in local currency increasing by 8.5% month-on-month.

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP101,530.7bn at the end of September 2023, constituting a decrease of 13% from LBP116,582.5bn at the end of 2022 and an increase of 8.4% from LBP93,685bn a year earlier. Term deposits in Lebanese pounds totaled LBP15,189.7bn at the end of September 2023, and declined by 14.7% from LBP17,802.2bn at end-2022 and by 13.3% from LBP17,516.3bn at end-September 2022. Money supply M2 grew by 2% in September from LBP99,551.9bn at end-August 2023, while term deposits in local currency regressed by 3% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP1,171.5 trillion (tn) at the end of September 2023, with deposits in foreign currency totaling LBP1,066tn and debt securities of the banking sector amounting to LBP3,941bn at end-September 2023. Also, money supply M3 regressed by 0.4% from LBP1,175.7tn at end-August 2023, with deposits in foreign currency decreasing by 0.6% and debt securities issued by the banking sector expanding by 0.4% month-on-month. In parallel, M3 surged by LBP941,942.2bn in the first nine months of 2023 due to a jump of LBP807,451.3bn in net claims on the public sector, a rise of LBP195,507.5bn in the net foreign assets of deposit-taking institutions, and an increase of LBP97,280.7bn in the claims on the private sector, which were offset in part by a decline of LBP158,297.4bn in other items.

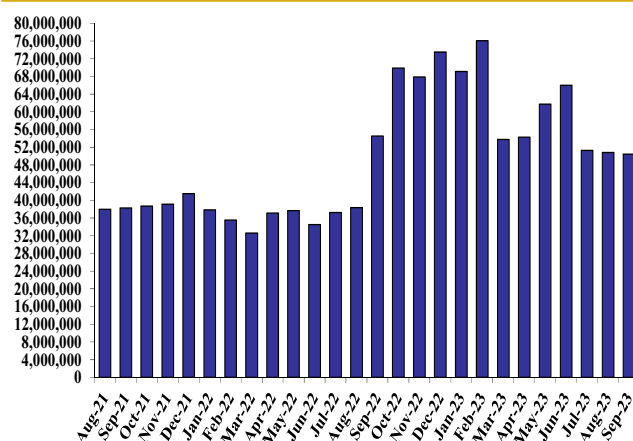
More than 60% of Treasury securities in Lebanese pounds have seven-year maturities or longer at end-September 2023

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds reached LBP86,897bn at the end of September 2023 compared to LBP91,985bn at end-September 2022. The outstanding Treasury securities were equivalent to \$5.8bn at the end of September 2023 based on the new official exchange rate of LBP15,000 per US dollar, but they become equivalent to \$971m based on the parallel market exchange rate of LBP89,500 per dollar at the end of last September. The weighted interest rate on Lebanese Treasury securities denominated in Lebanese pounds was 6.35% in September 2023 compared to 6.4% in September 2022.

The distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP 32,951bn and accounted for 38% of aggregate securities denominated in Lebanese pounds at the end of September 2023, followed by seven-year Treasury securities with LBP17,332bn (20%), five-year Treasury bills with LBP12,926bn (15%), one-year T-bills with LBP7,260bn (8.4%), two-year Treasury bonds with LBP5,777bn (6.6%), three-year Treasury bills with LBP4,669bn (5.4%), 12-year Treasury bonds with LBP3,076bn (3.5%), 15-year Treasury securities with LBP1,417bn (1.6%), six-month T-bills with LBP1,148bn (1.3%), and three-month Treasury bonds with LBP341bn (0.4%). As such, 63% of outstanding Treasury securities have seven-year maturities or longer and 78% have five-year maturities or more.

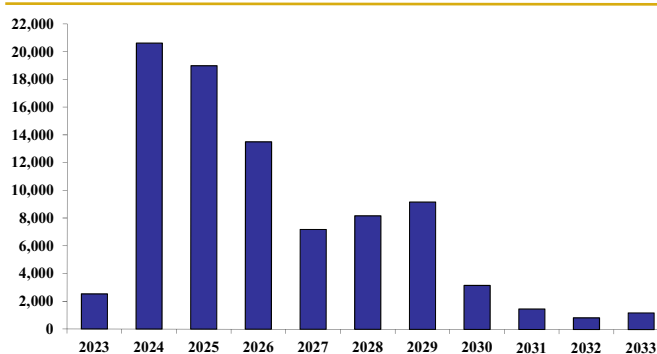
In parallel, LBP1,361bn in outstanding Treasury securities denominated in Lebanese pounds matured in September 2023. The distribution of maturing securities shows that 41.8% consisted of 10-year Treasury bonds, 19.2% were seven-year Treasury securities, 15% consisted of two-year Treasury bills, 8.3% were three-month Treasury bills, 7.3% consisted of five-year Treasury bonds, 5.7% were six-month T-bills, 1.4% consisted of one-year Treasury securities, and 1.1% were three-year Treasury bonds. According to ABL, LBP2,532bn in outstanding Treasury bonds in Lebanese pounds will mature in the rest of 2023.

Currency in Circulation (LBP millions)



Source: Banque du Liban, Byblos Research

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



*as at end-September 2023

Source: Association of Banks in Lebanon, Byblos Research

Purchasing Managers' Index regresses slightly in October 2023

The BLOM Lebanon Purchasing Managers' Index (PMI), an indicator of operating conditions in Lebanon's private sector, stood at 48.9 in October 2023 relative to 49.1 in September and 49.1 in October 2022, and came higher than the PMI's trend average of 46.6 since the index's inception in May 2013. Further, the PMI averaged 49.2 in the first 10 months of 2023 compared to 48.5 in the same period last year. The index has remained below the 50 mark from September 2022 until June 2023. A score that exceeds 50 signals positive business activity, while a score that is lower than 50 shows a deterioration in activity.

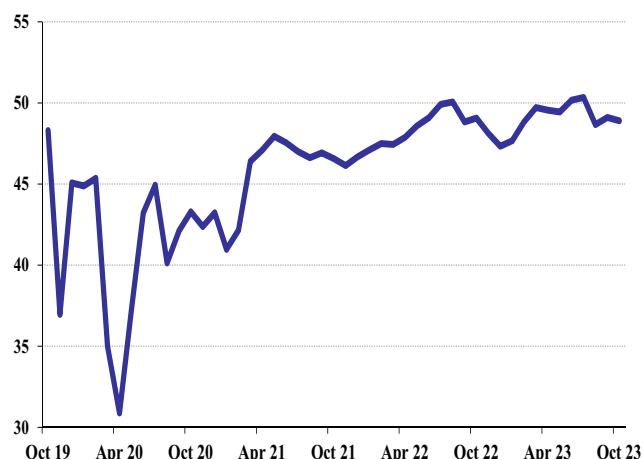
The survey's results show that the New Orders Index stood at 47.6 in October 2023 compared to 47.9 in September 2023. The survey's respondents indicated that demand for new business declined in October, but at a more moderate rate than in the previous two months. The results show that some of the survey's participants cited increased security concerns due to the war in Gaza for the cancellation of new orders, while other respondents continued to cite domestic political and economic instability as a driver of lower sales. In addition, the New Export Orders Index reached 48.8 in October of this year relative to 49 in the previous month, which marked the third consecutive monthly contraction in sales to international clients since March 2023.

Further, the survey indicated that the Output Index stood at 47.8 in October 2023 compared to 48.4 in the preceding month. Businesses attributed the drop in output to a further decrease in business activity across the private sector in Lebanon, and noted that the pace of the decline in the covered month was faster than in September. In addition, the Employment Index reached 50.2 in October 2023 relative to 50.1 in the preceding month, as the majority of respondents reported that their staffing capacity in the covered month was increasing. Also, the results show that the Backlogs of Work Index stood at 47.9 in October 2023 compared to 50.8 in September 2023 due to the lack of incoming new business that led to the reduction in outstanding business, and noted that the pace of the decline in the covered month was the fastest since January 2023.

In parallel, the survey indicated that the Suppliers' Delivery Times Index reached 49.2 in October 2023 relative to 50.1 in the previous month, the first drop below the 50 mark since May 2023, given that supplies have deteriorated since May. However, the survey indicated that less than 2% of companies reported longer delivery times. Also, the Stocks of Purchases Index stood at 50.6 in the covered month compared to 50.8 in September 2023, as businesses noted that the rate of accumulation of stocks slowed down to a four-month low, even though private-sector companies in Lebanon continued to increase their stocks at the start of the fourth quarter.

The PMI is a weighted average of five individual sub-components that are New Orders with a weight of 30%, Output (25%), Employment (20%), Suppliers' Delivery Times (15%), and Stocks of Purchases (10%). The calculation of the PMI is based on data compiled from responses to questionnaires sent to purchasing executives at about 400 private sector companies in Lebanon across the manufacturing, services, construction and retail sectors. The sample selection is based on each sector's contribution to GDP. The survey is compiled monthly by S&P Global Market Intelligence.

BLOM Lebanon Purchasing Managers' Index



Source: BLOM Bank, S&P Global Market Intelligence

Components of BLOM Lebanon Purchasing Managers' Index

	Output	New Orders	New Export Orders	Future Output	Employment
May 2023	48.9	48.8	50.4	7.4	49.7
June 2023	50.4	50.3	50.2	0.8	50.2
July 2023	50.1	50.2	50.0	15.3	50.8
August 2023	47.6	47.7	48.6	26.2	50.0
September 2023	48.4	47.9	49.0	22.9	50.1
October 2023	47.8	47.6	48.8	22.3	50.2

Source: BLOM Bank, S&P Global Market Intelligence

Telecommunications Ministry asks illegal ISPs to pay arrears

The Ministry of Telecommunications mandated the owners and operators of illegal Internet service providers (ISPs) to pay their dues that have accumulated since July 2017. Further, it asked the Directorate of Maintenance & Investment at the ministry to provide the amounts of the arrears starting from July 1, 2017, which is the date that Decree 957 went into effect, until the ISPs implement in full Decree 9458 that the Council of Ministers issued on June 24, 2022 and that aims to regularize illegal ISPs.

It said that it took the new decision because illegal ISPs are not cooperating with the ministry and have not started to implement the terms of Decree 9458, including the conditions to lease E1 digital lines, on the grounds that they will lose their subscribers if they are the first ones to abide by the decree. It added that the content of the decree is clear, that the mechanism to implement it is detailed, that the ministry sent the decree to the owners and operators of ISPs, and that it was published in the Official Gazette.

The ministry launched last October a campaign to organize the illegal Internet network in Lebanon within the framework of Decree 9458. It said that it aims to regulate the illicit operations of ISPs in the country, which are causing substantial losses to the public Treasury, given that 60% of Internet users rely on illegal Internet services. It estimated that about 600,000 persons currently subscribe to illegal ISPs in Lebanon, and stressed that the ministry will not disconnect the cables of illegal ISPs and leave subscribers without Internet service. It pointed out that the plan aims to regulate and organize the network of illegal providers, which will connect the "neighborhood providers" to the official national network.

In addition, it said that, once it achieves this step, the regional monopolies will cease to exist and subscribers will be able to select the distributor that will provide them with the service of their choice at adequate rates. It added that the plan aims to identify the illegal ISPs in order to differentiate them from the legal providers, and that the ministry will then connect the networks of unlicensed companies to the national network. It noted that the plan allows those who established illegal ISPs to sign a contract with the ministry for the maintenance of the network once its ownership reverts back to the Lebanese State. It indicated that it allowed the illegal ISPs to continue to function by buying Internet for a three-year period directly from the ministry via Ogero, the State provider of Internet and telephony services. It also said that the contract with "neighborhood providers" stipulates that the network will be transferred to the State and that the providers will be in charge of the maintenance of the networks. It added that the illegal distributors will have to submit to the ministry the details of their distribution networks in order to be linked to the national network.

The ministry noted that subscribers to illegal Internet services must apply to the state provider Ogero, or to one of the 107 suppliers that are duly authorized by the ministry, or to the two mobile telephone operators, or to the illegal ISPs, in order to avoid any service interruption.

In parallel, the ministry stated that the fine will be equal to LBP20,000 times the number of subscribers for the period stretching from July 1, 2017 to June 30, 2023 for each leased E1 line that the ISP did not demonstrate that it has used or distributed according to the rules and regulations. It added that the fine becomes the equivalent of LBP85,000 per line times the number of subscribers for the period from July 1, 2022 to August 31, 2023; and LBP550,000 times the number of subscribers up to LBP 200m from September 1, 2023 until the implementation of Decision 1/544 dated October 9, 2023 regarding the payment of the fees for utilizing the distribution networks and addressing all the infractions related to the utilization of E1 lines.

Commercial activity improves in relative terms in first quarter of 2023

Banque du Liban's quarterly business survey about the opinions of business managers shows that the balance of opinions for the volume of commercial sales was -22 in the first quarter of 2023, relative to -23 in the fourth quarter of 2022 and to -52 in the first quarter of 2022. The balance of opinions for the first quarter of 2023 reflects the disruptions to economic activity following the worsening of economic and financial conditions in the country, as well as the relative adjustment of the private sector to the ongoing crisis. The balance of opinions for the volume of commercial sales in the first quarter of 2023 reached its 12th lowest quarterly level since 2004, after posting -74 in the second quarter of 2020, -73 in the third quarter of 2006 due to the Israeli war on Lebanon, -71 in the first quarter of 2021, -70 in the first quarter of 2005 following the assassination of Prime Minister Rafic Hariri, -68 in the third quarter of 2020, -65 in the second quarter of 2021, -61 in the third quarter of 2021, -59 in the fourth quarter of 2021, -52 in the first quarter of 2022, -31 in the second quarter of 2022, and -23 in the fourth quarter of 2022.

The survey covers the opinions of enterprise managers about their business activity in order to depict the evolution of a number of key economic variables. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in an indicator and the proportion of those who reported a decline in the same indicator. The balance of opinions was the lowest in the South at -49, followed by the North (-26), the Bekaa (-17), and Beirut and Mount Lebanon (-8).

The survey shows that the balance of opinions about the sales of food items was +6 in the first quarter of 2023, relative to -8 in the previous quarter of 2022 and to -36 in the first quarter of 2022. Also, the balance of opinions about the sales of non-food products was -35 in the covered quarter, relative to -30 in the previous quarter and to -58 in the first quarter of 2022; while it was -30 for inter-industrial goods, compared to -26 in the fourth quarter of 2022 and relative to -62 in the first quarter of 2022.

Further, the balance of opinions for inventory levels of finished goods in all commercial sub-sectors was -27 in the first quarter of 2023, compared to -31 in the previous quarter and to -43 in the first quarter of 2022. Opinions about the level of inventories were the lowest in the North as they reached -63, followed by the South (-44), the Bekaa area (-17), and Beirut and Mount Lebanon (-3).

Also, the balance of opinions about the number of employees in the sector was -14 in the first quarter of 2023 compared to -23 in the preceding quarter and to -23 in the first quarter of 2022. It was the lowest in South at -36, followed by the North (-34), the Bekaa (-7), and Beirut & Mount Lebanon (+4).

Commercial Activity: Year-on-Year Evolution of Opinions				
Aggregate results	Q1-20	Q1-21	Q1-22	Q1-23
Sales volume	-63	-71	-52	-22
Number of employees	-38	-46	-23	-14
Inventories of finished goods	-34	-57	-43	-27
Q1-23 Regional results	Beirut / Mount Lebanon	North	South	Bekaa
Sales volume	-8	-26	-49	-17
Inventories of finished goods	-3	-63	-44	-17

Source: Banque du Liban business survey for first quarter of 2023

Banque du Liban addresses repayment of retail loans

Banque du Liban (BdL) issued Intermediate Circular 680/13589 dated November 3, 2023 addressed to banks and financial institutions that modifies Basic Circular 81/7776 of February 21, 2021 about Operations related to Credit, Investment, Shareholding, and Participation. It attributed the modifications to its assessment that some banks have been withholding domiciled pension payments of retired clients in order to collect loan installments or payments due in foreign currency on outstanding loans.

First, it asked banks operating in Lebanon to abide by articles 863 and 865 of the Code of Civil Procedures and to refrain from withholding pension payments or deducting from retirement salaries amounts that exceed the pre-set ratios and percentages in the articles.

Second, it asked banks to comply with article 860 of the Code of Civil Procedures and to refrain from seizing the retirement salaries of public sector employees.

Third, it requested banks to reschedule the corresponding retail loans denominated in foreign currency in a way that the monthly payments on the loans do not exceed the ratios and percentages set in articles 863 and 865 of the Code of Civil Procedures.

Basic Circular 81/7776 defines retail loans as all consumer loans, including car loans, student loans, education loans, and other consumer loans; housing loans; and evolving credits such as credit cards; as well as loans granted only for consumption or personal purposes and not for professional or commercial reasons.

Balance sheet of financial institutions at LBP8 trillion at end-September 2023

Figures released by Banque du Liban show that the consolidated balance sheet of financial institutions in Lebanon totaled LBP8.1 trillion (tn) at the end of September 2023, or the equivalent of \$537.6m, constituting a decrease of 5.7% from LBP8.55tn (\$570m) at the end of June 2023. The dollar figures are based on the exchange rate of LBP15,000 per US dollar that went into effect at the start of February 2023.

On the assets side, claims on resident customers amounted to LBP4.35tn (\$289.8m) at the end of September 2023 and grew by 0.7% from the end of June 2023. Claims on resident customers in Lebanese pounds totaled LBP357.4bn at end-September 2023, constituting a decrease of 15% from end-2022 and an increase of 2% from end-September 2022; while claims on resident customers in foreign currency amounted to \$265.9m at end-September 2023 and rose by 4% in the first nine months of the year and regressed by 3% from end-September 2022. Also, claims on non-resident customers stood at \$8.8m at end-September 2023, representing declines of 27.3% from end-2022 and of 18.6% from a year earlier. In addition, claims on the resident financial sector reached LBP2.07tn (\$138.1m) at end-September 2023, down by 11.6% from LBP2.34tn at the end of June 2023. Also, claims on the resident financial sector in Lebanese pounds amounted to LBP211.4bn at end-September 2023, as they decreased by 16.5% in the first nine months of the year and by 18.6% from end-September 2022; while claims on the resident financial sector in foreign currency totaled \$124m at end-September 2023, up by 12.8% from end-2022 and by 29% from end-September 2022.

Further, claims on the non-resident financial sector reached \$15.9m at the end of September 2023, as they dropped by 63% from end-2022 and rose by 49.7% from a year earlier. Also, claims on the public sector stood at LBP5.8bn at end September-2023, constituting a surge of 60.4% from end-June 2023 and declines of 56.5% in the first nine months of the year and of 54.6% from a year earlier; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, amounted to LBP189.1bn at end-September 2023 and grew 4.4% from LBP181.1bn at end-June 2023. In parallel, currency and deposits with local and foreign central banks reached LBP401.3bn (\$26.8m) at the end of September 2023 and regressed by 9.4% from LBP366.7bn at end-June 2023.

On the liabilities side, deposits of resident customers stood at LBP2.09tn (\$139.3m) at the end of September 2023, constituting a decrease of 10.6% from LBP2.34tn (\$155.9m) at end-June 2023. Deposits of resident customers in Lebanese pounds amounted to LBP140.1bn at end-September 2023 and rose by 35% from end-2022 and by 209.5% from a year earlier; while deposits of resident customers in foreign currency totaled \$130m at end-September 2023 and grew by 16.7% in the first nine months of the year and by 6.1% from end-September 2022. Also, deposits of non-resident customers reached \$4.7m at the end of September 2023, as they dropped by 20.8% from end-2022 and by 13.5% from end-September 2022.

Further, liabilities to the resident financial sector amounted to LBP1.46tn (\$97.2m) at end-September 2023 and grew by 79.5% from LBP812.6m (\$54.2m) at the end of June 2023. Liabilities to the resident financial sector in Lebanese pounds totaled LBP121.7bn at end-September 2023 and surged by 165% from end-2022 and by 296.7% from a year earlier; while liabilities to the resident financial sector in foreign currency reached \$89.1m at end-September 2023 and decreased by 19% in the first nine months of the year and by 14.8% from end-September 2022. In addition, liabilities to the non-resident financial sector amounted to \$57.8m at end-September 2023 and grew by 2.7% from end-2022 and by 2.4% from end-September 2022. Also, public sector deposits totaled LBP88.4bn at end-September 2023 relative to LBP3.6bn at the end of 2022, while issued debt securities stood at LBP54bn at end September-2023 compared to LBP936.2m at end-2022. Further, the aggregate capital account of financial institutions was LBP1.24tn (\$82.8m) at the end of September 2023 relative to LBP757.6bn (\$502.5m) at end-2022 and LBP632.1bn (\$419.3m) a year earlier.



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



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