

LEBANON THIS WEEK

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Customs receipts at LBP3,806bn in first quarter of 2023

Industrial activity improves in relative terms in first quarter of 2023

Corporate Highlights

Banking sector has 839 branches at end-March 2023

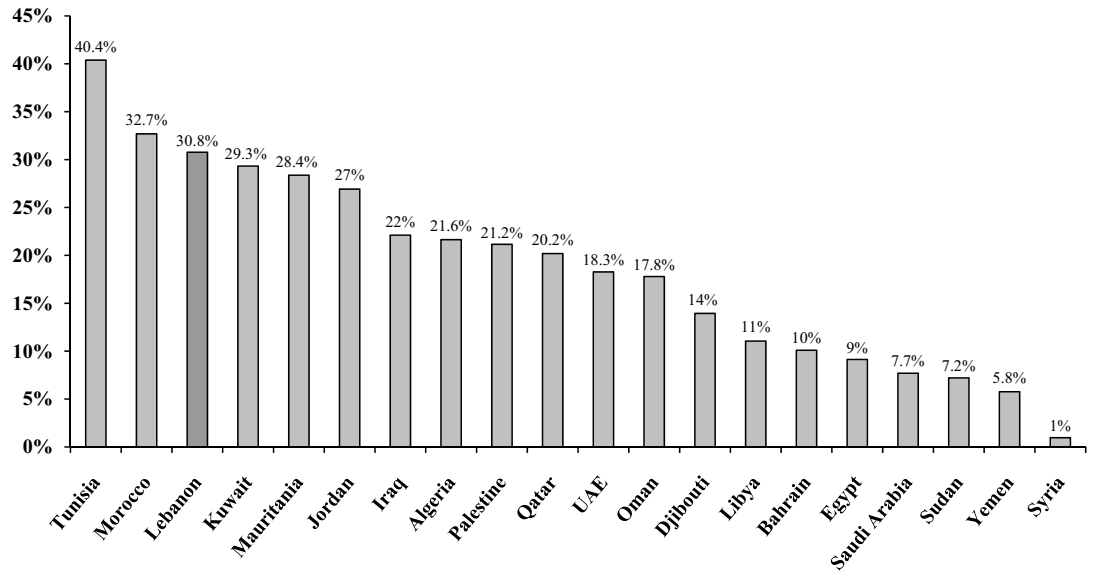
Bank Audi posts profits of LBP804.5bn in first nine months of 2023

Ratio Highlights

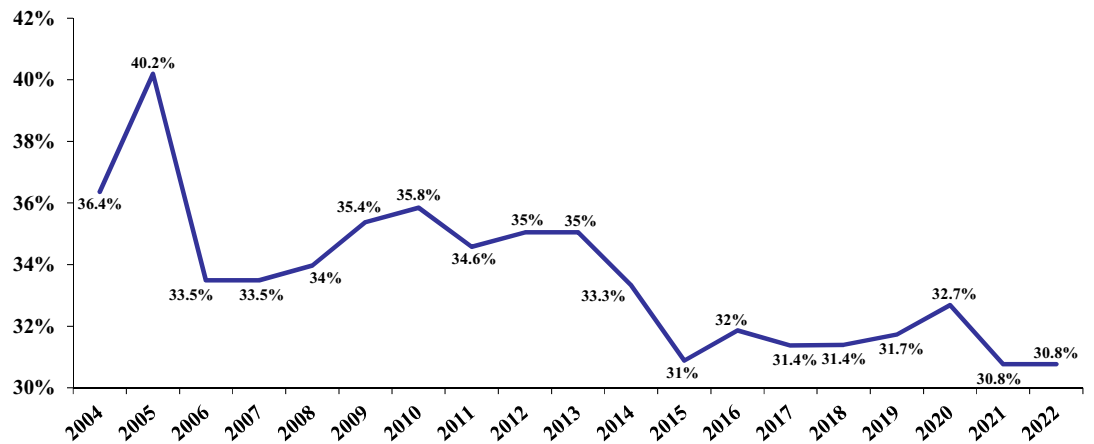
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Charts of the Week

Percentile Rank of Arab Countries on the Voice & Accountability Indicator for 2022 (%)



Percentile Rank of Lebanon on the Voice & Accountability Indicator (%)



Source: World Bank Governance Indicators for 2022, Byblos Bank

Quote to Note

"A highly polarized political landscape, a caretaker government with restricted executive powers, an interim Central Bank governor, and limited legislative action by Parliament."

The World Bank, on factors that have slowed the implementation of a comprehensive crisis resolution plan

Number of the Week

117: Lebanon's rank out of 125 countries in terms of protection of intellectual property rights, according to the Property Rights Alliance's International Property Rights Index for 2023

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	(2.3)	24,249	41.2%	Apr 2024	6.65	5.75	3,907.86
Solidere "B"	66.25	0.4	6,156	26.1%	Jun 2025	6.25	5.75	300.03
BLOM GDR	2.50	0.0	2,700	1.1%	Nov 2026	6.60	5.75	121.08
Audi Listed	1.90	0.0	1	6.8%	Mar 2027	6.85	5.75	106.74
Byblos Common	0.71	0.0	-	2.4%	Nov 2028	6.65	5.75	66.88
HOLCIM	61.05	0.0	-	7.2%	Feb 2030	6.65	5.75	51.21
Audi GDR	1.39	0.0	-	1.0%	Apr 2031	7.00	5.75	42.45
BLOM Listed	3.00	0.0	-	3.9%	May 2033	8.20	5.75	32.48
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	5.75	25.39
Byblos Pref. 09	29.99	0.0	-	0.4%	Mar 2037	7.25	5.75	22.60

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

Source: Refinitiv

	Nov 13-17	Nov 6-10	% Change	October 2023	October 2022	% Change
Total shares traded	33,106	82,658	(59.9)	1,495,844	2,422,324	(38.2)
Total value traded	\$2,076,224	\$4,366,291	(52.4)	\$89,583,309	\$27,576,340	224.9
Market capitalization	\$16.50bn	\$16.64bn	(0.9)	\$16.31bn	\$13.41bn	21.6

Source: Beirut Stock Exchange (BSE)



Council of Ministers receives draft law about banking sector restructuring

The Deputy Prime Minister submitted on November 10, 2023 to the Council of Ministers the draft law about reforming and reorganizing the banking sector in Lebanon that Banque du Liban (BdL) and the Banking Control Commission of Lebanon (BCCL) prepared. The draft law consists of 48 clauses that address the various aspects of the restructuring of the Lebanese banking sector. It said that the first 38 articles address the general framework of reforming and/or liquidating banks; while articles 39 to 48 address the exceptional decisions that will be implemented in order to reform the banking sector in an organized way.

Article 3 stipulates that the objectives of the draft law consist of strengthening the stability of the financial sector; ensuring the continuity of key positions at banks; seeking to safeguard, at the minimum, the amount of deposits that are protected in case of liquidation; and limiting the use of public funds in reforming the sector. Article 4 says that the content of the law applies to Lebanese banks, including their branches abroad, unless the rule or regulations of foreign countries state otherwise.

Article 5 states that the Special Commission to Reform Banks (SCRB) is the party that can take decisions about banks that need to be reformed or liquidated. It added that, for the purpose of implementing the clauses of this law, the authorities of the SCRB will be vested in the Higher Banking Commission that will consist of BdL's governor, one of BdL's vice governors, a judge with at least 10 years of experience, a member of the BCCL, and a member of the National Deposit Guarantee Institution (NDGI).

Article 7 indicates that, in the case of reforming a bank, the SCRB will issue a decision that includes the instruments and tools that the bank has to use, as well as the measures that the bank needs to abide by throughout the reform period. It said that, in the case of liquidation, the commission will issue a decision to de-list the bank from the list of banks at BdL, which will result in its liquidation, and will be followed by a decision to appoint a liquidator. It added that the commission will take the decision to reform or liquidate a bank based on an assessment report that the BCCL prepares and sends to the SCRB, and that recommends whether to reform the bank or to liquidate it. Also, it noted that the assessment aims to determine the net value of the bank's assets and the size of its losses, and that the process can start based on an interim assessment until the valuation is properly completed by independent evaluators.

Article 10 stipulates that the BCCL will appoint independent evaluators or will request from the bank to retain an independent evaluator that the BCCL has to approve. It said that the valuation will be based on international valuation standards and on the international standards for financial statements, while taking into consideration local prudential measures.

Article 11 indicates that the bank can object to or challenge the results of the assessment in writing to the SCRB within 10 working days of the date of the report by stating in details the reasons behind its objection. It noted that the SCRB can, after receiving a report from the BCCL, decide to request a new assessment in part or in full; and that the results of the second valuation will be final and binding.

Article 12 says that the BCCL will assess if a bank is insolvent or could become insolvent, and if there are any alternative measures, such as the economic recovery plan or any intervention by supervisory authorities, that can prevent the insolvency of the bank, based on the following criteria: the bank's inability or possible inability to comply with the minimum required private funds within the set deadline; its potential inability to comply with the minimum required liquidity by the set deadline; the bank's inability to meet its liabilities when they mature; and its inability to comply with the conditions that allowed it to receive a banking license, including the significant breaching of prevailing rules and regulations.

Article 13 states that the SCRB can implement any of the following measures or use any of the following instruments to reform a bank. It said that the latter include a bail-in by reducing the bank's private funds and liabilities, and/or converting liabilities into capital instruments; recapitalizing the bank by new investors; transferring some or all the bank's assets and liabilities to another institution; and transferring the bank's ownership by merging it with another institution.

Article 14 details the general principles for reforming the banking sector. It noted that these principles include the hierarchy of claims by creditors; the private funds' absorption of losses proportionately to the hierarchy of the composition of the funds; the absorption by the bank's creditors of losses proportionately within the classification of liabilities; the equal treatment of creditors within the same category; the equal treatment of shareholders within the same category; and the protection of depositors within the ceiling of the NDGI. It added that, in case the bank is being reformed, the financial condition of creditors and shareholders within the same classification cannot be lesser than in case the bank is liquidated. It said that the implementation of the measures to reform a bank will be ongoing until the latter meets the minimum requirements for the adequacy of private funds; and that a bail-in approach will treat customer deposits based on the "principle of the single depositor".

Article 32 stipulates that the decisions of the SCRB are final and cannot be subject to review, or to legal or judicial regular or non-regular appeals. Other articles in the draft law cover the prerogatives of the SCRB; the prerogatives of the BCCL in the context of reforming the banks; the cooperation of various parties with the SCRB; the mechanism to appoint a bank liquidator or a committee of liquidators and their role and prerogatives; the appointment of a temporary administrator and his/her responsibilities and prerogatives; the special tribunal; legal immunity; cross-border cooperation; the lifting of banking secrecy; and the penalties in case of non-compliance with the content of this law, among others.



Lebanon ranks 92nd globally, 11th among Arab countries in terms of innovation

The 2023 Global Innovation Index ranked Lebanon in 92nd place among 132 countries around the world, in 15th place among 37 lower middle-income countries (LMICs), and in 11th place among 13 Arab countries. The index is co-published by the United Nations' World Intellectual Property Organization, the INSEAD Business School, and Cornell University. The three organizations indicated that they modified the methodology to calculate the 2023 index, which means that the results of this year's survey are not comparable with the findings of the previous editions.

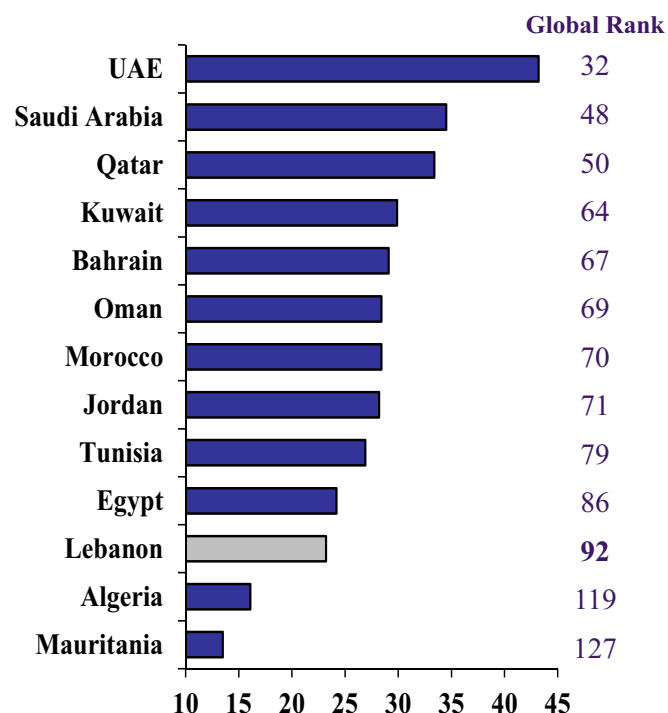
The index measures innovation in a broad sense and covers scientific, social and business development. It aims to provide the tools that can assist stakeholders in tailoring policies to promote long-term economic growth, improve innovation and support job creation. The index is a composite of 80 variables that are grouped in the Innovation Input Sub-Index and the Innovation Output Sub-Index. The score of the index is based on an unweighted average of the scores of the two sub-indices. The survey rates the innovation level of each country on a scale from zero to 100, with a score of 100 reflecting the most innovative economy. The countries included in the index represent 92.5% of the world's population and 97.6% of global GDP.

Globally, Lebanon has a higher level of innovation than Senegal, the Dominican Republic and El Salvador, and is less innovative than Pakistan, Azerbaijan and Sri Lanka among economies with a GDP of \$10 billion or more. Lebanon ranked ahead of Senegal and El Salvador, while it came behind Pakistan and Sri Lanka among LMICs. Lebanon received a score of 23.2 points compared to the global average score of 32.5 points, the Arab average score of 27.6 points, and the LMIC average score of 22.4 points. Also, its score is lower than the Gulf Cooperation Council (GCC) countries' average score of 33.1 points, but came higher than the average score of non-GCC Arab countries of 22.9 points. Switzerland has the highest innovation level worldwide with a score of 67.6 points, while Angola is the least innovative country globally with a score of 10.3 points.

Lebanon preceded Iran, Belarus and the Dominican Republic, and trailed Armenia, Argentina and Rwanda worldwide on the Innovation Input Sub-Index. This category covers the elements of the national economy that enable innovative activities, such as institutions, human capital & research, infrastructure, market sophistication, and business sophistication. Also, Lebanon ranked ahead of Senegal and El Salvador, and came behind Pakistan and Sri Lanka among LMICs; while it preceded Algeria and Mauritania among Arab countries.

Further, Lebanon came ahead of the Dominican Republic, Zimbabwe and Nigeria, while it ranked behind Paraguay, Senegal and Albania globally on the Innovation Output Sub-Index. This category reflects the results of innovative activities within the economy such as technology, knowledge and creativity. Also, Lebanon ranked ahead of Iran and Morocco, and trailed Ukraine and Mongolia among LMICs; while it preceded Morocco, Tunisia, Egypt, Algeria, and Mauritania in the Arab region.

**Global Innovation Index for 2023
Arab Countries Scores & Rankings**



Source: INSEAD, Cornell University, WIPO, Byblos Research

Components of the 2023 Global Innovation Index for Lebanon

	Global Rank	Arab Rank	LMIC Rank	Lebanon Score	Arab Avg Score	LMIC Avg Score
Innovation Input	92	11	15			
Institutions	125	13	32	29.6	51.0	39.4
Human Capital & Research	72	7	9	29.9	30.4	21.7
Infrastructure	96	11	15	29.3	39.1	27.8
Market Sophistication	46	4	5	39.6	32.4	28.0
Business Sophistication	76	5	9	25.7	25.2	22.7
Innovation Output	86	8	9			
Knowledge & Technology Outputs	86	11	16	17.3	19.7	17.2
Creative Outputs	96	10	20	13.8	19.6	16.4

Source: WIPO, INSEAD, Cornell University, Byblos Research

Banque du Liban expands terms of deposit withdrawals in foreign currency

Banque du Liban (BdL) issued Intermediate Circular 682/13592 dated November 17, 2023 addressed to banks that modifies Basic Circular 158/13335 dated June 8, 2021 about exceptional measures related to the gradual disbursement of deposits in foreign currency from accounts that clients opened prior to October 31, 2019.

First, the circular stipulates that account holders who had a deposit account in foreign currency at a bank prior to October 31, 2019 and who transferred the amount to an account at another bank can benefit from this circular, in case he/she transfers back the eligible amount to the original bank. It added that the measure covers joint accounts at the original bank that became individual accounts at the recipient bank or individual accounts at the original bank that became joint accounts at the recipient banks.

Second, it indicated that the main owner of the original joint account can benefit from the terms of this circular on the condition that the recipient account is in his/her name, whether it is an individual or joint account. It added that, in case of the death of the main account owner, the heirs can benefit from the terms of circular.

Third, it said that the account owner has to lift the banking secrecy on his/her recipient account and get from the recipient bank a statement that verifies that the funds to be transferred back to the original account is in an account in the name of the same account owner and that he/she is eligible for the terms of the circular.

Fourth, it noted that the recipient bank has to calculate the eligible amount for the terms of the circular based on the deposits in the recipient account as at October 31, 2023, on the condition that the current amount in the account does not exceed the existing amount when the client opened the account at the recipient bank, and that it excludes any amount that he/she deposited in the account that did not originate from the original account.

Fifth, the account owner has to ask the original bank to re-open an account to receive the eligible amount that the recipient bank will transfer, and the original bank has to abide by the request except in cases related to compliance issues, or in case of litigation between the two sides, or if the information in the requested statement is not complete. It said that the amount to be transferred from the recipient bank should not exceed \$50,000. It added that, in case the account at the original bank is still open, the client may ask the recipient bank to transfer the eligible amount up to \$50,000 to the original account, while the original bank has to calculate the eligible amount on the condition that it does not exceed the amount that was in the account as at October 31, 2019.

Sixth, the circular stipulates that the account owner can benefit retroactively from the terms of the circular for the period from the date he/she submits the complete application until the date of the opening of the "Special Sub-Account", as long as the client does not benefit from the terms of Basic Circular 151/13221 during this period. It stressed that the account owner can benefit from the terms of this circular for an amount that does not exceed \$50,000 from all banks combined.

Seventh, it stated that the account owner can withdraw in full or in part the amount deposited in the "Special Sub-Account" by checks or transfers it to another account in Lebanon at the same bank or at a different bank.

Eighth, it said that eligible depositors can conduct withdrawal or transfer operations without incurring any commission or direct or indirect fees of any kind, and that the "Special Sub-Account" will not carry any interest rates.

BdL issued Basic Circular 158/13335 dated June 8, 2021 that indicated that eligible depositors can withdraw up to \$400 in foreign currency banknotes per month for a 12-month period, and up to the equivalent of \$400 converted to Lebanese pounds at the rate of LBP12,000 per US dollar, with half of the amount in Lebanese pounds disbursed in cash and the other half to be used through a payment card. It then issued Basic Circular 678/13580 dated September 15, 2023 that canceled the Lebanese-pound component of Basic Circular 158.

In parallel, the most recent figures from BdL show that 180,976 deposit accounts benefited from the terms of Basic Circular 158 between June 8, 2021, the start of the circular's implementation date, and the end of April 2023. BdL indicated that commercial banks disbursed about \$1.78bn to the beneficiaries as at the end of April 2023, with \$889.6m coming from BdL and \$889.6m originating from the liquidity of commercial banks.

Further, it pointed out that banks settled the balance of 87,623 deposit accounts by the end of April 2023, or 48.4% of clients who decided to benefit from the terms of the circular, and indicated that 93,583 customers are still benefiting from Basic Circular 158 as at end-April 2023. It added that the aggregate amount in the special accounts that are still benefiting from the circular was \$1.05bn at end-April 2023.



Banque du Liban's foreign assets at \$14.2bn, gold reserves at \$18.2bn at mid-November 2023

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP1,599 trillion (tn), or the equivalent of \$106.6bn, on November 15, 2023, constituting increases of 0.3% from LBP1,594.2tn (\$106.3bn) at end-October 2023 and of 1% from LBP1,582.9tn (\$105.5bn) at mid-October 2023. Assets in foreign currency stood at \$14.2bn at mid-November 2023, representing a drop of \$971.1m, or of 6.4% from the end of 2022 and a decline of \$1.06bn (-7%) from \$15.28bn at mid-November 2022. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds, unchanged from a year earlier. The dollar figures up until the end of January 2023 are based on the official exchange rate of the Lebanese pound to the US dollar of LBP1,507.5 per dollar at the time, while the dollar figures starting in February 2023 are based on the new exchange rate of LBP15,000 per dollar.

BdL's gross foreign currency reserves, which consist of its assets in foreign currency excluding Lebanese Eurobonds, stood at \$9.18bn at mid-November 2023, constituting increases of \$68.1m (+0.7%) from \$9.11bn at end-October 2023 and of \$221.7m (+2.5%) from \$8.96bn at mid-October 2023. They dropped by \$971m (-9.6%) from the end of 2022 and by \$1.06bn (-10.4%) from \$10.25bn at mid-November 2022. Also, BdL's liquid foreign reserve assets stood at \$9bn as at mid-November relative to \$8.93bn at end-October 2023 and to \$8.57bn at end-July 2023. The cumulative decline in BdL's gross foreign-currency reserves in the past 12 months is largely due the government's borrowing from BdL, to the financing of imports, such as wheat, medicine, medical equipment, and raw materials for agriculture and industry, as well as to the implementation of BdL circulars that allowed depositors to withdraw US dollar banknotes from their accounts or to buy dollar banknotes from BdL through commercial banks. It is also due to the steep drop in capital flows to Lebanon since September 2019, and to the near halt of inflows after the government decided to default on its Eurobonds obligations in March 2020. However, the decline in BdL's assets foreign currency was offset in part by the allocation of about \$1.13bn in Special Drawing Rights that the IMF transferred to BdL's account on September 16, 2021.

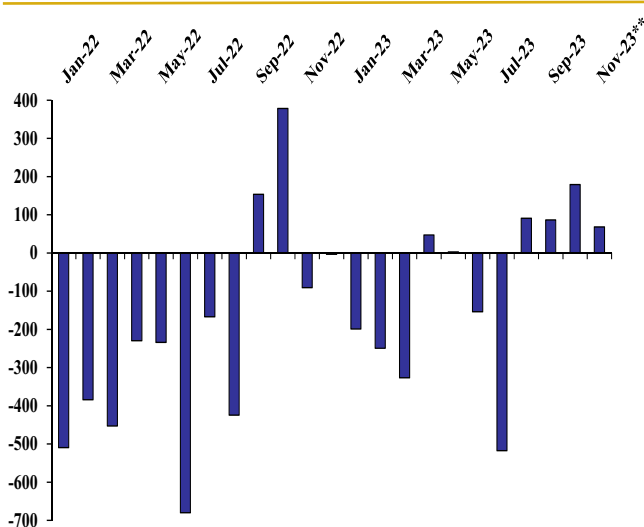
Further, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP55,355.7bn at mid-November 2023, representing decreases of 31% from LBP80,171.3bn at the end of 2022 and of 22% from LBP70,989.4bn at mid-November 2022.

In parallel, the value of BdL's gold reserves reached \$18.2bn at mid-November 2023, constituting increases of \$1.55bn (+9.3%) from the end of 2022 and of \$1.83bn (+11.2%) from \$16.4bn at mid-November 2022. The value of gold reserves reached a peak \$18.7bn at mid-April 2023. Also, the securities portfolio of BdL totaled LBP65,193.5bn, or \$4.35bn, at mid-November 2023. In addition, loans to the local financial sector stood at LBP16,554.4bn, or \$1.1bn; while the deposits of the financial sector reached LBP1,332.7tn, or \$88.8bn, at mid-November 2023. In addition, public sector deposits at BdL stood at LBP177,995.8bn at mid-November 2023 and surged by LBP158,415.4bn from a year earlier.

Moreover, BdL split the "Other Assets" item on its balance sheet since last February into three items that consist of Other Assets, Revaluation Adjustments, and Foreign Currency Loans to the Public Sector. The item "Other Assets" reached LBP110,578.6bn, or \$7.37bn at mid-November 2023, and increased by 3% from LBP107,245.4bn a month earlier. Also, the Revaluation Adjustments item on the asset side that comprises BdL losses, mainly from subsidies and transfers to the state-owned Electricité du Liban, stood at LBP652,646bn at mid-November relative to LBP646,471bn at end-October 2023. Further, the balance sheet shows that BdL's loans to the public sector totaled LBP249,196.2bn, equivalent to \$16.61bn, as at mid-November 2023.

BdL indicated that it started in 2019 to make payments on behalf of the Lebanese government from its own foreign currency reserves, either against cash collateral in Lebanese pounds at the existing official exchange rate of LBP1,507.5 per dollar, which consists of public sector deposits, or in exchange for a pledge by the government to repay the amounts in the same foreign currency at a later stage. It said that the public sector's deposits valued in local currency exceeded the net cumulative balance for the payments it made on behalf of the government in foreign currency, which allowed BdL to maintain a net credit balance for public sector deposits. It noted that, after the modification of the exchange rate from LBP1,507.5 per dollar to LBP15,000 a dollar at the start of February 2023, the countervalue of the net cumulative balance of assets in foreign currencies exceeded the value of the cash collateral in Lebanese pounds, which resulted in a net debit balance in favor of BdL and required the presentation of the balance of overdraft of \$16.518bn in loans to the public sector on the "assets" side. BdL noted that it opened a special account called the "Exchange Rate Stabilization Fund", in which it recorded all the transactions related to foreign-exchange intervention to stabilize the exchange rate starting in 2020. It said that the balance of the fund was LBP126.48tn at mid-November 2023.

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



*month-on-month change

**as at mid-November 2023, change from end-October 2023

Source: Banque du Liban, Byblos Research

Amount of cleared checks in Lebanese pounds up 77% in first 10 months of 2023

The amount of cleared checks in Lebanese pounds reached LBP54,497bn in the first 10 months of 2023, constituting a surge of 76.7% from LBP30,840bn in the same period last year, while the amount of cleared checks in foreign currency was \$3bn and dropped by 66.4% from \$8.9bn in the first 10 months of 2022. Also, there were 384,251 cleared checks in the first 10 months of 2023, down by 72.5% from 1.4 million checks in the same period of 2022. In addition, the amount of cleared checks in Lebanese pounds reached LBP8,798bn in October 2023, as it jumped by 97.2% from LBP4,462bn in September 2023 and rose by 70.6% from LBP5,158bn in October 2022. Further, the amount of cleared checks in foreign currency was \$155m in October 2023, as it declined by 40% from \$258m in the previous month and dropped by 83.5% from \$941m in October 2022. Also, there were 31,068 cleared checks in October 2023 relative to 26,048 checks in September 2023 and to 93,322 cleared checks in October 2022. In addition, the amount of cleared checks in "fresh" Lebanese pounds stood at LBP1,012bn, while the amount of cleared checks in "fresh" foreign currency was \$5.65m between July and October 2023. Also, there were 610 cleared checks in "fresh" Lebanese pounds and 351 cleared checks in "fresh" foreign currency in the covered four months.

In parallel, the amount of returned checks in Lebanese pounds totaled LBP727bn in the first 10 months of 2023 compared to LBP221bn in the same period last year, while the amount of returned checks in foreign currency was \$175m and increased by 39% from \$126m in the first 10 months of 2022. Also, the amount of returned checks in Lebanese pounds stood at LBP67bn in October 2023, as it posted a decrease of 50.7% from LBP136bn in September 2023 and an increase of 45.7% from LBP46bn in October 2022. Moreover, the amount of returned checks in foreign currency was \$1m in October 2023, as it dropped by 91% from \$11m in the previous month and by 94.4% from \$18m in October 2022. In addition, the amount of returned checks in "fresh" foreign currency stood at \$37,379 while the amount of returned checks in "fresh" Lebanese pounds stood at LBP2bn between July and October 2023.

Further, there were 3,105 returned checks in the first 10 months of 2023, down by 68% from 9,693 returned checks in the same period last year. Also, the number of returned checks in foreign currency reached 1,292 in the covered period and dropped by 77.4% from 5,714 in the first 10 months of 2022, while the number of returned checks in Lebanese pounds totaled 1,813 and retreated by 54.4% from 3,979 checks from the same period last year. In addition, there were 189 returned checks in October 2023, relative to 214 returned checks in the preceding month and to 677 checks in October 2022. Further, there were 132 returned checks in Lebanese pounds in October 2023 compared to 106 in the previous month and to 309 in October 2022, while there were 57 returned checks in foreign currency in October relative to 108 checks in the preceding month and 368 returned checks in October 2022. Also, there were seven returned checks in "fresh" foreign currency and two returned checks in "fresh" Lebanese pounds between July and October 2023.

Climate tech startups attract \$0.9m in venture capital investments in 2018-2022 period

Figures released by investment online platform Magnitt show that startups in the climate tech sector based in Lebanon received about \$0.9m in venture capital (VC) funding between the 2018-22 period. Climate tech startups are defined as firms that aim to develop products and services that use technologies to mitigate and adapt to climate change.

VC funding of climate startups in Lebanon accounted for 0.2% of the \$527m in such VC investments in the Middle East & North Africa (MENA) region and for 0.1% of VC investments in the MENA region and Türkiye during the covered period. Also, startups in Lebanon attracted the sixth largest share of VC investments in climate tech startups among countries with available figures in the MENA region, after the UAE with 61.6% of total investments, Türkiye (19%), Saudi Arabia (10.4%), Egypt (6.5%), and Tunisia (0.9%).

In parallel, there were 10 VC investments in climate tech startups in Lebanon, which accounted for 6.9% of the total number of such VC investments in the MENA region and represented 4.4% of the aggregate number of VC investments in the MENA region and Türkiye between 2018 and 2022. In comparison, Türkiye attracted 80 VC deals in climate tech projects, or 35.6% of the total number of such investments in the covered period, followed by the UAE with 45 transactions (20%), Egypt with 35 deals (15.6%), Saudi Arabia with 21 transactions (9.3%), and Tunisia with six deals (2.7%).

In parallel, firms in the agriculture sector were the recipient of 52% of VC funding in the climate tech industry in the MENA region and Türkiye during the 2018-22 period, followed by companies in the energy sector with 20%, transport & logistics firms (12%), companies with sustainable projects (7%), and manufacturing firms (3%). Also, the number of VC investments in startups with sustainable projects accounted for 26% of the aggregate number of deals in the MENA region and Türkiye in the covered period, followed by firms in the agriculture sector with 25% of the total, the energy sector (20%), transport & logistics firms (11%), and manufacturing companies (8%).



Utilized credits by private sector at LBP204,551bn at end-March 2023, advances against real estate at 36.5% of total

Figures issued by Banque du Liban show that utilized credits by the private sector totaled LBP204,550.6bn at the end of March 2023, relative to LBP39,446.6bn at end-2022 and to LBP49,759.4bn at end-March 2022. In dollar terms, utilized credits by the private sector stood at \$13.6bn at end-March 2023 compared to \$26.2bn at end-2022 and to \$33bn at end-March 2022. The steep decline in the dollar figures in the first quarter of the year is due to the change of the official exchange rate of the Lebanese pound to LBP15,000 per dollar at the start of February from LBP1,507.5 per dollar previously; while the surge in lending in Lebanese pounds during the covered quarter is driven by the effect of the new exchange rate. The trend of the drop in the portfolio of loans to the private sector is mostly due to clients' decision to settle their loans prior to their maturity, to the borrowers' ability to repay their foreign currency-denominated loans at lower values than the original loan by checks on local accounts or in Lebanese pounds at the previous official exchange rate, to limited demand for new loans amid political and economic uncertainties, as well as to the lack of liquidity and to the risk aversion of lenders amid the challenging conditions in the country. The dollar figures are converted at the official exchange rate of the Lebanese pound to the US dollar of LBP1,507.5 per dollar until the end of December and at the new official exchange rate of LBP15,000 per dollar at the end of March 2023.

Utilized credits for trade & services reached LBP73,094.7bn and accounted for 35.7% of the total at the end of March 2023, followed by credits for construction at LBP50,868.7bn (25%) of the total, personal credits at LBP31,813bn (15.6%), industry at LBP26,059bn (12.7%), financial intermediaries at LBP13,254bn (6.5%), and agriculture at LBP3,448bn (1.7%), while other sectors represented the remaining LBP6,013.3bn (3%). In addition, utilized credits for personal loans included mortgages that stood at LBP11,634.2bn at the end of March 2023.

The distribution of utilized credits by type of collateral shows that advances against real estate totaled LBP74,663.9bn and accounted for 36.5% of the collateral for utilized credits at the end of March 2023. Advances against personal guarantees followed with LBP29,219bn (14.3%), then advances against financial values with LBP8,436.6bn (4%), advances against cash collateral or bank guarantees with LBP6,926.9bn (3.4%), and advances against other real guarantees with LBP2,886.2bn (1.4%), while overdrafts totaled LBP82,418.2bn or 40.3% of the total.

Also, the distribution of utilized credits in trade & services shows that wholesale trade accounted for 35.7% of loans to trade & services at the end of March 2023, followed by retail loans with 21.7%; real estate rent & employment services with 15.8%, transport & storage with 13.5%; hotels & restaurants with 9.4%; and educational services with 3.9%.

Also, personal loans beneficiaries represented 79% of total loan beneficiaries at the end of March 2023, followed by trade & services with 14.3% of beneficiaries, industry with 4.3%, construction with 1.8%, agriculture with 1.4%, and financial intermediaries with 1.15%, while other sectors accounted for the remaining 5.2% of loan beneficiaries.

Further, there were 218,792 loan beneficiaries at the end of March 2023 constituting declines of 20,087 beneficiaries, or of 8.4%, from the end of 2022 and of 74,704 beneficiaries (-25.5%) from a year earlier. Also, 55% of beneficiaries had loans of less than LBP5m at the end of March 2023, followed by those with loans that range from LBP100m to LBP500m (17.5%), beneficiaries with credits in the LBP25m to LBP100m range (12.5%), those with loans in the LBP5m-LBP25m bracket (9.6%), beneficiaries with loans ranging from LBP1bn to LBP5bn (2.3%), those with credits between LBP500m and LBP1bn (1.7%), beneficiaries with loans that exceed LBP10bn (0.9%), and those with credits in the LBP5bn to LBP10bn segment (0.5%).

Beirut and its suburbs accounted for 82.6% of bank credits and for 56.2% of beneficiaries as at end-March 2023. Mount Lebanon followed with 9.4% of credits and 15.9% of beneficiaries, then North Lebanon with 2.8% of credits and 12.2% of beneficiaries, South Lebanon with 2.75% of credits and 8.6% of beneficiaries, and the Bekaa region with 2.4% of credits and 7.1% of beneficiaries.

In parallel, the off-balance sheet liabilities of banks and financial institutions totaled LBP624,660.8bn (\$41.6bn) at the end of March 2023 compared to LBP78,669.4bn (\$52.2bn) at end-2022. They included endorsement & guarantees of LBP597,247bn, or 95.6% of the total, followed by letters of undertaking with LBP14,337.2bn (2.3%), commitments on notes with LBP9,744.2bn (1.6%), forward operations LBP2,539.1bn (0.4%), and financing commitments with LBP730.5bn (0.1%), while other commitments amounted to LBP62.8bn (0.01%).



Government extends LibanPost's contract indefinitely

The Council of Ministers extended the contract of the postal service organization LibanPost to continue managing the postal service in Lebanon for an undetermined period of time, following a deadlock related to the results of a tender that the Ministry of Telecommunications launched earlier this year to select a new operator.

The ministry launched on June 1, 2023 a new tender to manage the postal service in Lebanon to replace LibanPost. The ministry indicated that the Build, Operate and Transfer (BOT) contract of LibanPost expired at the end of 2019, but that it has asked the firm to continue managing the postal service since then. It said that the government approved the launch of a tender for the public contract for postal services in May 2022 and that it initiated the first bidding process on October 18, 2022 with a submission deadline of January 24, 2023, and then extended the deadline to February 16, 2023 due to the lack of bidders. It noted that the government launched a second call for tender under the same conditions and set the deadline for March 29, 2023 for submitting the bids. The ministry declared on March 31, 2023 that Colis Privé France and Merit Invest sal won the bid to manage the postal service in Lebanon starting in June of this year, but the Court of Audits rescinded its results due to inconsistencies in the terms of reference. The French group was the only party to submit a bid for the postal services contract in March, as the current main shareholders in LibanPost reportedly decided at the last minute to refrain from bidding for the contract.

Last July, the ministry announced that the consortium Colis Privé France and Merit Invest sal won once more the bid to manage the postal service in the country. It added that four companies retrieved the tender documents, but that Colis Privé France was the only party to submit a bid within the preset deadline. The France-based container-shipping firm CMA CGM owns Colis Privé France and Merit Invest sal, with the latter constituting the Lebanese holding firm of the Saadé family that owns CMA CGM.

But last August, the Court of Audits rejected the results of the tender and announced in October that it has declined the request of the Minister of Telecommunications dated September 29, 2023 to reconsider the court's decision. The court attributed its decision to keep its original ruling to the fact that the minister's request did not include any new or convincing arguments, and reiterated the reasons behind its original decision to reject the tender's results.

Customs receipts at LBP3,806bn in first quarter of 2023

Figures released by Banque du Liban indicate that customs revenues totaled LBP3,806bn in the first quarter of 2023, compared to LBP946.9bn in the fourth quarter of 2022, and to LBP500bn in first quarter of 2022. The figures represent a surge of 302% in the first quarter of 2023 from the fourth quarter of 2022 and a jump of 661.4% from the first quarter of 2022. Also, customs receipts stood at LBP355bn in the first quarter of 2021 and at LBP289.7bn in the same quarter of 2020. Further, customs revenues reached LBP766.4bn in January, LBP1,069bn in February, and LBP1,970.6bn in March 2023. In comparison, they stood at LBP148bn in January, at LBP161bn in February, and at LBP190bn in March 2022. The sharp increases in customs receipts is due to the rise of the exchange rate of the Lebanese pound to the US dollar for customs purposes in the fourth quarter of 2022 from LBP1,507.5 to LBP15,000 per dollar, as well as to LBP45,000 per dollar in the first quarter of 2023.

Figures issued by Lebanese Customs show that total imports reached \$4.1bn in the first quarter of 2023 and regressed by 0.8% from \$4.13bn in the same quarter of 2022. Non-hydrocarbon imports decreased by \$11m, or by 0.4%, to \$2.96bn in the first quarter of 2023; while the imports of oil & mineral fuels contracted by \$22m, or by 2%, to \$1.14bn.

In parallel, the Ministry of Finance announced last April the increase of the monthly average of the exchange rate of the Lebanese pound for calculating the taxes and fees at customs on imported goods and products to LBP60,000 per dollar from May 2 until May 12, 2023, and then increased it again from LBP60,000 per US dollar to LBP86,000 per dollar starting on May 13, 2023. The ministry attributed its decision to the deterioration of the economic and financial situation in Lebanon that has led to the paralysis of public administrations and institutions due to the strike of workers and employees because of the prevailing elevated cost of living. It added that the Council of Ministers has approved a series of increases and allowances that will contribute to the resumption of work at public sector agencies and departments. As a result, it noted the need to secure financial resources to cover these allocations and to avoid triggering an increase in inflationary pressures. As such, the ministry said that the exchange rate for the currencies of Lebanon's main import sources became LBP86,000 for the US dollar, LBP93,832 for the euro, LBP106,697 for the British pound, LBP94,910 for the Swiss franc, LBP23,415 for the UAE dirham, LBP12,493 the Chinese yuan, LBP4,466 for the Turkish lira, LBP2,781 for the Egyptian pound, LBP1,049 for the Indian rupee, and LBP646.8 for the Japanese yen, among others.

Industrial activity improves in relative terms in first quarter of 2023

Banque du Liban's quarterly survey about the opinions of business managers shows that the balance of opinions about industrial production was -25 in the first quarter of 2023, unchanged from the previous quarter and relative to -44 in the first quarter of 2022. The balance of opinions for the level of industrial production in the first quarter of 2023 reached its 10th lowest quarterly level between the first quarter of 2004 and the first quarter of 2023, after posting -66 in the second quarter of 2020, -64 in the third quarter of 2006 due to the Israeli war on Lebanon, -57 in the first quarter of 2021, -55 in the first quarter of 2020, -50 in the fourth quarter of 2019, -48 in the third quarter of 2020, -45 in the fourth quarter of 2020, -44 in the first quarter of 2022, -36 in the third quarter of 2022, and -25 in the fourth quarter of 2022. The balance of opinions for the first quarter of 2023 reflects the disruptions to economic activity in the country, the increase in energy prices, the ongoing ban of Lebanese exports to some Arab countries, the fluctuation of the exchange rate of the Lebanese pound on the parallel market, as well as the relative adjustment of the private sector to the ongoing crisis.

The business survey covers the opinions of managers of industrial enterprises about their businesses, 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 a particular indicator and the proportion of those who reported a decline in the same indicator. The balance of opinions about industrial production was -17 in the Bekaa, -18 in the North, -23 in Beirut & Mount Lebanon, and -64 in the South.

The balance of opinions about demand for industrial goods stood at -27 in the first quarter of 2023 compared to -23 in the preceding quarter and to -51 in the first quarter of 2022. It stood at -16 in the North, -23 in the Bekaa and in Beirut & Mount Lebanon, and -70 in the South. In parallel, the balance of opinions about the volume of investments in the industrial sector stood at -19 in the first of 2023, compared to -20 in the fourth quarter of 2022 and to -32 in the first quarter of 2022. It was zero the North, -6 in the Bekaa, -25 in Beirut & Mount Lebanon, and -68 in the South. In addition, the balance of opinions about the level of registered orders was -46 in the first quarter of 2023 relative to -44 in the previous quarter and to -59 in the first quarter of 2022. It was -33 in Beirut and Mount Lebanon, -39 in the North, -62 in the Bekaa, and -64 in the South.

Further, the balance of opinions about foreign demand for industrial goods was -19 during the first quarter of 2023 compared to -13 in the preceding quarter and to -20 in the first quarter of 2022. It stood at zero in the North, -17 in Beirut & Mount Lebanon, -22 in the South, and -59 in the Bekaa. Also, the balance of opinions about the number of employees in the sector was -20 in the first quarter of 2023 relative to -24 in the preceding quarter and to -28 in the first quarter of 2022. It was -3 in Beirut & Mount Lebanon, -18 in the Bekaa, -31 in the North, and -58 in the South.

In parallel, the balance of opinions for the level of inventory of finished goods was -27 in the first quarter of 2023 compared to -30 in the previous quarter and to -33 in the first quarter of 2022. It stood at -9 in the North, -18 in Beirut and Mount Lebanon, -36 in the Bekaa, and -61 in the South. Also, the balance of opinions for the level of inventories of raw materials was -38 in the first quarter of 2023 relative to -35 in the preceding quarter and to -43 in the first quarter of 2022. It was -23 in Beirut and Mount Lebanon, -39 in the Bekaa, -50 in the North, and -60 in the South.

Industrial Activity: Evolution of Opinions				
Aggregate results	Q1-20	Q1-21	Q1-22	Q1-23
Production	-55	-57	-44	-25
Total demand	-58	-63	-51	-27
Foreign demand	-33	-26	-20	-19
Volume of investments	-35	-42	-32	-19
Inventories of finished goods	-37	-54	-33	-27
Inventories of raw material	-48	-61	-43	-38
Registered orders	-64	-73	-59	-46

Source: Banque du Liban Business Survey for First Quarter of 2023

Banking sector has 839 branches at end-March 2023

Figures issued by Banque du Liban (BdL) show that the Lebanese banking sector had 839 local and foreign branches at the end of March 2023, constituting declines of 14 branches, or of 1.6% from 853 branches at end-2022 and of 82 branches (-9%) from 921 branches at the end of March 2022, as well as representing decreases of 219 branches (-20.7%) from 1,058 branches at end-March 2021, of 309 branches (-27%) from 1,148 branches at end-March 2020, and of 339 branches (-28.8%) from 1,178 branches at end-March 2019.

Commercial banks had 818 local and foreign branches at the end of March 2023 compared to 832 branches at end-2022, to 900 branches at end-March 2022 to 1,037 branches at end-March 2021, to 1,127 branches at end-March 2020, and to 1,157 branches at end-March 2019. Further, medium- and long-term banks had 21 branches in Lebanon at the end of March 2022, unchanged from a year earlier. In parallel, commercial banks operating in Lebanon had 49 branches outside the country at the end of March 2023 relative to 52 branches at the end of March 2022, to 72 branches at end-March 2021, to 73 branches at end-March 2020, and to 77 branches at end-March 2019.

The breakdown of commercial banks' branches shows that banks had 769 local branches at the end of March 2023, down by 13 branches from 782 branches at the end of 2022 and by 79 branches from 848 branches at end-March 2022. There were 401 branches of commercial banks in Beirut & its suburbs that accounted for 52% of total branches in the country at the end of March 2023, followed by 156 branches in Mount Lebanon (20.3%), 81 branches in North Lebanon (10.5%), 80 branches in South Lebanon (10.4%), and 51 branches in the Bekaa region (6.6%). Also, nine foreign commercial banks operating in the country had 21 branches and four Islamic banks had 12 branches at end-March 2023. In addition, there were 10 e-branches that offer banking services through interactive and automated machines at end-March 2023. There were 46 commercial banks and 15 medium- and long-term banks operating in Lebanon at the end of March 2023, unchanged from a year earlier. In parallel, 40 financial institutions had 69 branches in Lebanon at end-March 2023, unchanged from a year earlier.

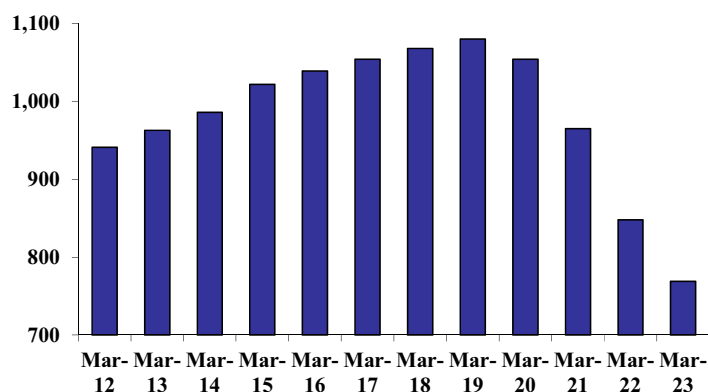
Bank Audi posts profits of LBP804.5bn in first nine months of 2023

Bank Audi sal, one of six listed banks on the Beirut Stock Exchange, declared unaudited consolidated net profits of LBP804.5bn in the first nine months of 2023, or \$60m, relative to audited profits of LBP615.9bn in the same period of 2022. The bank indicated that it converted the figures in Lebanese pounds to US dollars by using an average exchange rate of LBP13,500.83 per dollar in the first nine months of 2023. The bank's net interest income reached LBP4,953.7bn in the first nine months of 2023 relative to LBP1,378.4bn in the same period last year; while its net earnings from fees & commission stood at LBP1,904.7bn compared to net losses from fees & commission at LBP54.6bn in the first nine months of 2022. Further, the bank's net operating income totaled LBP8,279.5bn in the first nine months of the year relative to LBP1,511.2bn in the same period of 2022. In addition, the bank's operating expenditures reached LBP7,132.5bn in the first nine months of 2023 compared to LBP856bn in the same period last year, with personnel cost accounting for 30.6% of the total.

In parallel, the bank's aggregate assets stood at LBP269,399.3bn at the end of September 2023 relative to LBP40,591bn at end-2022. Further, customer deposits reached LBP226,289.7bn relative to LBP29,101bn at end-2022 and deposits from related parties stood at LBP1,054.6bn at end-September 2023, with resident deposits accounted for 72.6% of total deposits at end-September 2023 compared to 74.9% at end-2022, and non-resident deposits represented 27.4% of aggregate deposits at end-September 2023 relative to 25.1% at end-2022. Also, Net loans & advances to customers totaled LBP34,151.2bn at the end of September relative to LBP5,871bn at end-2022 and net loans & advances to related parties amounted to LBP578.7bn at end-September 2023. Loans extended to residents accounted for 11.4% of total loans at end-September 2023 compared to 38% at end-2022, while loans extended to non-residents represented 88.6% of total loans at end-September 2023 relative to 62% at end-2022. In parallel, the bank's shareholders' equity was LBP17,765.1bn at the end of September relative to LBP6,055.3bn at end-2022.

The bank indicated that it used the official published exchange rates of LBP1,507.5 per dollar as at end-2022 and of LBP15,000 per dollar as at end-September 2023 to translate most balances and transactions in foreign currency, regardless of their source or nature, in line with international standards due to the lack of an alternative legal exchange mechanism. It added that the uncertainties arising since 2019 makes it difficult to estimate the negative impact of the crisis on its financial statements.

Number of Branches of Commercial Banks in Lebanon



Source: Banque du Liban, Byblos Research

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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