

LEBANON THIS WEEK

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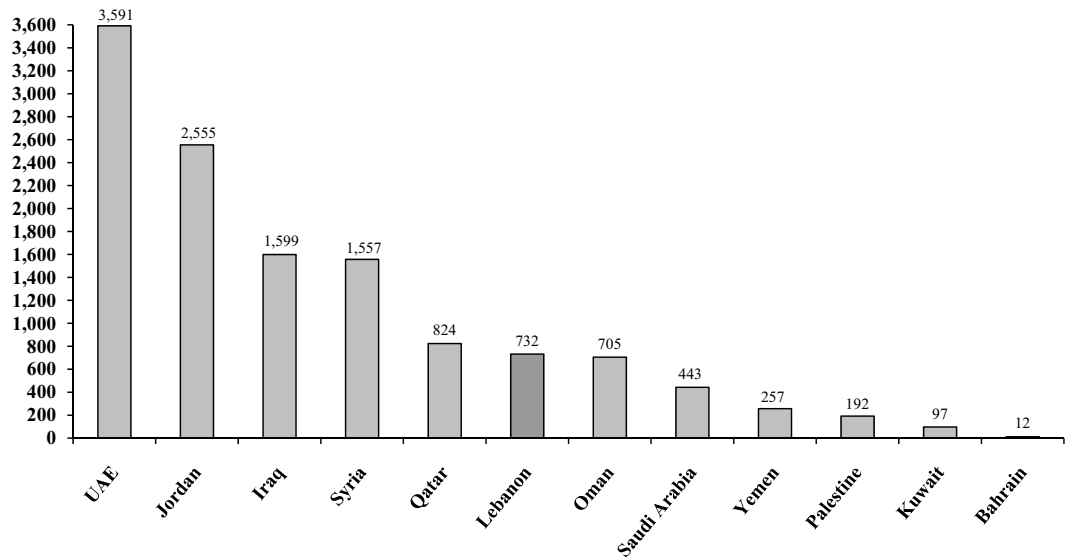
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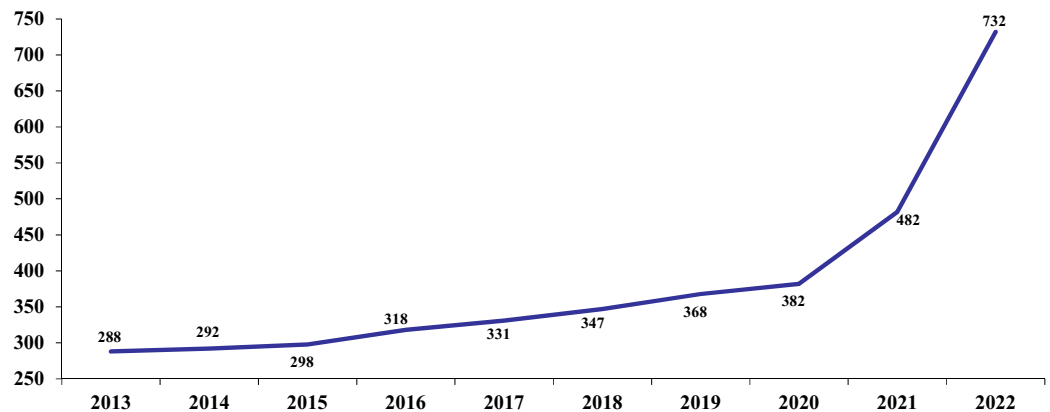
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Capacity of Renewable Energy in Select Arab Countries in 2022 (megawatts)



Capacity of Renewable Energy in Lebanon (megawatts)



Source: International Renewable Energy Agency, Byblos Bank

Quote to Note

"The best way to enhance Lebanon's ability to address challenges is through functioning and empowered state institutions, particularly in times of crisis."

Ms. Joanna Wronecka, the United Nations' Special Coordinator for Lebanon, on the urgent need for Lebanon's political leaders to facilitate the election of a President and the subsequent formation of a fully empowered Cabinet

Number of the Week

46: Lebanon's rank among 132 countries in terms of market sophistication, according to the INSEAD Business School and the World Intellectual Property Organization's Global Innovation 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 %
BLOM Listed	3.01	0.3	250,000	3.8%	Apr 2024	6.65	5.50	4,295.45
Solidere "A"	69.40	2.1	27,124	41.0%	Jun 2025	6.25	5.50	313.21
Audi Listed	2.35	23.7	21,275	8.2%	Nov 2026	6.60	5.50	124.46
Byblos Common	0.70	(1.4)	10,000	2.3%	Mar 2027	6.85	5.50	109.58
Audi GDR	1.11	(20.1)	8,900	0.8%	Nov 2028	6.65	5.50	68.39
Solidere "B"	67.00	1.1	5,521	25.7%	Feb 2030	6.65	5.50	52.28
BLOM GDR	2.50	0.0	-	1.1%	Apr 2031	7.00	5.50	43.30
HOLCIM	61.05	0.0	-	7.0%	May 2033	8.20	5.50	33.10
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	5.50	25.86
Byblos Pref. 09	29.99	0.0	-	0.4%	Mar 2037	7.25	5.50	23.01

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

Source: Refinitiv

	Nov 20-24	Nov 13-17	% Change	October 2023	October 2022	% Change
Total shares traded	322,820	33,106	875.1	1,495,844	2,422,324	(38.2)
Total value traded	\$3,069,092	\$2,076,224	47.8	\$89,583,309	\$27,576,340	224.9
Market capitalization	\$16.91bn	\$16.50bn	2.5	\$16.31bn	\$13.41bn	21.6

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 96th globally, 11th among Arab countries on Network Readiness Index

The Portulans Institute ranked Lebanon in 96th place among 134 countries globally and in 11th place among 13 Arab countries on its Network Readiness Index (NRI) for 2023. Lebanon also came in 18th place among 40 lower middle-income countries (LMICs) included in the survey. In comparison, Lebanon came in 91st place among 131 countries globally and in 11th place among 12 countries in the Arab region on the 2022 index. Based on the same set of countries in the 2022 and 2023 surveys, Lebanon's global rank deteriorated by three spots while its regional rank was unchanged from the 2022 index. The Portulans Institute is an independent non-profit, research and educational organization that is based in Washington, D.C.

The NRI assesses the application and impact of information and communication technology (ICT) in economies around the world, and measures the importance of governmental and societal factors in the formulation of digital strategies in a country. The index consists of 12 sub-pillars that are aggregated in four pillars that are the Technology, People, Governance, and Impact pillars. The rankings on the index are based on scores that range from zero to 100, with higher scores reflecting better performance in terms of network readiness. The overall score of a country is an equally-weighted average of the four scores on each pillar.

Globally, Lebanon has a more developed network readiness than Bolivia, Ghana and Rwanda; while it is less ready than Venezuela, Kyrgyzstan and Cabo Verde. It also preceded only Algeria and Mauritania among Arab countries. Lebanon received a score of 39.7 points on the index, lower than the global average scores of 48.9 points and the Arab average of 46.6 points. Further, Lebanon's score came lower than the Gulf Cooperation Council (GCC) countries' average score of 54.3 points and the average score of non-GCC Arab countries of 40 points.

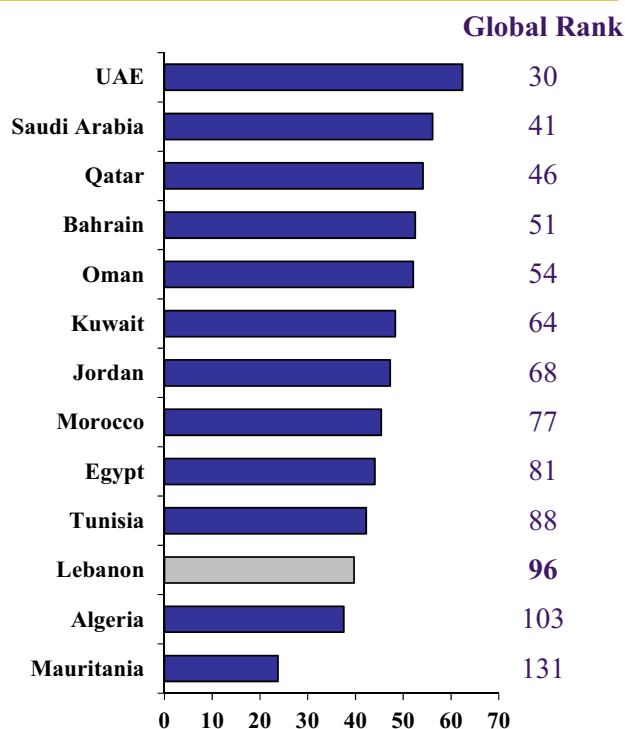
In parallel, Lebanon preceded Serbia, the Philippines and Jamaica, while it trailed Kazakhstan, Mauritius and Georgia worldwide on the Technology pillar. This category assesses the level of technology that is essential for a country to participate in the global economy. It covers the access level to information and communications technology and the type of digital technology in a country, and it measures how countries are prepared for future technologies. Lebanon ranked ahead of only Algeria and Mauritania in the Arab region on this category.

Also, Lebanon came ahead of Greece, Malaysia and Kazakhstan, while it ranked behind Albania, Jordan and Peru globally on the People pillar. This component examines how people apply ICT productively at the individual level and across businesses and governments. Lebanon trailed only the UAE, Saudi Arabia and Jordan regionally on this pillar.

Further, Lebanon preceded Pakistan, Mali and Cameroon, and trailed Madagascar, Nigeria and Namibia worldwide on the Governance pillar. This category evaluates how conducive the national environment is for a country's participation in the network economy, based on issues of trust, regulation and inclusion. Lebanon ranked ahead of only Mauritania among Arab economies on this category.

In addition, Lebanon ranked ahead of Gambia, Burkina Faso and Mauritania, and came behind Benin, Cameroon and Uganda globally on the Impact pillar. This component captures the economic, social, and human impact of participating in the network economy. Lebanon preceded only Mauritania among all Arab countries on this pillar.

**Network Readiness Index for 2023
Arab Countries' Scores & Rankings**



Source: Portulans Institute, Byblos Research

Components of the Network Readiness Index for 2023

Pillars	Global Rank	Arab Rank	LMIC Rank	Lebanon Score	Global Avg Score	Arab Avg Score	LMIC Avg Score
Technology	82	11	14	37.4	41.1	41.2	32.1
People	46	4	3	48.1	43.2	42.4	34.4
Governance	116	12	29	37.1	57.7	53.5	43.3
Impact	120	12	34	36.2	53.4	49.1	43.9

Source: Portulans Institute, Byblos Research



Banque du Liban clarifies mechanism for banks to liquidate excess foreign currency positions

Banque du Liban (BdL) issued Intermediate Circular 683/13953 dated November 17, 2023 675/13566 addressed to banks, financial institutions and auditors that modified Basic Circular 32/6568 of April 24, 1997 about foreign exchange operations at banks and financial institutions, and Basic Circular 34/6576 of April 24, 1997 about consolidated financial statements.

First, the circular stipulated that, in order to calculate its foreign currency trading position, a bank has to deduct the special long foreign currency position from its open foreign currency position. It said that the special long foreign currency position represents an acceptable hedge in case it is equivalent to the main components of Tier One capital that are eligible to be denominated in foreign currency based on international financial reporting standards and/or on applicable rules and regulations. Second, it mandated banks that have exceeded the net foreign currency trading position ceiling of 1% to deposit at BdL special reserves in Lebanese pounds equivalent to three times the excess amount based on the exchange rate of the US dollar used in transactions between banks and BdL for a one-month period for each day that the bank exceeds the set ceiling. Third, it added that banks that have exceeded the foreign currency position ceiling of 40% have to deposit at BdL special reserves in US dollars that are equivalent to three times the excess amount and after deducting the excess amount on the net foreign currency trading position for a one-month period for each day that the bank exceeds the set ceiling. Fourth, it asked financial institutions that have exceeded the long net foreign exchange trading position ceiling of 100% or the short net foreign exchange trading position ceiling of 5% to deposit at BdL special reserves in Lebanese pounds equivalent to three times the excess amount based on the exchange rate of the US dollar used in transactions between banks and BdL for a one-month period for each day that the financial institution exceeds the set ceiling.

Fifth, the circular canceled all of BdL's regular and exceptional approvals related to the banks' fixed foreign exchange positions, to all structural foreign exchange positions, and to any other exceptional approvals related to foreign exchange positions. Sixth, it provided banks until the end of 2024 to liquidate any excess in their long foreign exchange trading position calculated as at December 31, 2023. It noted that non-compliant banks will have to deposit at BdL special reserves in Lebanese pounds equivalent to three times the excess amount based on the exchange rate of the US dollar used in transactions between banks and BdL for a one-month period for each day that the bank exceeds the set ceiling after December 31, 2024. Seventh, it provided banks until the end of 2025 to liquidate gradually any excess in their short foreign exchange trading position calculated as at December 31, 2023. It said that banks can liquidate up to 50% the excess amount by the end of 2024 and have to liquidate the full excess by the end of 2025. It noted that non-compliant banks will have to deposit at BdL special reserves in Lebanese pounds equivalent to three times the excess amount based on the exchange rate of the US dollar used in transactions between banks and BdL for a one-month period for each day that the bank exceeds the set ceiling after December 31, 2024.

The circular said that banks that cannot meet the deadlines for liquidating the excess in their long and short foreign exchange open positions can revert to BdL's Central Council prior the expiration of the deadlines. It allowed banks that exceed the ceiling for the net long foreign exchange open position to submit a request to BdL for a special net position or to exceed the ceiling. It said that the circular goes into effect upon its publication and has to be implemented on the banks' foreign currency positions as at December 31, 2023.

Number of internally displaced persons from South Lebanon exceeds 55,000

Figures compiled by the United Nations' Office for the Coordination of Humanitarian Affairs (OCHA) show that 55,491 persons have been displaced from South Lebanon as at November 21 due to the ongoing hostilities that erupted along the Blue Line on October 8, constituting an increase of 19% from 46,500 displaced persons as at November 14. THE OCHA said that 52% of the Internally Displaced Persons (IDPs) are females, about 71% of IDPs are currently living with host families, 23% are renting houses, 3% have relocated to secondary residences, 2% are housed in collective shelters, and 1% are staying in incomplete or unfinished buildings. It added that there are currently 12 collective shelters providing accommodation for 1,005 IDPs, with seven shelters located in Hasbaya, four in Tyre, and one in the Bekaa.

Further, the OCHA stated that 52 schools in South Lebanon remain closed, which is impacting more than 6,000 children, while five Primary Health Care Centers (PHCCs) in the Bent Jbeil and Marjayoun districts are currently closed. Moreover, it indicated that private property, public infrastructure, and agricultural land have suffered damages, and that incendiary strikes using white phosphorus have burned 460 hectares of forests and orchards. It added that the shelling has destroyed 20,000 olive trees and caused an estimated \$20m in direct economic losses.

In parallel, the latest figures issued by the Ministry of Public Health show that a total of 85 persons have been killed and 357 wounded as at November 25 as a result of the hostilities along Lebanon's southern border with Israel. Further, it pointed out that 39% of the injured were wounded as a result of severe trauma, 32% were injured as a result of an explosion, 23% were wounded due to their exposure to chemical products, 4% were injured by gunshot wounds, 1% were injured by burns, and 1% were stabbed. It noted that Lebanese citizens represented 96% of the injured, followed by Syrians (2%), and Palestinians (1%), while 92% of the injured were males.

Also, the ministry indicated that 2,709 IDPs benefited from primary healthcare services, 1,970 IDPs received medical consultations at PHCCs, and 749 individuals received medical consultations in mobile units. It also said that medical doctors issued 56,750 prescriptions for chronic diseases and 5,824 prescriptions for acute diseases. According to the OCHA, the food assistance distributed since the eruption of hostilities consisted of 90,300 meals, 3,140 food parcels, and 1,300 kilograms of food items. Also, core relief items consisted of 22,340 clothing items, 8,805 mattresses, 6,531 blankets, and 2,300 pillows; while water and hygiene support included 125,000 liters of trucked water, 112,908 liters of bottled water, 3,009 hygiene kits, 423 dignity/menstrual hygiene management (MHM) kits, and 415 baby kits.

Payment cards at 2.15 million at end-June 2023, ATMs total 1,351

Figures released by Banque du Liban show that the number of payment cards issued in Lebanon reached 2,150,021 cards at the end of June 2023, constituting a decline of 229,186 cards (-9.6%) from 2,379,207 cards at the end of 2022 and a decrease of 358,651 cards (-14.3%) from 2,508,672 at end-June 2022.

Payment cards held by residents accounted for 97.3% of total cards issued in Lebanon at the end of June 2023. The distribution of payment cards by type shows that debit cards with residents reached 1,412,624 and accounted for 65.7% of the total, followed by prepaid cards with residents at 515,642 (24%), credit cards with residents at 99,293 (4.6%), charge cards with residents at 63,724 (3%), debit cards held by non-residents at 47,745 (2.2%), credit cards with non-residents at 4,418 (0.21%), charge cards held by non-residents at 3,514 (0.16%), and prepaid cards with non-residents at 3,061 (0.14%)

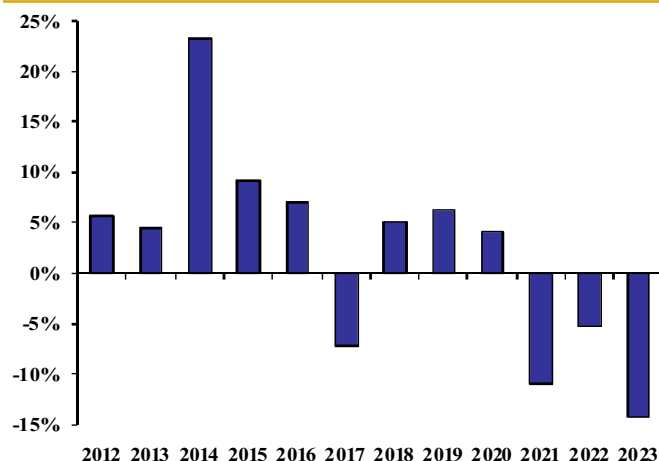
The number of prepaid cards with non-residents grew by 1,025 cards (+50.3%) in the first half of 2023; while the number of prepaid cards with residents dropped by 98,494 cards (-16%), debit cards with residents declined by 89,062 cards (-6%), the number of credit cards with residents decreased by 36,480 cards (-27%), the number of debit cards held by non-residents contracted by 3,518 cards (-7%), the number of charge cards with residents regressed by 1,543 cards (-2.4%), credit cards held with non-residents retreated by 998 cards (-18.4%), and charge cards with non-residents dipped by 116 cards (-3.2%).

In parallel, the number of prepaid cards with non-residents rose by 1,447 cards (+89.7%) in the 12-months ending June 2023. In contrast, the number of resident debit cards dropped by 189,800 cards (-11.8%) in the covered period, prepaid cards with residents declined by 82,431 cards (-13.8%), credit cards with residents decreased by 71,840 cards (-42%), non-resident debit cards contracted by 8,515 cards (-15%), resident charge cards shrank by 4,827 cards (-7%), credit cards with non-residents retreated by 2,362 cards (-34.8%), and non-resident charge cards regressed by 323 cards (-8.4%). The decline in debit and credit cards held by residents and non-residents since 2020 is due in part to a large number of retailers' refusal to accept payment cards and to the banks' tighter controls on credit card issuance and renewal.

Further, the aggregate number of registered points-of-sales (PoS) to accept payment cards reached 40,201 at the end of June 2023, constituting a decrease of 1,181 (-3%) from 41,382 PoS at end-2022 and a drop of 2,791 (-6.5%) from 42,992 PoS at end-June 2022. There were 3.85 registered PoS per square kilometer (km²) in Lebanon at the end of June 2023 compared to 3.96 PoS per km² at the end of 2022 and to 4.11 PoS per km² at the end of June 2022.

In parallel, there were 1,351 automated teller machines (ATMs) across Lebanon at the end of June 2023, constituting a decline of 164 ATMs in the first half of the year and a decrease of 286 ATMs from a year earlier. The Mount Lebanon area had 480 ATMs at the end of June 2023, equivalent to 35.5% of the total, followed by the Greater Beirut area with 469 ATMs (34.7%), the North with 149 ATMs (11%), the Bekaa with 112 ATMs (8.3%), the South region with 111 ATMs (8.2%), and the Nabatieh area with 30 ATMs (2.2%). As such, there were 129 ATMs per 1,000 km² in Lebanon at the end of June 2023 compared to 145 ATMs per 1,000 km² at the end of 2022 and to 157 ATMs per 1,000 km² at the end of June 2022.

Change in Number of Payment Cards (%)*



*year-on-year change, at end-June of each year
Source: Banque du Liban, Byblos Research

Lebanon to benefit from the equivalent of \$422m in additional IMF Special Drawing Rights

The International Monetary Fund (IMF) announced that it has discussed a proposal to increase by 50% the quotas in special drawing rights (SDRs) of its member countries in proportion to their current quotas, and that the IMF's Board of Governors, the highest decision-making body at the Fund, is currently considering the proposal and could approve the increase in allocations in December 2023. As such, and in case the IMF's Board of Governors approves the proposal, Lebanon would receive the equivalent of 316.8 million in additional SDRs, or about \$421.7m based on the conversion rate of the SDR on November 22, 2023.

The IMF expected the quota increase to enhance the IMF's permanent resources and strengthen its quota-based nature by reducing the reliance of members on borrowing and by reinforcing the primary role of quotas in the IMF's resources. In addition, the IMF's Executive Board has requested from the Board of Governors to vote on the proposal by December 15, 2023, and noted that its approval requires an 85% majority of the votes.

According to the IMF's latest available figures, one SDR was equal to US\$1.331 on November 22, 2023. Lebanon's quota at the IMF is 633.5 million SDRs, which is equivalent to 0.13% of total IMF SDRs. This translates into 7,794 votes or 0.15% of the total votes at the IMF. Lebanon's quota is divided into 507.04 million SDRs as part of the IMF's Holdings of Currency, while the remaining 126.46 million SDRs consist of the country's Reserve Tranche Position (RTP). The currency holdings are a country's quota payments and transactions with the IMF, while the RTP is a liquid claim on the IMF and is equal to a member's quota minus the IMF's holdings of the member's currency. The reserve tranche position is part of Lebanon's external reserves.

SDRs are the IMF's unit of account that is pegged to a basket of currencies. The IMF created the SDR in 1969 as an international reserve asset to supplement other reserve assets of its member countries. In August 2021, the IMF allocated the equivalent of \$650bn in direct SDRs to its member countries, in order to support their foreign currency reserves and narrow their external funding gaps. The allocation was the largest on record, after the IMF earmarked \$250bn in SDRs in the wake of the global financial crisis in 2009. The IMF allocated to Lebanon 607.2 million in SDRs on August 23, 2021, which were equivalent to \$864m at the time. It said that the SDRs would support the country's foreign currency reserves, as well as help address many of the urgent needs of the Lebanese people. Further, the IMF deposited in the account of Banque du Liban on September 16, 2021 the equivalent of \$1.135bn in SDRs, which consisted of \$275m in SDRs for 2009 and \$860m in SDRs for 2021 based on the SDR's value of US\$1.426 on September 10, 2021. As such, following the new SDRs allocation that came into effect in September 2021, Lebanon's net cumulative allocation reached 800.47 million SDRs.

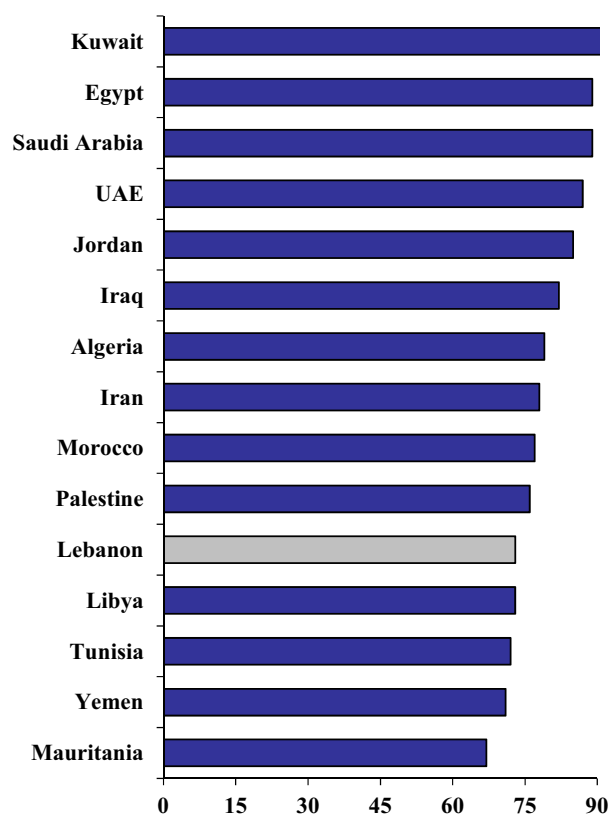
Lebanon ranks 90th globally, 11th in MENA region on law and order index

The global opinion polling firm Gallup ranked Lebanon in 90th place among 140 countries worldwide and in 11th place among 15 countries in the Middle East & North Africa (MENA) region on its Global Law and Order Index for 2023. Lebanon also came in 21st place among 40 lower middle-income countries (LMICs) included in the survey. In comparison, Lebanon came in 95th place among 121 countries globally and in last place among 10 countries in the MENA region on the 2022 index. Based on the same set of countries in the 2023 and 2022 surveys, Lebanon's global rank improved by seven spots while its regional rank improved by one notch from the 2022 index.

The Law and Order Index measures the people's perceptions of their own security and their personal experiences with crime and law enforcement. It uses four questions to gauge the people's confidence in their local police force, their feelings of personal safety, and any incidence of theft and assault or mugging that happened to them in the past 12 months. The index score for each country is a composite of the "positive" responses to these four questions and ranges between zero and 100. The higher the score, the higher the proportion of the population that says that it feels secure in their country. The score of the 2023 Global Law and Order Index are based on responses that Gallup collected in 2022 through interviews with nearly 146,000 adults in 140 countries and territories worldwide.

Globally, Lebanon has the same level of law and order than Brazil, Costa Rica, Libya, Mozambique and Uruguay, a better level than Guatemala, Tunisia and Côte d'Ivoire, and a lesser level than Nicaragua, Puerto Rico and Senegal. It also preceded Tunisia, Côte d'Ivoire and Mongolia, and trailed Sri Lanka, Nicaragua and Senegal among LMICs. Lebanon received a score of 73 points on the 2023 index compared to a score of 70 points on last year's survey. Lebanon's score was lower than the global score of 77.1 points and the MENA region's score of 79.3 points.

Law and Order Index for 2023
MENA Countries' Scores & Rankings



Source: Gallup, Byblos Research

Consumer Price Index up 215.4% year-on-year in October 2023

The Central Administration of Statistics' Consumer Price Index increased by 227.4% in the first 10 months of 2023 from the same period of 2022. In comparison, it grew by 186.4% and by 137.8% in the first 10 months of 2022 and 2021, respectively.

The CPI rose by 215.4% in October 2023 from the same month of 2022, and registered its 40th consecutive triple-digit increase since July 2020. The cumulative surge in the inflation rate is due in part to the repeated increase in customs tariffs, to the rise of telecommunications rates and electricity tariffs, and to the inability of the authorities to monitor and contain retail prices. It is also due to the fluctuation of the Lebanese pound's exchange rate on the parallel market at the start of the year and to the lifting of subsidies on hydrocarbons and on a range of basic products in 2021 and 2022, which have encouraged opportunistic wholesalers and retailers to raise the prices of consumer goods disproportionately. In addition, the smuggling of subsidized imported goods has resulted in shortages of these products locally, which contributed to the rise in prices.

The cost of education surged by seven times in October 2023 from the same month in 2022, followed by imputed rent (+4.3 times), the prices of alcoholic beverages & tobacco (+3.5 times), rates at restaurants & hotels (+3.3 times), food and non-alcoholic beverages (+3.2 times), actual rent (+3.1 times), healthcare costs (+3 times), and the prices of clothing & footwear and of furnishings & household equipment (+2.8 times each). In addition, the prices of miscellaneous goods & services rose by 160.7% year-on-year in October 2023, followed by transportation cost (+157.7%), the prices of water, electricity, gas & other fuels (+151.8%), the cost of recreation & entertainment (+136.5%), and communication costs (+120.6%). Also, the distribution of actual rent shows that new rent surged by 411.4% and old rent increased by 50% in October from the same month of 2022.

In parallel, the CPI increased by 17.2% in October 2023 from the previous month, compared to a month-on-month rise of 1.4% in September 2023 and to a growth rate of 0.9% in August 2023. The cost of education jumped by 581% in October 2023 from September 2023, followed by the cost of recreation & entertainment (+17%), the prices of water, electricity, gas and other fuels (10%), the prices of clothing & footwear (+6%), the costs of miscellaneous goods & services (+4%), imputed rent (+3%), transportation costs (+2.8%), the prices of food & non-alcoholic beverages, as well as alcoholic beverages and tobacco (+2.4% each), rates of restaurants and hotels (+1.8%), prices of actual rent (+1%), and costs of furnishing & household equipment (+0.2%). In contrast, healthcare costs regressed by 0.3% month-on-month in October 2023, followed by communication costs by 0.1%. Also, the distribution of actual rent shows that new rent increased by 2%, while old rent regressed by 0.5% month-on-month in October 2023. Further, the CPI increased by 22.3% in Mount Lebanon, 16.2% in Beirut, 14% in the North, 12.5% in the Bekaa region, 9.4% in the South, and 9.3% in the Nabatieh area in October 2023 from the previous month.

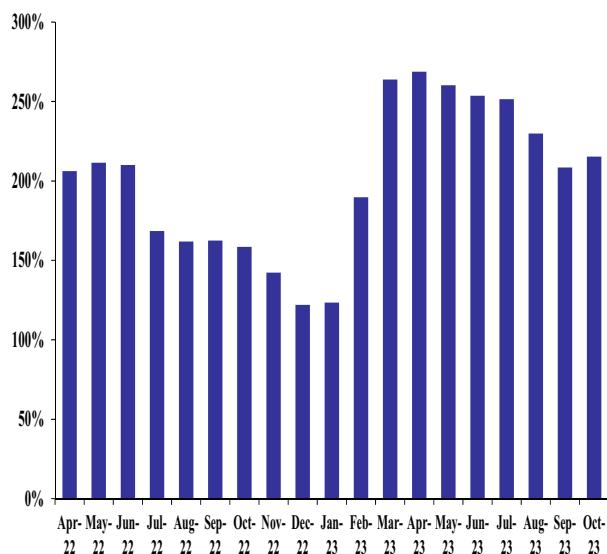
French companies in Lebanon employ more than 6,300 Lebanese

A survey by the French Ministry of Economics, Finance and Industrial and Digital Sovereignty indicated that French companies operating in Lebanon are employing more than 6,300 Lebanese nationals. It added that the top French employer in Lebanon is container shipping firm CMA-CGM, followed by the advertising and communications group Publicis, hotel operator Accor, TotalEnergies, and industrial company Nexans (Liban Cables).

In parallel, the survey showed that 22% of French companies in Lebanon are in the services sector; followed by the energy sector (12%); the construction and the agri-food industries (10% each); the digital sector (8%); the transport and finance industries (6% each); the pharmaceutical, cosmetics and engineering sectors (4% each); while the remaining 14% of firms are in other sectors of the economy. Further, it noted that 68% of French firms in Lebanon are subsidiaries of French firms, while the remaining 24% were equally split between joint-ventures and representative offices of parent French companies. It added that 66% of French companies in Lebanon consist of large groups, 20% are small- and medium-sized enterprises and 14% are intermediate-sized firms. In addition, it indicated that 67% of French companies that are present in Lebanon cater to the Lebanese and foreign markets, while 28% focus on the local market, and 5% of French firms in the country target foreign markets only.

Further, the survey pointed out that French companies operating in Lebanon follow three economic models. It said that the first model focuses on the domestic market and benefits from local consumption, as French exports to Lebanon totaled \$400m in 2022 and was the third largest market for French exports in the Near and Middle East region. Also, it said that the second model is based on highly skilled Lebanese human capital that helps French firms explore other markets in the region and beyond. It added that the third model focuses on the development of shared services, given the quality and competitiveness of Lebanon's human resources, as well as the country's dynamic technological ecosystem.

Annual Change in Consumer Price Index* (%)



*from the same month of the previous year

Source: Central Administration of Statistics, Byblos Research

Construction activity slightly improves 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 general construction activity reached -54 in the first quarter of 2023, compared to -59 in the previous quarter and to -56 in the first quarter of 2021. The balance of opinions for general construction activity in the first quarter of 2023 constituted the third highest quarterly level since the beginning of the economic crisis in the country in the fourth quarter of 2019, after reaching -18 in the third quarter of 2022 and -53 in the second quarter of 2022. The balance of opinions for general construction activity registered its lowest level at -81 in the second quarter of 2020, and stood at -75 in the first and third quarters of 2020, -69 in the fourth quarter of 2020, -67 in the second and third quarters of 2021, -65 in the first quarter of 2021, and -63 in the fourth quarter of 2021. The results are attributed to the absence of new projects, very low investments in the sector, delays in the implementation of reforms to restore confidence, the fluctuations of the exchange rate of the US dollar 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 construction 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 for construction activity was -51 in the first quarter of 2023 compared to -59 in the preceding quarter and to -53 in the first quarter of 2022. It reached its 12th lowest quarterly level since the first quarter of 2004.

The balance of opinions about construction activity was -31 in the North, -50 in the Bekaa, -64 in Beirut & Mount Lebanon, and -73 in the South. Also, the balance of opinions about public works stood at -49 in the first quarter of 2023 compared to -51 in the fourth quarter of 2022 and -56 in the first quarter of 2022. The opinions about the level of public works reached -13 in the North, -44 in the Bekaa, -80 in the South, and -89 in Beirut & Mount Lebanon.

In addition, the balance of opinions about the portfolio of projects was -74 in the first quarter of 2023 relative to -77 in the preceding quarter and to -83 in the first quarter of 2022, and reached its 10th lowest quarterly level since the first quarter of 2004. The balance of opinions about the portfolio of projects was -53 in the North, -82 in the Bekaa and -82 in Beirut & Mount Lebanon, and -86 in the South. Further, the balance of opinions about construction costs reached +70 in the first quarter of 2023, compared to +64 in the preceding quarter and +31 in the first quarter of 2022.

In parallel, the balance of opinions about investments in the sector was 19% in the first quarter of 2023, compared to 12% in the preceding quarter and to 15% in the first quarter of 2022. The balance of opinions about investments was 68% in the North, 13% in the Bekaa, 10% the South, and 2% in Beirut & Mount Lebanon. Also, the balance of opinions about the number of employees in the sector was -65 in the first quarter of 2023 compared to -72 in the preceding quarter and to -70 in the first quarter of 2022, and reached its 13th lowest quarterly level since the first quarter of 2004. The balance of opinions about the number of employees was -73 in the Bekaa and the South, -60 in Beirut & Mount Lebanon, and -59 in the North.

Construction and Public Work Activity: Evolution of Opinions				
Aggregate results	Q1-20	Q1-21	Q1-22	Q1-23
General activity	-75	-65	-56	-54
Construction	-76	-66	-53	-51
Public works	-79	-60	-56	-49
Portfolio of projects	-87	-93	-83	-74
Construction costs	51	49	31	70
Investments (% of yes)	12%	17%	15%	19%

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

Term deposits account for 54.6% of customer deposits at end-September 2023

Figures issued by Banque du Liban about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at LBP1,492 trillion (tn) at the end of September 2023, or the equivalent of \$99.5bn based on the exchange rate of LBP15,000 per US dollar that went into effect at the start of February. Total deposits include private sector deposits that reached LBP1,427.5tn, deposits of non-resident financial institutions that amounted to LBP46.6tn, and public sector deposits that stood at LBP17.9tn at the end of September 2023.

Term deposits in all currencies reached LBP814.1tn at the end of September 2023 and regressed by LBP6.8tn, or by 0.8%, from LBP820.1tn at end-August 2023 and by LBP24.4tn (-3%) from end-June 2023, while they accounted for 54.6% of total deposits in Lebanese pounds and in foreign currency as at end-September 2023 relative to a share of 54.8% at end-June 2023. Further, the decrease in the amount of term deposits from June 2023 is due to a drop of 16.2% in the foreign currency-denominated term deposits of the public sector from the end of June 2023, followed by a decline of 9.3% in the term deposits in Lebanese pounds of the public sector, a decrease of 6% in the term deposits of the non-resident financial sector, a contraction of 5% in the term deposits in Lebanese pounds of the resident private sector, a retreat of 2.8% in foreign currency-denominated term deposits of the resident private sector, and a downturn of 2.2% in the term deposits of non-residents. Aggregate term deposits declined by \$112.2bn since the end of September 2019, based on the new exchange rate, due to cash withdrawals and to the migration of funds from term to demand deposits, amid the confidence crisis that started in September 2019.

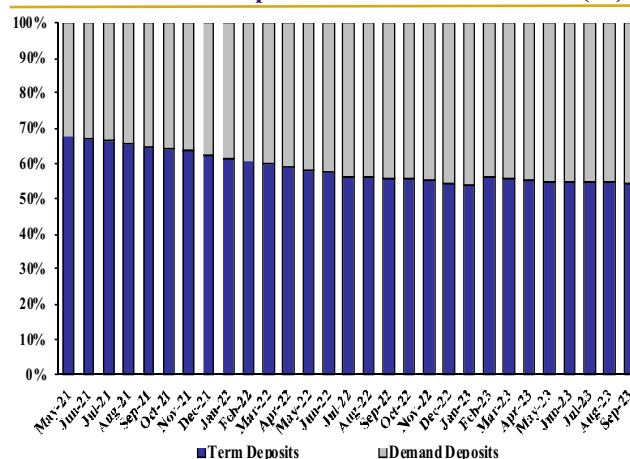
In addition, the foreign currency-denominated term deposits of the resident private sector reached \$37.7bn and accounted for 38% of aggregate deposits at the end of September 2023, unchanged from end-June 2023. Term deposits of non-residents followed with \$13bn or 13% of the total, then term deposits of the non-resident financial sector with \$1.9bn (1.9%), term deposits in Lebanese pounds of the resident private sector with LBP14.8tn (1%), term deposits of the public sector in Lebanese pounds with LBP5.7tn (0.4%), and term deposits of the public sector in foreign currency with \$249.4m (0.3%).

In parallel, demand deposits in all currencies at commercial banks stood at LBP678tn at the end of September 2023, constituting an increase of LBP702.4bn (+0.1%) from LBP677.2tn at the end of August 2023 and a decrease of LBP13.4tn (-2%) from end-June 2023. They accounted for 45.4% of aggregate deposits at end-September 2023 relative to a share of 45.2% at end-June 2023. The decrease in the amount of demand deposits from June 2023 was mainly due a drop of LBP14.2tn in demand deposits in Lebanese pounds of the resident private sector, a decrease of LBP244.6bn in demand deposits in Lebanese pounds of the public sector, a decline of \$53.7m in demand deposits of the non-resident financial sector, and a contraction of \$5.5m in demand deposits in foreign currency of the public sector. This was partly offset by an increase of \$131.9m in foreign currency-denominated demand deposits of the resident private sector and a growth of \$2.8m in demand deposits of non-residents.

Also, demand deposits in foreign currency of the resident private sector totaled \$32.9bn and represented 33% of deposits at end-September 2023 relative to 32.2% at the end of last June. Demand deposits of non-residents followed with \$8.2bn (8.2%), then demand deposits in Lebanese pounds of the resident private sector with LBP34.6tn (2.3%), demand deposits of the non-resident financial sector with \$1.2bn (1.2%), demand deposits in foreign currency of the public sector with \$389.8m (0.4%), and demand deposits in Lebanese pounds of the public sector with LBP2.6tn (0.2%).

Based on the latest available figures, Beirut and its suburbs accounted for 66% of private-sector deposits and for 51% of the number of depositors at the end of March 2023. Mount Lebanon followed with 15% of deposits and 17.7% of beneficiaries, then South Lebanon with 7.4% of deposits and 11% of depositors, North Lebanon with 6.6% of deposits and 12.1% of beneficiaries, and the Bekaa with 5.2% of deposits and 8.2% of depositors.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban, Byblos Research

Balance sheet of investment banks at LBP16.8 trillion at end-September 2023

Figures released by Banque du Liban (BdL) show that the consolidated balance sheet of investment banks in Lebanon reached LBP16.8 trillion (tn) at the end of September 2023, or the equivalent of \$1.12bn, constituting a decrease of 10.2% from LBP18.7tn (\$1.24bn) 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 LBP2.3tn (\$155m) at the end of September 2023 and regressed by 8.4% from the end of June 2023. Further, claims on resident customers in Lebanese pounds totaled LBP935bn at end-September 2023, constituting a decrease of 12% from end-2022 and of 17.5% from end-September 2022; while claims on resident customers in foreign currency amounted to \$92.6m at end-September 2023, and decreased by 29.5% in the first nine months of the year and by 29.8% from end-September 2022. Also, claims on non-resident customers stood at \$15.7m at end-September 2023, representing drops of 60.5% from end-2022 and of 70% from a year earlier. In addition, claims on the resident financial sector reached LBP1.73tn (\$115.3m) at end-September 2023, down by 25.2% from LBP2.31tn at the end of June 2023.

Claims on the resident financial sector in Lebanese pounds amounted to LBP1.1tn at end-September 2023 and surged by 40.8% in the first nine months of the year and by 27% from end-September 2022; while claims on the resident financial sector in foreign currency totaled \$42m at end-September 2023, constituting decreases of 52.5% from end-2022 and of 72.8% from end-September 2022. Further, claims on the non-resident financial sector reached \$65.3m at the end of September 2023, as they jumped by 83.4% in the first nine months of the year and by 58.7% from a year earlier. Also, claims on the public sector stood at LBP45bn at end-September 2023 and decreased by 1.4% from end-June 2023; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, amounted to LBP2.92tn at end-September 2023 and declined by 17.4% from LBP3.53tn at end-June 2023. In parallel, currency and deposits with local and foreign central banks reached LBP5.6tn (\$374m) at the end of September 2023 and regressed by 2.4% from LBP5.75tn at end-June 2023.

On the liabilities side, deposits of resident customers stood at LBP5.82tn (\$388.1m) at the end of September 2023, constituting a decline of 5.7% from LBP6.17tn (\$411.6m) at end-June 2023. Deposits of resident customers in Lebanese pounds amounted to LBP687.2bn at end-September 2023 and grew by 3.7% in the first nine months of the year and by 2.7% from a year earlier; while deposits of resident customers in foreign currency totaled \$342.3m at end-September 2023, and regressed by 6.2% in the first nine months of the year and by 10.3% from end-September 2022. Also, deposits of non-resident customers reached \$113.7m at the end of September 2023, up by 15% from end-2022 and by 13% from end-September 2022.

Further, liabilities to the resident financial sector amounted to LBP735.6bn (\$49m) at end-September 2023 and grew by 26% from LBP583.8bn at the end of June 2023. Liabilities to the resident financial sector in Lebanese pounds totaled LBP36.2bn at end-September 2023 and surged by 121.3% from end-2022 and by 108.8% from a year earlier; while liabilities to the resident financial sector in foreign currency reached \$46.6m at end-September 2023, constituting an increase of 6.2% in the first nine months of the year and a decrease of 46.5% from end-September 2022. In addition, liabilities to the non-resident financial sector amounted to \$71.3m at end-September 2023, and contracted by 58.4% from end-2022 and by 52.2% from end-September 2022. Also, public sector deposits totaled LBP147bn at end-September 2023 relative to LBP49.4bn at the end of 2022. Further, the aggregate capital account of financial institutions was LBP4.1tn (\$272.2m) at the end of September 2023 relative to LBP2.49tn (\$1.66bn) at end-2022 and LBP2.5tn (\$1.66bn) 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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