

LEBANON THIS WEEK

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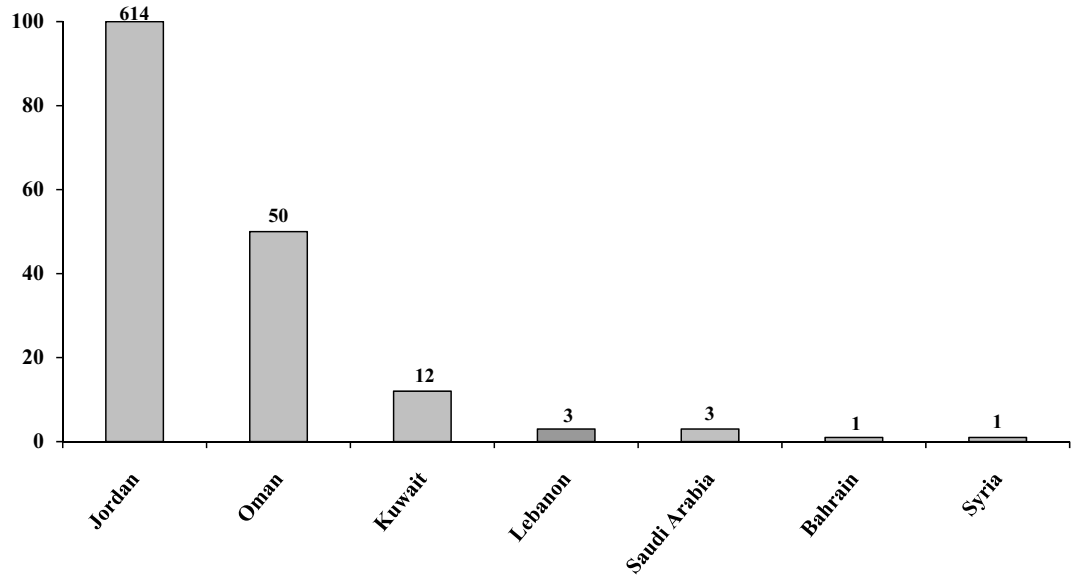
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Ratio Highlights

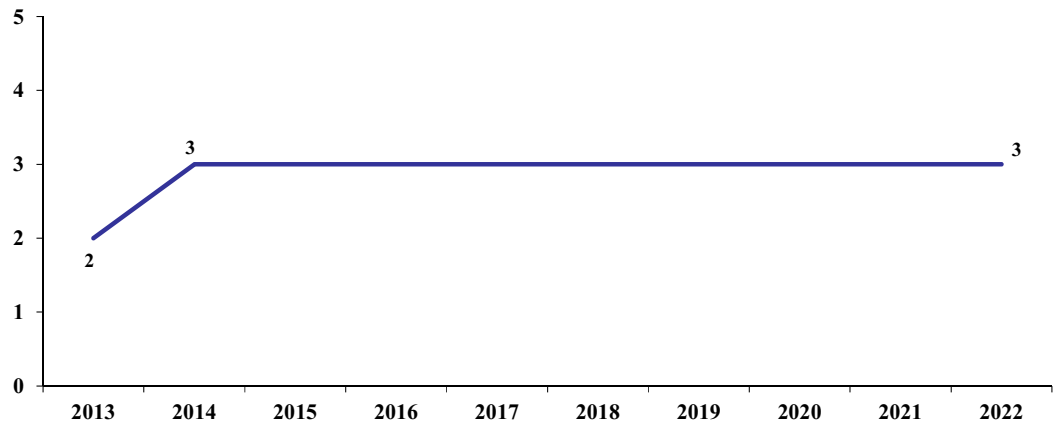
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Charts of the Week

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



Capacity of Wind Energy in Lebanon (megawatts)



Source: International Renewable Energy Agency, Byblos Bank

Quote to Note

"Public wages and benefits, energy subsidies, and tax collection issues."

Harvard University's Center for International Development, on the three main factors that created structural weaknesses in the primary balance of Lebanon's budgets prior to the crisis

Number of the Week

18: Number of months since Lebanon signed a Staff Level Agreement with the International Monetary Fund

Lebanon in the News

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

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

*year-on-year

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

Source: Association of Banks in Lebanon, Banque du Liban, Ministry of Finance, Central Administration of Statistics, Byblos Research

Capital Markets

Most Traded Stocks on BSE*	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	69.90	2.8	111,672	40.8%	Apr 2024	6.65	5.88	4,471.05
Solidere "B"	70.35	8.1	47,518	26.7%	Jun 2025	6.25	5.88	315.37
Byblos Common	0.70	0.0	19,334	2.3%	Nov 2026	6.60	5.88	123.06
HOLCIM	57.60	(5.7)	400	6.6%	Mar 2027	6.85	5.88	108.18
BLOM Listed	3.01	0.0	-	3.8%	Nov 2028	6.65	5.88	67.26
Audi Listed	2.35	0.0	-	8.1%	Feb 2030	6.65	5.88	51.34
Audi GDR	1.11	0.0	-	0.8%	Apr 2031	7.00	5.88	42.48
BLOM GDR	2.50	0.0	-	1.1%	May 2033	8.20	5.88	32.44
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	5.88	25.33
Byblos Pref. 09	29.99	0.0	-	0.4%	Mar 2037	7.25	5.88	22.53

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

Source: Refinitiv

	Dec 4-8	Nov 27 - Dec 1	% Change	November 2023	November 2022	% Change
Total shares traded	178,924	30,935	478.4	466,274	2,846,751	(83.6)
Total value traded	\$10,996,753	\$1,778,368	518.4	\$11,062,142	\$70,830,164	224.9
Market capitalization	\$17.12bn	\$16.65bn	2.8	\$16.72bn	\$13.35bn	21.6

Source: Beirut Stock Exchange (BSE)



Banks' memo aims to remind government of legal and contractual obligations

A memo that 11 commercial banks sent to the Ministry of Finance 2023 stipulated that they suffered damages from the fact that Banque du Liban (BdL) has not asked the Lebanese Government to reimburse the sums that it borrowed from BdL, and requested the Government to cover in full the losses on BdL's balance sheet, following the restatement of the losses in the Alvarez & Marsal forensic audit report that the authorities commissioned. The memo, dated December 4, 2023, noted that the 11 banks account for 70% of the banking sector's deposits at BdL. The memo, whose objective is to generate a challengeable decision by the Lebanese State, aims to oblige the Government to fulfill its legal and contractual obligations towards BdL through the immediate disbursement of the due amounts. The memo said that, when the ongoing crisis erupted in 2019, and after BdL did not return to banks their foreign currency deposits so they can reimburse depositors, it appeared that the Lebanese Government had borrowed and spent the customer deposits at BdL during the 2010-2021 period. It noted that the inability of BdL to return the deposits to the banks is due to the fact that the Government did not fulfill its legal obligations towards BdL by not repaying \$16.35bn in debt to commercial banks and by not abiding by Article 113 of the Code of Money & Credit, as it did not cover the losses of \$51.3bn on BdL's balance sheet as at end-2020. It added that the Government has to cover the additional losses for the 2021-2022 period after the figures get restated based on the criteria in the forensic audit report.

Further, it indicated that the Lebanese Government borrowed in foreign currency from BdL an amount that totaled LBP249.26 trillion as at September 15, 2023, which is equivalent to \$16.53bn at the exchange rate of LBP15,000 per US dollar, as this debt was denominated in foreign currency and not in Lebanese pounds according to BdL's balance sheet dated September 15, 2023. It added that BdL provided clarifications in its balance sheet that indicated that it started as of the end of 2007 to make payments on behalf of the Government from its own foreign assets against cash collateral in Lebanese pounds at the existing official exchange rate of LBP1,507.5 per dollar, in exchange for repayment of the amount at a later stage by the Lebanese government in the same foreign currency. As a result, the memo specified that the Lebanese Government has, according to its obligations, to repay the \$16.53bn loan due in foreign currency to BdL.

In parallel, the memo stipulated that, based on the request of the Lebanese Government, Oliver Wyman conducted a review of BdL's financial position that found that the latter carried out significant diversions from the accounting practices of international peers. The review stated that "the currently applicable legal framework requires the Government to recapitalize BdL in case the latter has a negative equity position". It added that "avoiding such a recapitalization trigger has been a key objective of BdL's current accounting policies and practices, given the Government's persistent fiscal deficit and high debt-to-GDP ratio and BdL's concern over the political complexities of a potential recapitalization." It added that "BdL's current balance sheet does not reflect its actual financial position in the current and prospective economic environment." As such, the review declared that "the shortages in foreign currency reserves stood at \$71.9bn at end-2020". It noted that "the transfer of losses from BdL's profit and loss statement to its balance sheet circumvented the need for the Ministry of Finance to bail out BdL." The memo concluded that BdL, in order to avoid asking the government to abide by its legal obligation of covering the losses on its balance sheet, was presenting an artificial balance sheet and was distributing profits at a time it was registering large losses.

IMF urges upgrade of tax and customs administration

The International Monetary Fund (IMF) estimated that public revenues in Lebanon regressed from 21% of GDP in 2018 to about 6.3% of GDP in 2022 and projected them at 8.6% of GDP in 2023. It attributed the decline in the level of public receipts to the protracted economic contraction, the depreciation of the exchange rate on the parallel market, as well as to the size of the informal economy and to tax evasion. It considered that inaction and underinvestment in tax and customs administration will prolong the effects of the ongoing economic crisis, and urged the Lebanese authorities to address the prevailing inadequate circumstances, particularly in the value-added tax (VAT) and Revenue Directorates, even if they have to resort to emergency powers. It noted that staffing is completely inadequate across Lebanon's tax and customs administrations, organizational models are antiquated, core information technology (IT) operations are in the process of failing, and the ability to produce even basic statistics is extremely limited. But it said that there are options to help reverse the decline in revenue administration, and that there is international support for such measures. It added that the World Bank, the European Union, the United Nations Development Program and Expertise France have pledged to provide support, while the IMF has launched a capacity development project. It called on the authorities to set priorities and mobilize resources to implement the tax and customs administration reforms, and provided short and medium-term goals.

At the tax administration level, it called for urgent intervention in the short term to ensure the continuity of critical functions such as IT operations; adjusting the wages of staff; improving the basic work environment; expediting the introduction of a semi-autonomous tax administration; as well as reviewing and confirming support for the proposed capacity development plan for the tax administration. Also, in the medium term, it called for integrating the reform priorities into the existing joint strategic plan for the 2022–26 period; identifying a small team to receive capacity development support for data analytics, risk analysis, large taxpayer operations, and compliance strategy; producing and implementing a compliance strategy for large taxpayers and another strategy for all other taxpayers; as well as re-launching an integrated Large Taxpayer Office with criteria that covers the largest taxpayers as a step towards full integration of tax directorates.

At the customs administration level, it urged short-term action to ensure the continuity of critical functions and to provide adequate wages for staff; request international support to review the potential increase and use of customs service fees to support the modernization of tax and customs; as well as review the proposed capacity development plan for customs administration. Further, it called over the medium term to transform the existing draft strategic plan from a "wish list" to a strategy; to develop a risk management unit, framework, and procedures that mandate the use of the "Inspection Act" form for the Automated System for Customs Data (ASYCUDA); to implement ASYCUDA's Valuation Control module; as well as to transfer the administration of ASYCUDA from the Higher Customs Council to the Directorate General of Customs, as a step towards reverting to the HCC's legislated mandate and authority.

Number of airport passengers up 14% in first 11 months of 2023

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 6.6 million passengers utilized the airport (arrivals, departures and transit) in the first 11 months of 2023, constituting increases of 14% from 5.8 million passengers in the same period of 2022 and of 70.7% from 3.88 million passengers in the first 11 months of 2021. Also, 323,523 passengers utilized the airport in November 2023, constituting decreases of 37.4% from 516,803 in October 2023 and of 27.5% from 446,450 passengers in November 2022. The number of arriving passengers reached 3.22 million passengers in the first 11 months of 2023, and surged by 14.2% from 2.82 million passengers in the same period of 2022 and by 76% from 1.83 million passengers in the first 11 months of 2021. The number of arriving passengers stood at 151,846 in November, representing drops of 27% from 208,374 passengers in October 2023 and of 27.5% from 209,450 in November 2022.

Also, the number of departing passengers totaled 3.4 million in the first 11 months of 2023, constituting increases of 14.6% from 2.97 million passengers in the same period of last year and of 70% from 2 million passengers in the first 11 months of 2021. Further, the number of departing passengers reached 171,561 in November, representing decreases of 44.3% from 307,963 in October 2023 and of 26.7% from 234,108 departing passengers in November 2022. The surge in the number of airport passengers in the covered period is due in part to the rolling back of most travel restrictions around the world in light of the receding threat of the coronavirus pandemic, and the subsequent increase in mobility amid the resumption of normal activity, as well as to the rise in the number of tourist and visitors to the country. But the decline in November is due to the war in the Gaza Strip and to the related Israeli attacks along Lebanon's southern border, as well as the decline in the number flights to and from Lebanon and to the suspension of some airlines of their flights to Lebanon.

In parallel, the airport's aircraft activity totaled 53,404 take-offs and landings in the first 11 months of 2023, representing an increase of 11.5% from 47,890 takeoffs and landings in the same period last year. In comparison, aircraft activity rose by 34% in the first 11 months of 2022 and by 47.3% in the same period of 2021. Also, the airport's aircraft activity stood at 3,008 take-offs and landings in November 2023, constituting drops of 33.2% from 4,500 take-offs and landings in October 2023 and of 24.7% from 3,995 takeoffs and landings in November 2022. In addition, the HIA processed 53,246 metric tons of freight in the first 11 months of 2023 that consisted of 30,238 tons of import freight and 23,008 tons of export freight. Middle East Airlines had 22,029 flights in the covered period and accounted for 41.2% of the HIA's total aircraft activity.

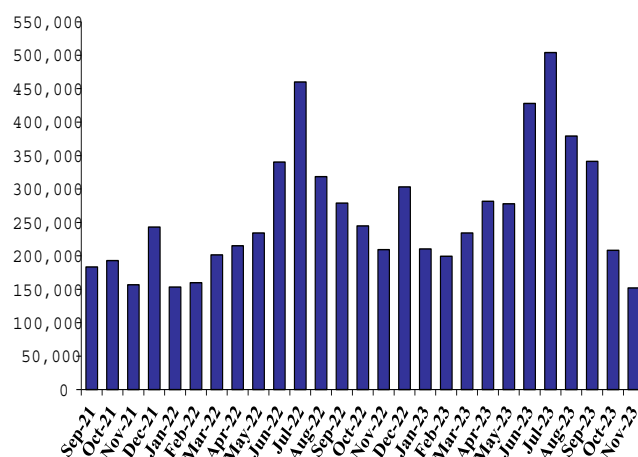
Net foreign assets of financial sector up \$1.46bn in first 10 months of 2023

Figures issued by Banque du Liban (BdL) show that the net foreign assets of the financial sector, which are a proxy for Lebanon's balance of payments, increased by \$1.46bn in the first 10 months of 2023, compared to decreases of \$2.86bn in the same period of 2022 and of \$1.74bn in the first 10 months of 2021.

The cumulative surplus in the first 10 months of 2023 was caused by an increase of \$2.54bn in the net foreign assets of banks and financial institutions, which was partly offset by a drop of \$1.1bn in those of BdL. Further, the net foreign assets of the financial sector decreased by \$81.2m in October 2023 compared to rises of \$470.2m in September 2023 and of \$192.8m in October 2022. The October decrease was caused by a decline of \$260.1m in the net foreign assets of banks and financial institutions, which was partly offset by an increase of \$179m in those of BdL.

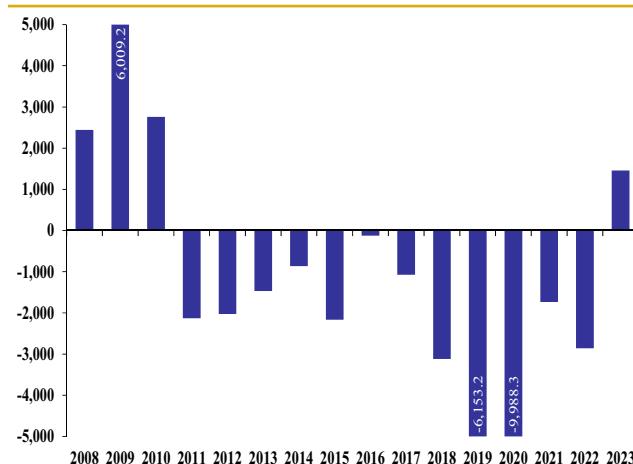
The cumulative increase in the banks' net foreign assets is mostly due to a decline in their foreign liabilities. The decrease in foreign liabilities was driven mainly by the contraction in liabilities to the non-resident financial sector and in non-resident customer deposits. In parallel, the decline in BdL's net foreign assets was due in part to the financing of the imports of medicine, medical equipment, and raw materials for agriculture and industry; as well as to the implementation of BdL circulars that allowed depositors to withdraw US dollar banknotes from their accounts or to buy dollar banknotes from BdL through commercial banks.

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

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



*in first 10 months of each year

Source: Banque du Liban, Byblos Research

Currency in circulation down 35% in first 10 months of 2023

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP81,784.8bn at the end of October 2023, constituting decreases of 17.2% from LBP98,780.4bn at the end of 2022 and of 10.2% from LBP91,092.5bn at end-October 2022. Currency in circulation stood at LBP48,131.2bn at the end of October 2023, as it declined by 34.5% from LBP73,514bn at end-2022 and decreased by 31.1% from LBP69,856.4bn at end-October 2022. Also, demand deposits in local currency stood at LBP33,653.6bn at the end of October 2023, as it surged by 33.2% from the end of 2022 and by 58.5% from end-October 2022. Money supply M1 decreased by 5.3% in October from LBP86,341bn at end-September 2023, with currency in circulation regressing by 4.5% and demand deposits in local currency contracting by 6.3% month-on-month.

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP97,164.6bn at the end of October 2023, constituting decreases of 16.7% from LBP116,582.5bn at the end of 2022 and of 11% from LBP109,003bn a year earlier. Term deposits in Lebanese pounds totaled LBP15,379.8bn at the end of October 2023, and declined by 13.6% from LBP17,802.2bn at end-2022 and by 14.1% from LBP17,910.3bn at end-October 2022. Money supply M2 shrank by 4.3% in October from LBP101,530.7bn at end-September 2023, while term deposits in local currency grew by 1.3% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP1,161.3 trillion (tn) at the end of October 2023, with deposits in foreign currency totaling LBP1,060.2tn and debt securities of the banking sector amounting to LBP3,948.3bn at end-October 2023. Also, money supply M3 regressed by 1% from LBP1,171.5tn at end-September 2023, with deposits in foreign currency regressing by 0.5% and debt securities issued by the banking sector expanding by 0.2% month-on-month. In parallel, M3 surged by LBP931,765.1bn in the first 10 months of 2023 due to a jump of LBP779,093.7bn in net claims on the public sector, a rise of LBP211,741.4bn in the net foreign assets of deposit-taking institutions, and an increase of LBP95,590.5bn in the claims on the private sector, which were offset in part by a decline of LBP154,660.6bn in other items.

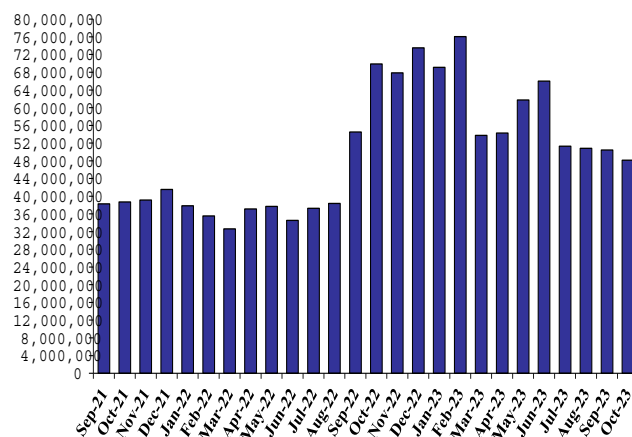
Number of internally displaced persons from South Lebanon exceeds 55,000

Figures compiled by the United Nations' Office for the Coordination of Humanitarian Affairs (OCHA) show that 55,183 persons have been displaced from South Lebanon as at November 28, 2023 due to the ongoing hostilities that erupted along the Blue Line on October 8 of this year, constituting a decrease of 1% from 55,491 as at November 21, 2023 and an increase of 18.7% from 46,500 displaced persons as at November 14 of this year. THE OCHA said that 57% of the Internally Displaced Persons (IDPs) are currently living with host families, 28% are renting houses, 12% 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 979 IDPs, with seven shelters located in Hasbaya, four in Tyre, and one in the Bekaa region.

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 Marjeyoun 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. Also, it indicated that the latest figures issued by the Ministry of Public Health show that a total of 92 persons have been killed and 387 wounded as at November 29, 2023 as a result of the hostilities along Lebanon's southern border with Israel. Moreover, it said that the World Health Organization issued on November 16 of this year, an emergency appeal for readiness and response in Lebanon, as it appealed for \$ 6.7m for the scenario where hostilities remain limited to the south, and \$11.1m in a scenario where hostilities expand to the entire country. In parallel, the Education Ministry announced on November 27, 2023 the launch of an emergency schooling plan for more than 10,000 students whose studies were interrupted by the clashes. The plan distributes the displaced students following regular and technical curriculum across schools in the Nabatieh, South Lebanon and Beirut districts, and provides them with school supplies and transportation allowances. Also, the ministry assessed 3,500 children to determine their educational needs.

According to the OCHA, the food assistance distributed since the eruption of hostilities consisted of 104,880 meals, 4,498 food parcels, and 1,300 kilograms of food items. Also, core relief items consisted of 22,340 clothing items, 12,551 mattresses, 12,271 blankets, and 2,649 pillows; while water and hygiene support included 133,000 liters of trucked water, 120,864 liters of bottled water, 3,659 hygiene kits, 1,065 dignity/menstrual hygiene management (MHM) kits, and 415 baby kits. Also, shelter support consisted of the distribution of 150 plastic sheets, and of 4,100 liters of Diesel for operations. In addition, 1,860 medical staff that include nurses (60%) and physicians (15%) from 79 hospitals received integrated clinical trauma management training.

Currency in Circulation (LBP millions)



Source: Banque du Liban, Byblos Research

Purchasing Managers' Index reaches highest level since July 2023

The BLOM Lebanon Purchasing Managers' Index (PMI), an indicator of operating conditions in Lebanon's private sector, stood at 49.5 in November 2023 relative to 48.9 in October and 48.1 in November 2022, and came higher than the PMI's trend average of 46.6 since the index's inception in May 2013. Further, the PMI averaged 49.3 in the first 11 months of 2023 compared to 48.5 in the same period last year. The index posted its highest level in November 2023 since July 2023, but has remained below the 50 mark from September 2022 until May 2023. A score that exceeds 50 signals positive business activity, while a score that is lower than 50 shows a deterioration in activity.

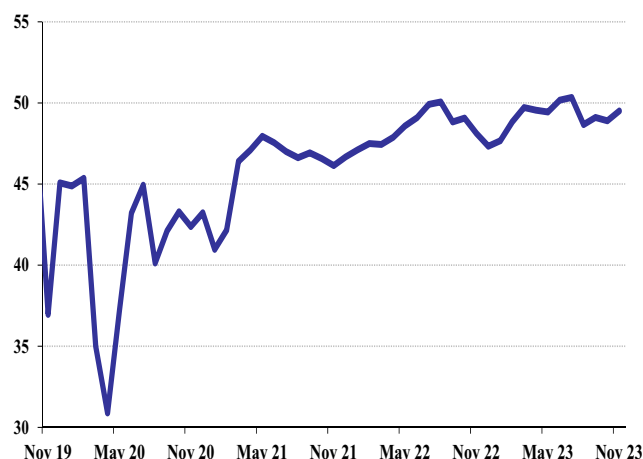
The survey's results show that the New Orders Index stood at 48.6 in November 2023 compared to 47.6 in October 2023. The survey's respondents indicated that demand for new business declined in November at a slower pace. The results show that the survey's participants cited increased security concerns and political uncertainty, as well as weak client purchasing power for lower sales during the month. In addition, the New Export Orders Index reached 50.8 in November of this year relative to 48.8 in the previous month, exceeding the 50 mark for the first time since June, which marked a mild recovery of external demand after contracting for three consecutive months. Additionally, the rate of improvement in non-domestic client demand was the strongest since May 2015.

Further, the survey indicated that the Output Index stood at 49.2 in November 2023 compared to 47.8 in the preceding month. Businesses attributed the drop in output to a further decrease in business activity across the private sector in Lebanon for the fourth consecutive month, and noted that the pace of the decline in the covered month was the slowest in the past four months. In addition, the Employment Index reached 50.1 in November 2023 relative to 50.2 in the preceding month, as respondents reported that the level of employment in the private sector increased at a marginal pace in the covered month. Also, the results show that the Backlogs of Work Index stood at 49.6 in November 2023 compared to 47.9 in October 2023, as businesses said that a the lack of incoming new orders allowed for the completion in outstanding projects, and noted that the pace of the decline in the covered month was only marginal and slowed from the previous month.

In parallel, the survey indicated that the Suppliers' Delivery Times Index reached 49.4 in November 2023 relative to 49.2 in the previous month, the second drop below the 50 mark since May 2023, given that supplies have deteriorated since May. Also, the Stocks of Purchases Index stood at 50 in the covered month compared to 50.6 in October 2023, as some businesses noted that weak demand has deterred them from increasing inventories, while other respondents indicated that the unchanged holdings of raw materials, components and other necessary items at Lebanese private sector companies slowed down the accumulation of stocks and ended the eight-month sequence of expansion.

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

BLOM Lebanon Purchasing Managers' Index



Source: BLOM Bank, S&P Global Market Intelligence

Components of BLOM Lebanon Purchasing Managers' Index

	Output	New Orders	New Export Orders	Future Output	Employment
June 2023	50.4	50.3	50.2	0.8	50.2
July 2023	50.1	50.2	50.0	15.3	50.8
August 2023	47.6	47.7	48.6	26.2	50.0
September 2023	48.4	47.9	49.0	22.9	50.1
October 2023	47.8	47.6	48.8	22.3	50.2
November 2023	49.2	48.6	50.8	24.4	50.1

Source: BLOM Bank, S&P Global Market Intelligence



Tourist arrivals up 21% to 1.5 million in first 10 months of 2023

Figures compiled by the Ministry of Tourism indicate that the number of incoming visitors to Lebanon totaled 1,507,458 tourists in the first 10 months of 2023, constituting an increase of 21.1% from 1,244,329 tourists in the same period of 2022 and a surge of 105.2% from 734,743 visitors in the first 10 months of 2021.

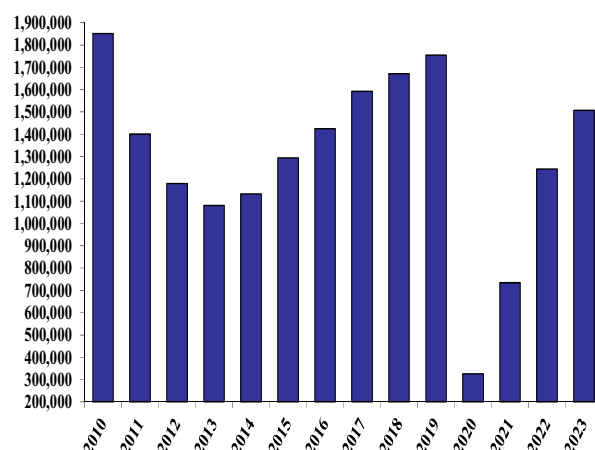
The number of incoming visitors reached 88,378 in January, 85,682 in February, 100,727 in March, 123,399 in April, 143,208 in May, 209,796 in June, 267,702 in July, 210,458 in August, 175,418 in September, and 102,690 in October 2023. In comparison, they totaled 62,340 visitors in January, 67,800 in February, 82,810 in March, 87,579 in April, 115,469 in May, 154,740 in June, 238,506 in July, 172,962 in August, 138,721 in September, and 123,402 in October 2022. The figures constituted increases of 41.8% in January, 26.4% in February, 21.6% in March, 41% in April, 24% in May, 35.6% in June, 12.2% in July, 21.7% in August, and 26.5% in September 2023 from the corresponding months of the previous year. In contrast, the number of visitors in October 2023 decreased by 16.8% from October 2022 due to the eruption of the conflict in the Gaza Strip, the related Israeli attacks along Lebanon's southern border, and the resulting concerns about security and political instability. The figures exclude Syrian and Palestinian arrivals.

Visitors from European countries totaled 622,763 tourists and accounted for 41.3% of incoming visitors in the first 10 months of 2023, followed by those from Arab countries with 381,334 visitors (25.3%), the Americas with 311,900 tourists (20.7%), Asia with 70,698 visitors (4.7%), Oceania with 68,152 visitors (4.5%), and Africa with 52,512 tourists (3.5%). Further, the number of visitors from Asia surged by 41.4% in the first 10 months of 2023 from the same period last year, followed by those from Oceania (+27.5%), Europe (+25.6%), the Americas (+18.4%), Africa (+14.2%), and the Arab countries (+13.7%).

On a country basis, tourists from Iraq accounted for 12.8% of visitors in the first 10 months of 2023, followed by visitors from the United States (11%), Germany (8.7%), France (8.4%), Canada (6.9%), Egypt and Sweden (4.2% each), Jordan (4.1%), England (3.5%), Türkiye (2.2%), Kuwait (1.6%), Italy (1.5%), Brazil (1.3%), Venezuela (0.5%), Saudi Arabia (0.3%), and the UAE (0.05%); while other countries accounted for the remaining 28.7%.

The increase in the number of visitor arrivals in the first 10 months of 2023 is due to the resumption of normal activity following the lifting of lockdown and social distancing measures in the country that the authorities imposed to contain the spread of the coronavirus, to the relaxation of travel restrictions in the main country sources of visitors to Lebanon, as well as to promotional campaigns by the Ministry of Tourism and to the competitive advantages that Lebanon presents in terms of the combination of attractiveness and pricing.

Number of Tourist Arrivals to Lebanon*



*in first 10 months of each year

Source: Ministry of Tourism, Byblos Research

Lebanon ranks 168th globally, 15th among Arab countries in terms of corruption

Global Risk Profile, a Swiss company specializing in third-party risk management-related services, ranked Lebanon in 168th place among 196 countries and territories around the world and in 15th place among 19 Arab countries on its Global Corruption Index for 2023. Lebanon also came in 45th place among 54 lower middle-income countries (LMICs) included in the survey. In comparison, Lebanon came in 162nd place among 196 countries and territories globally, in 13th place among 19 countries in the Arab region, and in 45th place among 54 LMICs on the 2021 index. Lebanon ranked in the 14th percentile worldwide on the 2023 index, which means that the risk level of corruption is higher than in 86% of economies covered by the survey.

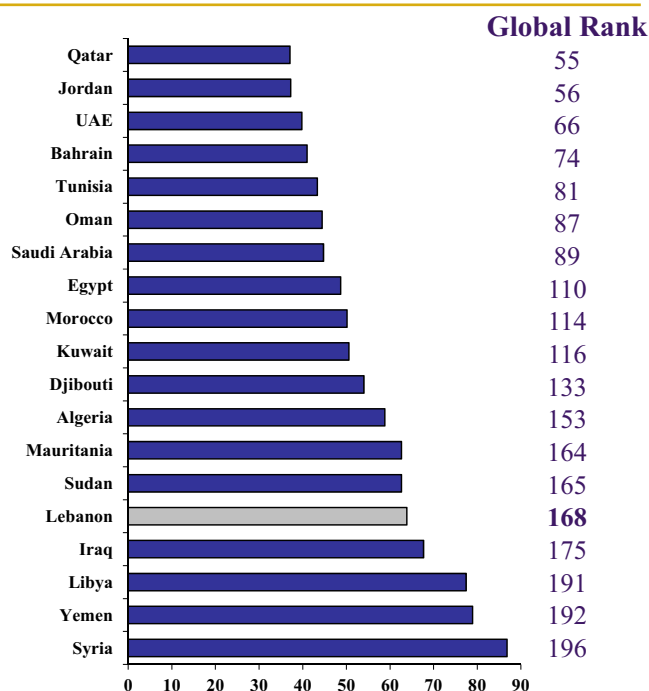
The index measures the risk level of corruption in a country's public and private sectors. It also takes into account the country's compliance with prevailing laws and regulations, such as the United States Foreign Corrupt Practices Act, the United Kingdom Bribery Act, and the French anti-corruption law "Sapin II". It includes 42 variables distributed among two sub-indices that are the Corruption Sub-Index and the White-Collar Crimes Sub-Index. The first sub-index carries a weight of 70% and the second sub-index has a weight of 30% on the index. A country's overall score ranges from zero to 100, with a score of zero corresponding to the lowest risk and a score of 100 reflecting the highest risk of corruption. Also, the survey classifies each country in one of five risk levels of corruption that are 'Very Low,' 'Low,' 'Medium,' 'High,' or 'Very High'.

The survey placed Lebanon in the 'High' risk of corruption category. In comparison, two Arab countries came in the 'Low' risk of corruption segment, eight Arab economies have a 'Medium' risk level of graft, six Arab jurisdictions have a 'High' risk level of corruption, and three Arab countries fell in the 'Very High' risk of corruption segment.

Lebanon received a score of 63.85 points in the 2023 survey, compared to the global average score of 45.8 points and the Arab region's average score of 55.3 points. Also, Lebanon's score came higher than the Gulf Cooperation Council (GCC) countries' average score of 43 points and the average score of non-GCC Arab countries of 60.9 points, which means that the risk of corruption in Lebanon is higher than the average risk level in GCC and non-GCC economies.

Globally, Lebanon has a higher risk of corruption than Sudan, Zimbabwe and Mozambique, and a lower risk level than Mali, Guinea and Iran among economies with a GDP of \$10bn or more. Regionally, Lebanon has a lower risk of corruption than Iraq, Libya, Yemen and Syria, and a higher risk of graft than the other 14 Arab countries. Also, Lebanon has a higher risk of corruption than Nicaragua, Mauritania and Zimbabwe, and a lower risk level than Guinea, Iran and Cameroon among LMICs.

Corruption Index for 2023 Arab Countries' Scores & Rankings



Source: Global Risk Profile., Byblos Research

Private sector deposits at \$94.6bn at end-October 2023 based on new exchange rate

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at LBP1,683.7 trillion (tn), or the equivalent of \$112.2bn at the end of October 2023, constituting decreases of 0.4% from LBP1,690.3tn (\$112.7bn) at end-September 2023 and of 2.4% from LBP1,725.1tn (\$115bn) at end-February 2023. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar of LBP1,507.5 per dollar until the end of January 2023 and of LBP15,000 per dollar starting in February 2023.

Loans extended to the private sector totaled LBP128.7tn at the end of October 2023, constituting a decrease of 1.3% from LBP130.4tn at end-September 2023. Loans to the resident private sector reached LBP112.8tn at end-October 2023 and contracted by 1.4% from LBP114.5bn a month earlier, while credit to the non-resident private sector amounted to LBP15.85tn at the end of October 2023 and regressed by 0.4% from LBP15.9tn at end-September 2023.

Loans extended to the private sector in Lebanese pounds reached LBP12.3tn at the end of October, constituting decreases of 1.6% from LBP12.5tn at end-September 2023, of 17.5% from end-2022, and of 23.7% from end-October 2022; while loans in foreign currency totaled \$7.8bn at the end of October 2023 and contracted by 1.3% from the previous month, by 23.7% in the first 10 months of the year, and by 31% from end-October 2022.

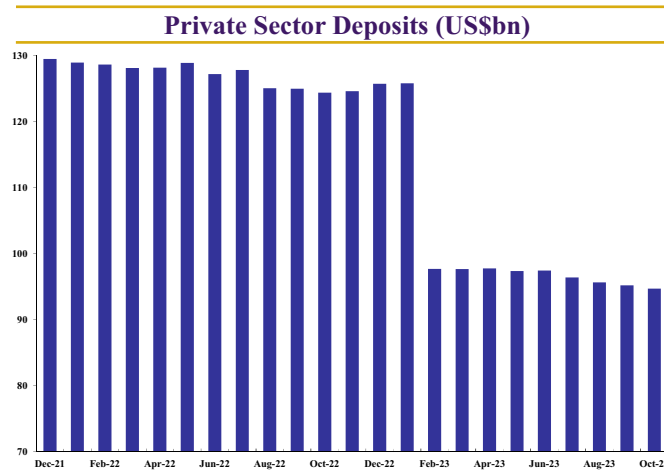
In nominal terms, credit to the private sector in Lebanese pounds regressed by LBP2.6tn in the first 10 months of 2023 compared to a decline of LBP2.2tn in the same period last year, while lending to the private sector in foreign currency dropped by \$2.4bn in the first 10 months of 2023 relative to a contraction of \$4.3bn in the same period of 2022. Loans extended to the private sector in Lebanese pounds shrank by LBP15.3tn (-55.4%) and loans denominated in foreign currency decreased by \$33.3bn (-81.1%) since the start of 2019. The dollarization rate of private sector loans changed from 51.3% at end-October 2022 to 90.4% at end-October 2023 due to the new exchange rate of LBP15,000 per dollar that went into effect on February 1, 2023. The average lending rate in Lebanese pounds was 3.34% in October 2023 compared to 5% a year earlier, while the same rate in US dollars was 3.7% relative to 5.11% in October 2022.

In addition, claims on non-resident financial institutions reached \$4.2bn at the end of October 2023, constituting decreases of \$228.1m (-5.2%) from end-September 2023 and of \$4m (-0.1%) from end-2022, and an increase of \$204.6m (+5.1%) from a year earlier. Also, claims on non-resident financial institutions dropped by \$4.9bn (-54.1%) from the end of August 2019 and by \$7.8bn (-65%) since the start of 2019. Further, deposits at foreign central banks totaled \$822.3m at the end of October, constituting a decrease of \$48.5m (-5.6%) from end-September 2023, an increase of \$17.8m (+2.2%) in the first 10 months of 2023, and a decline of \$95.7m (-10.4%) from end-October 2022. In addition, the banks' claims on the public sector reached LBP49.4tn at end-October 2023 based on the new exchange rate, down from LBP50.8tn at end-September 2023. The banks' holdings of Lebanese Treasury bills stood at LBP11.64tn, while their holdings of Lebanese Eurobonds reached \$2.48bn at end-October 2023 relative to \$3.55bn a year earlier. Further, the deposits of commercial banks at Banque du Liban amounted to LBP1,255.1tn (\$83.7bn) at the end of October 2023, down by 0.2% from LBP1,257.1tn (\$83.8bn) at end-September 2023.

In parallel, private sector deposits totaled LBP1,419.6tn at the end of October 2023, or \$94.6bn based on the new exchange rate, constituting a decrease of 0.6% from LBP1,427.5tn at the end of September 2023. Deposits in Lebanese pounds reached LBP50.05tn at end-October 2023, as they decreased by 4.3% from the previous month, and they increased by 10.3% from the end of 2022 and by 19% from a year earlier; while deposits in foreign currency stood at \$91.3bn and regressed by 0.4% from end-September 2023, by 4.5% in the first 10 months of the year, and by 5.4% from end-October 2022. Resident deposits accounted for 77.6% and non-resident deposits represented 22.4% of total deposits at end-October 2023.

In nominal terms, private sector deposits in Lebanese pounds increased by LBP2.26tn from end-September 2023 and by LBP4.7tn in the first 10 months of the year, while foreign currency deposits regressed by \$373.3m from end-September 2023 and by \$4.3bn from end-2022. In addition, private sector deposits dropped by \$15.4bn in 2019, by \$19.7bn in 2020, by \$9.7bn in 2021, and by \$3.75bn in 2022, including a decrease of \$13.7bn between September and December 2019. Further, aggregate private sector deposits in Lebanese pounds shrank by LBP27.1tn (-35.2%) and foreign currency deposits declined by \$31.8bn (-25.8%) since the start of 2019. The dollarization rate of private sector deposits changed from 77.6% at end-October 2022 to 96.5% at end-October 2023 due to the effects of the new exchange rate on the Lebanese pound component of the balance sheet.

In addition, the liabilities of non-resident financial institutions reached \$3bn at the end of October 2023, and decreased by 3% from \$3.1bn at end-September 2023, by 30% from \$4.31bn at end-2022, and by 29.8% from \$4.3bn at the end of October 2022. Also, the average deposit rate in Lebanese pounds was 1.02% in September 2023 compared to 0.7% a year earlier, while the same rate in US dollars was 0.05% relative to 0.1% in October 2022. Further, the banks' aggregate capital base stood at LBP74.4tn (\$4.96bn) at the end of October 2023, down by LBP3.7tn from LBP70.7tn at end-September 2023.



Source: Banque du Liban, Byblos Research

Solidere posts losses of \$5.2m in 2022

Solidere, the Lebanese Company for the Development and Reconstruction of Beirut Central District sal, announced consolidated audited losses of \$5.2m in 2022 compared to net losses of \$4.3m in 2021. The consolidated results include Solidere's standalone financials and those of its subsidiaries (the Group), which mainly include Solidere International Limited, and other subsidiaries such as Solidere Management Services sal, BCD Cinemas sal, Beirut Waterfront Development sal, and Beirut Hospitality Company Holding sal. The Group presented its financial results in US dollars.

The Group posted consolidated revenues of \$29.6m from land sales in 2022, constituting a decline of 65.3% from receipts of \$85.2m in 2021. Also, its consolidated revenues from rented properties reached \$31.4m in 2022 and increased by 48% from \$21.2m in 2021, while receipts from services rendered totaled \$8.44m and improved by 0.4% from \$8.4m in the preceding year.

In parallel, the Group's cost of revenues stood at \$71.8m in 2022 relative to \$88m in 2021, while its net operating losses reached \$1.3m compared to net operating income of \$27.4m in 2021. Also, the general and administrative expenses of the Solidere Group rose by 29.7% to \$41.8m in 2022, while it did not take net provisions for impairments in 2022 relative to \$0.28m in 2021.

Further, Solidere stated that its consolidated assets reached \$1.95bn at the end of 2022 and decreased by 2% from \$1.98bn at the end of 2021, with its inventory of land and projects in progress grew by 0.3% to \$856m and accounted for 44% of its total assets. Also, the company's cash and bank balances reached \$46.1m at the end of 2022, down by 49.2% from \$90.6m a year earlier, while its accounts and notes receivables stood at \$2.5m and dropped by 81.2% from \$13.5m at the end of 2021. Also, the firm's consolidated liabilities, including accounts and dividends payable, as well as deferred revenues, totaled \$201m at the end of 2022 and regressed by 9.7% from \$222.6m at the end of 2021. Further, the Group's consolidated shareholders' equity was \$1.74bn at the end of 2022, down by 1% from \$1.76bn at end-2021.

Solidere is Lebanon's largest listed firm on the Beirut Stock Exchange in terms of market capitalization as at December 8, 2023. The price of Solidere 'A' shares closed at \$69.9 per share on December 8, 2023 and increased by 14.8% from \$60.9 per share at the end of 2022, while the price of Solidere 'B' shares closed at \$70.35 and rose by 16.6% from \$60 per share at end-2022.

Import activity of top five shipping firms and freight forwarders down 3% in first eight months of 2023

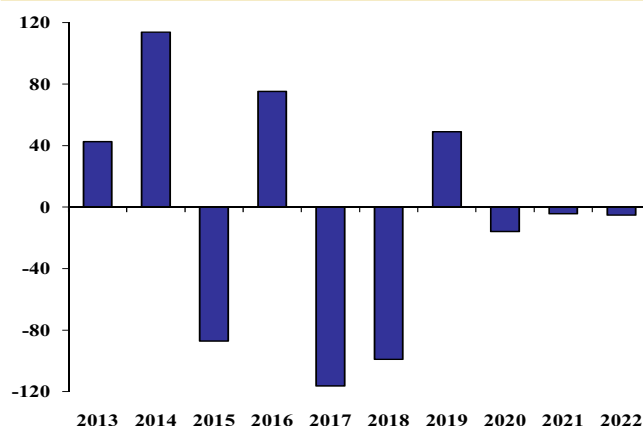
Figures released by the Port of Beirut show that the aggregate volume of imports by the top five shipping companies and freight forwarders through the port reached 141,477 20-foot equivalent units (TEUs) in the first eight months of 2023, constituting a decrease of 3.4% from 146,403 TEUs in the same period last year. The five shipping and freight forwarding firms accounted for 85.6% of imports to the Lebanese market in the covered period.

Merit Shipping handled 50,572 TEUs in the first eight months of 2023, equivalent to 18.8% of the total import freight market to Lebanon. Mediterranean Shipping Company (MSC) followed with 42,262 TEUs (15.7%), then MAERSK with 25,385 TEUs (9.5%), Sealine Group with 11,728 TEUs (4.4%), and Gezairi Transport with 11,530 TEUs (4.3%). Sealine Group posted a surge of 19.8% in imported goods in the first eight months of 2023, the highest growth rate among the covered companies, while MSC registered a decline of 9.7%, the steepest decrease among the five firms in the covered period. Also, the import shipping operations of the top five firms through the port grew by 0.6% in August 2023 from the preceding month.

In parallel, the aggregate volume of exports by the top five shipping and freight forwarding firms through the Port of Beirut reached 51,930 TEUs in the first eight months of 2023, constituting an increase of 11% from 46,766 TEUs in the same period of 2022. The five shipping companies and freight forwarders accounted for 94% of exported Lebanese cargo in the covered quarter.

Merit Shipping handled 30,155 TEUs of freight in the first eight months of the year, equivalent to 54.6% of the Lebanese cargo export market. MAERSK followed with 12,246 TEUs (22.2%), then Sealine Group with 3,683 TEUs (6.7%), MSC with 3,131 TEUs (5.7%), and Gezairi Transport with 2,715 TEUs (4.9%). Gezairi Transport posted a rise of 58.2% in exported goods in the first eight months of 2023, the highest growth rate among the covered companies, while MSC registered a decrease of 17.4%, the steepest decline among the five firms in the covered period. The export-shipping operations of the top five companies increased by 31.6% in August 2023 from the previous month.

Earnings of Solidere Group (US\$m)



Source: Solidere, 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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