

LEBANON THIS WEEK

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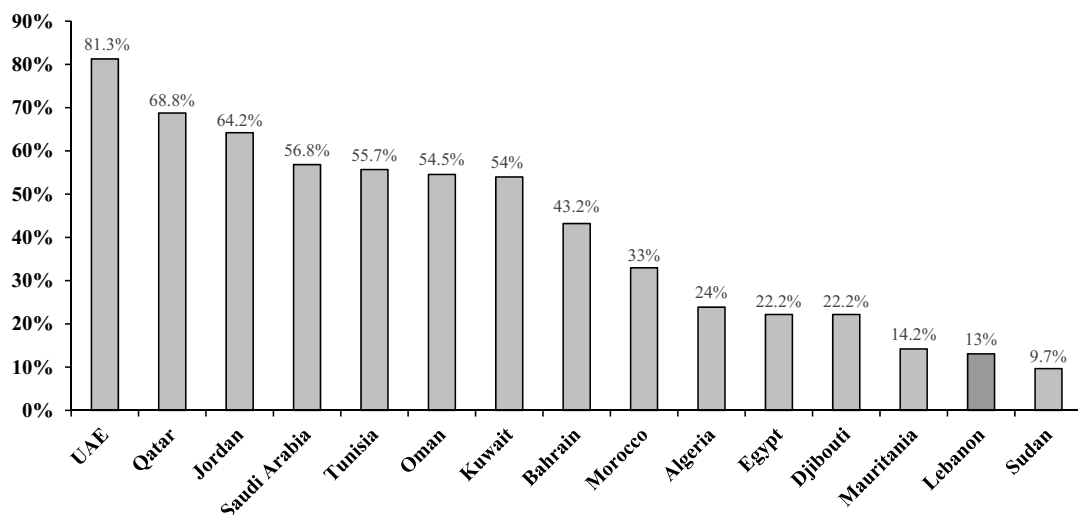
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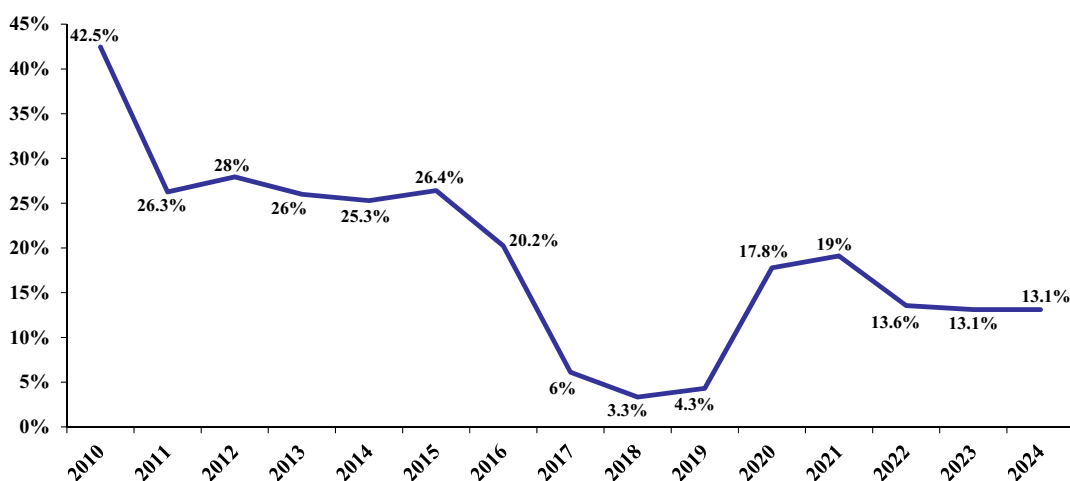
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Charts of the Week

Percentile Rankings of Arab Countries in terms of Government Integrity for 2024*



Percentile Rankings of Lebanon in terms of Government Integrity



*The Heritage Foundation defines Government Integrity as the level of government intervention in economic activity and the degree of corruption that follows

Source: Heritage Foundation, Index of Economic Freedom for 2024, Byblos Bank

Quote to Note

"The caretaker government has limited capacity to implement the reforms necessary for a funded IMF program."

S&P Global Ratings, on the need to elect a president a form a government with full-fledged authorities in order to implement structural reforms

Number of the Week

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

Lebanon in the News

\$m (unless otherwise mentioned)	2021	2022	2023	% Change*	Dec-22	Nov-23	Dec-23
Exports**	3,887	3,492	1,704	-	272	-	-
Imports**	13,641	19,053	10,285	-	1,251	-	-
Trade Balance**	(9,754)	(15,562)	(8,582)	-	(979)	-	-
Balance of Payments	(1,960)	(3,197)	2,237	-170.0%	17	186	591
Checks Cleared in LBP***	18,639	27,146	4,396	-83.8%	3,686	359	404
Checks Cleared in FC***	17,779	10,288	3,109	-69.8%	577	106	183
Total Checks Cleared***	36,418	37,434	7,505	-80.0%	4,263	465	587
Fiscal Deficit/Surplus	2,197	-	-	-	-	-	-
Primary Balance	5,009	-	-	-	-	-	-
Airport Passengers	4,334,231	6,360,564	7,103,349	11.7%	551,632	323,523	481,470
Consumer Price Index	154.8	171.2	221.3	5,014bps	122.0	211.9	192.3

\$bn (unless otherwise mentioned)	Dec-22	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	% Change*
BdL FX Reserves	10.40	8.82	8.91	9.14	9.37	9.64	-7.3%
In months of Imports	-	-	-	-	-	-	-
Public Debt	101.81	-	-	-	-	-	-
Bank Assets	169.06	113.72	112.69	112.25	112.58	115.25	-31.8%
Bank Deposits (Private Sector)	125.72	95.59	95.17	94.64	94.97	94.75	-24.6%
Bank Loans to Private Sector	20.05	8.92	8.69	8.58	8.53	8.32	-58.5%
Money Supply M2	77.34	6.64	6.77	6.48	6.78	6.72	-91.3%
Money Supply M3	152.29	78.38	78.10	77.42	77.74	77.75	-48.9%
LBP Lending Rate (%)	4.56	3.77	4.36	3.34	3.29	3.97	20
LBP Deposit Rate (%)	0.60	0.41	0.49	1.02	1.41	0.55	14
USD Lending Rate (%)	4.16	2.40	3.15	3.70	3.08	1.95	(45)
USD Deposit Rate (%)	0.06	0.03	0.03	0.05	0.05	0.03	0

*year-on-year

**trade figures for 2023 are for the first eight months of 2023

***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 %
Byblos Common	0.58	(10.8)	42,800	1.9%	Apr 2024	6.65	6.63	15,375.64
Solidere "A"	74.95	(0.6)	21,556	43.4%	Jun 2025	6.25	6.63	402.57
HOLCIM	59.60	0.2	18,636	6.7%	Nov 2026	6.60	6.63	131.31
Audi Listed	1.65	(17.5)	7,500	5.6%	Mar 2027	6.85	6.63	113.89
BLOM Listed	2.81	0.0	5,925	3.5%	Nov 2028	6.65	6.63	68.25
Solidere "B"	72.20	(3.7)	1,700	27.2%	Feb 2030	6.65	6.63	51.37
BLOM GDR	3.00	0.0	-	1.3%	Apr 2031	7.00	6.63	42.18
Audi GDR	1.16	0.0	-	0.8%	May 2033	8.20	6.63	31.94
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	6.63	24.78
Byblos Pref. 09	29.99	0.0	-	0.3%	Mar 2037	7.25	6.63	21.99

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

Source: Refinitiv

	Mar 11-15	Mar 4-8	% Change	February 2024	February 2023	% Change
Total shares traded	98,117	105,195	(6.7)	1,129,048	397,775	183.8
Total value traded	\$2,894,160	\$2,535,079	14.2	\$65,758,842	\$16,431,863	300.2
Market capitalization	\$17.28bn	\$17.75bn	(2.7)	\$17.99bn	\$16.32bn	10.2

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 13th in Arab world in terms of digital government services

The United Nations Economic and Social Commission for Western Asia (ESCWA) ranked Lebanon in 13th place among 18 countries in the Arab world on its Government Electronic and Mobile Services Maturity Index for 2022. In comparison, Lebanon came in 13th place among 13 Arab countries on the 2021 index.

The index assesses the availability and the level of maturity of digital services that Arab governments provide through online platforms and mobile applications. It aims to measure the progress and sustainability of the digital transformation at the national level in each Arab country, and highlights the issues in e-government services that need to be fixed. The ESCWA noted that the index aims to support policymakers in the Arab region in developing and updating appropriate national plans to accelerate the digital transformation, and to provide and use digital government services and increase their efficiency. The index consists of 24 key performance indicators that are grouped in the Service Availability and Sophistication Pillar, the Service Usage and User Satisfaction Pillar, and the Public Outreach Pillar. The first and second pillars carry a weight of 40% each, while the third pillar has a weight of 20% on the index. The overall score of a country is the weighted average of the three pillars. The scores on the index range from zero to one and are expressed in percentages, with higher scores reflecting the higher availability and maturity of e-government services.

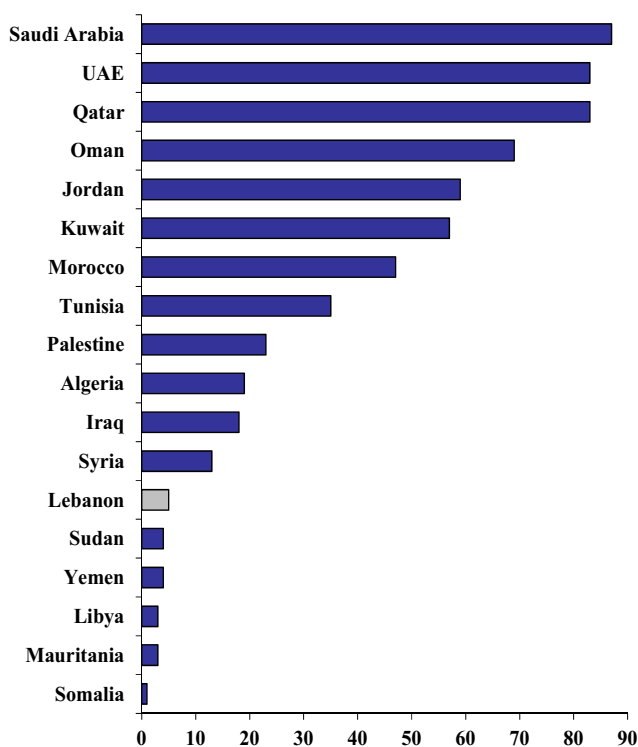
Regionally, e-government services in Lebanon were more developed than digital government services in Yemen, Sudan, and Mauritania, while they trailed those in Algeria, Iraq, and Syria. Lebanon received a score 5%, on the 2022 index, down from a score of 9.3% in the 2021 survey. Lebanon's score in 2022 came below the Arab average score of 34%, the Gulf Cooperation Council (GCC) countries' average score of 75.8%, and the average score of non-GCC Arab countries of 18%.

In parallel, Lebanon preceded Mauritania, Sudan, Libya, and Somalia only on the Service Availability and Sophistication Pillar. This category assesses the availability and accessibility of e-government services to the public, as well as the quality and sophistication of the digitalized platforms providing such services. Lebanon received a score of 6%, which is below the Arab world's average of 39%, the GCC average of 84.2% and the non-GCC average of 21%.

Further, Lebanon came ahead of only Mauritania, Sudan, Libya, Yemen, and Somalia on the Service Usage and User Satisfaction Pillar. This component examines the extent to which citizens use the digital platforms that provide government services, as well as their level of satisfaction with these platforms. Lebanon received a score of 5%, below the Arab world average of 28%, the GCC average of 65% and the non-GCC average of 13.8%.

Further, Lebanon preceded Libya, Somalia, and Mauritania only on the Public Outreach Pillar. This category measures the efforts of each country's government to promote and inform the public about digital public services. Lebanon received a score of 4%, below the Arab world average of 37%, the GCC average of 80.6% and the non-GCC average of 20%.

Government Electronic & Mobile Services Maturity Index Scores & Rankings of Arab Countries for 2022



Source: ESCWA, Byblos Research

Components of the Government Electronic & Mobile Services Maturity Index in 2022

	Arab Rank	Lebanon Score	Arab Average Score	GCC Average Score	Non-GCC Average Score
Service Availability and Sophistication	14	6%	38.6%	84.2%	51.0%
Service Usage and User Satisfaction	13	5%	28.1%	65.0%	13.8%
Public Outreach	15	4%	36.8%	80.6%	20.0%

Source: ESCWA, Byblos Research



Tourist arrivals up 14% to 1.7 million in 2023

Figures compiled by the Ministry of Tourism indicate that the number of incoming visitors to Lebanon totaled 1,666,492 tourists in 2023, constituting an increase of 13.7% from 1,465,953 tourists in 2022 and a surge of 87.3% from 889,953 visitors in 2021.

The number of incoming visitors reached 274,787 in the first quarter, 476,403 in the second quarter, 653,578 in the third quarter, and 261,724 in the fourth quarter of 2023. In comparison, they totaled 212,950 in the first quarter, 357,788 in the second quarter, 550,189 in the third quarter, and 345,026 in the fourth quarter of 2022. The figures constituted increases of 29% in the first quarter, 33.2% in the second quarter, and 18.8% in the third quarter of 2023 from the corresponding period in 2022. In contrast, the number of visitors decreased by 24% in the fourth quarter of 2023 from the covered period in 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 679,389 tourists and accounted for 40.8% of incoming visitors in 2023, followed by those from Arab countries with 429,640 visitors (25.8%), the Americas with 339,731 tourists (20.4%), Asia with 82,298 visitors (5%), Oceania with 74,569 visitors (4.5%), and Africa with 60,738 tourists (3.6%). Further, the number of visitors from Asia surged by 31.2% in 2023 from the preceding year, followed by those from Oceania (+20.3%), Europe (+16.3%), the Americas (+11%), Africa (+10%), and from Arab countries (+8.7%).

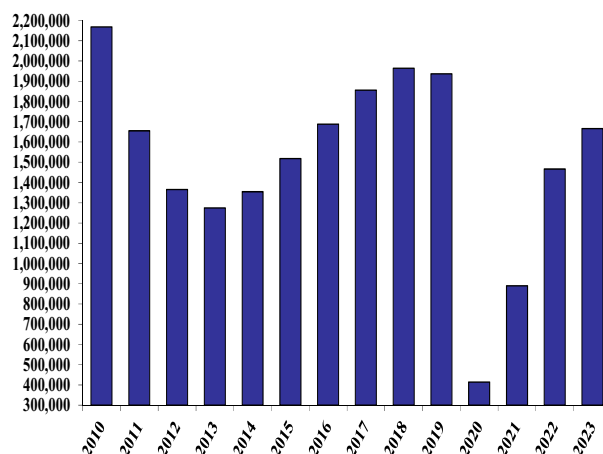
In parallel, the number of incoming visitors increased by 25.3% in the first nine months of 2023 from the same period of the preceding year, while the number of tourist arrivals decreased by 16.8% in October 2023 from the same month in the previous year, by 36.8% in November 2023 from November 2022, and by 22% in December 2023 from the same month in the preceding year. The increase in the number of visitor arrivals in the first nine months of 2023 is due to the influx of a large number of Lebanese expatriates and non-Lebanese visitors to the country, 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; while the decrease in the number of visitor arrivals in the fourth quarter of 2023 reflects the rise in geopolitical tensions in the Middle East region.

Port of Beirut processes 4.51 million tons of freight in first 10 months of 2023

Figures released by the Port of Beirut show that the port processed 4.51 million tons of freight in the first 10 months of 2023, constituting an increase of 4.2% from 4.33 million tons of freight in the same period of 2022. Imported freight totaled 3.68 million tons in the first 10 months of 2023, up by 4% from 3.53 million tons in the same period of the previous year, and accounted for 81.5% of total processed freight. In addition, the volume of exported cargo reached 834,000 tons in the first 10 months of 2023, representing an increase of 5.3% from 792,000 tons in the same period of 2022, and accounted for 18.5% of aggregate freight in the covered period. A total of 1,143 vessels docked at the port in the first 10 months of 2023, constituting a rise of 16.6% from 980 ships in the same period of the preceding year. The port handled 557,000 tons of freight in October 2023, up by 19.5% from 466,000 tons in September 2023. In addition, 127 vessels docked at the port in October 2023 compared to 122 ships in the preceding month.

In parallel, the Port of Tripoli processed 3.01 million tons of freight in the first 10 months of 2023, representing a rise of 138,854 tons (+4.6%) from 2.88 million tons in the same period of 2022. Imported freight totaled 1.44 million tons in the first 10 months of 2023, and dropped by 203,660 tons (-14%) from 1.65 million tons in the same period of the previous year. Imports accounted for 47.9% of freight activity in the covered period. In parallel, the volume of cargo that was exported through the port reached 1.48 million tons in the first ten months of 2023, constituting a surge of 248,514 tons (+16.8%) from 1,228,019 tons in the same period of 2022, and represented 49% of aggregate freight in the covered period. A total of 699 vessels docked at the port in the first 10 months of 2023, constituting a decrease of 8.3% from 757 ships in the same period of 2022. Also, 79 vessels docked at the port in October 2023 compared to 73 ships in September 2023.

Number of Tourist Arrivals to Lebanon



Source: Ministry of Tourism, Byblos Research

Surveyed economists project Lebanon's real GDP growth rate at 1.3% in 2024

Bloomberg's quarterly survey of economists and analysts about the outlook on the Lebanese economy projected economic activity to grow by 1.3% in 2024 relative to an earlier forecast of a real GDP growth rate of 2.5% in the December 2023 survey. The individual forecasts for 2024 ranged from a contraction of 1% to a growth rate of 5% for the current year, with a median real GDP growth rate of 1.6% for 2024. Also, the poll indicates that the consensus forecast among 58.3% of participants is that real GDP will improve by more than 1.4% this year. Bloomberg conducted the poll in March 2023, and the survey's results are based on the opinions of 12 economists and analysts based in Lebanon and abroad.

Further, participants forecast the average inflation rate in Lebanon at 95% in 2024 compared to a projection of 83.3% in the December 2023 survey. The opinions of surveyed analysts differed on the magnitude of the increase in consumer prices in 2024, with expectations ranging from 38.3% to 170% and a median inflation rate of 95% for 2024. Also, 66.7% of participants predicted that the inflation rate would range between 76% and 100% this year.

In addition, surveyed analysts projected Lebanon's fiscal deficit at 2.2% of GDP in 2024 compared to a previous forecast of 2.9% of GDP in the December 2023 survey. The projections of polled economists for the fiscal balance ranged from a deficit of 5.4% of GDP to a deficit of 0.1% of GDP in 2024, with a median deficit of 1.5% of GDP. Further, the survey's participants forecast the current account deficit at 16.3% of GDP in 2024 compared to a previous forecast of a deficit of 17.4% of GDP in December 2023 survey. The polled analysts expected the current account deficit to range from 9% of GDP to 21.8% of GDP in 2024, with a median deficit of 17.9% of GDP for the year.

Addressing climate risks requires \$770m in short-term investments

The World Bank's assessment of the impact of climate change on Lebanon's recovery and development objectives considered that the country's vulnerability to climate change originates from its exposure to climate risks and from its limited adaptive capacity due to infrastructure deficits and weak institutions. It said that the ongoing economic crisis is also limiting the country's capacity to adapt to climate risks. Further, it identified the policy actions and needed investments under two macroeconomic scenarios that are the business-as-usual scenario that assumes inaction on reforms, the absence of fiscal space, and persisting financing constraints; and under the broad reforms-based recovery scenario that considers that the implementation of macro-fiscal reforms will gradually ease financing constraints and increase fiscal space. It expected the effects of climate change to constrain economic activity by 1.1% to 2% of real GDP annually by 2040 without proper action.

It pointed out that the key challenges to climate change include the impact on health from air pollution caused by the open burning of solid waste, water-borne diseases associated with inadequate wastewater and solid waste management, and the impact on land resources and coastal zones from open dumping and the extensive construction of related infrastructure in coastal zones. It anticipated that climate change will reduce the availability of water in Lebanon by up to 9% by 2040 and by up to 50% during the dry season. It said that this may induce losses in the agriculture sector of up to \$250m annually, and could generate losses in the tourism sector of up to \$75m per year. It estimated that the combined effects of climate change could decrease the yield of irrigated crops by 0.3% to 8.7% and of rainfed crops by 3.5% to 7.5%. It added that the combined effects of higher temperatures and lower precipitation may reduce the number of snow days by six to nine days in 2030 and by 38 to 50 days by 2050. It indicated that the impact of climate change on tourism could result in job losses of about 2% in agriculture, transportation and trade, and of 13% in accommodation.

It stressed the importance of improving the country's adaptive and resilience capacity against climate shocks, mainly in the water, agricultural, tourism, and transportation sectors, in order to support Lebanon's recovery and protect livelihoods. First, it noted that the authorities should immediately expand the capacity of cleaner and affordable renewable energy sources and switch from liquid fuel to natural gas. Second, it called for rehabilitating and expanding the water supply network, water supply reservoirs, treatment plants, sewerage networks, and irrigation canals. Third, it said that sustaining the solid waste sector requires rehabilitating existing treatment facilities, building new ones, and constructing and equipping sanitary landfills. Fourth, it encouraged enhancing the access and sustainability of transportation by focusing on public transport service delivery and electrification, and increasing the resilience of transport infrastructure. As such, it claimed that Lebanon needs to invest \$770m between 2024 and 2026 in key service and growth-generating sectors, which will yield a slightly higher real GDP under the recovery scenario without affecting public debt dynamics. It added that the energy sector requires investments of \$300m, the water industry is in need of \$260m, the transportation sector requires \$120m, and the solid waste sector needs \$90m in investments.

Also, it considered that Lebanon has to invest about \$7.6bn in the energy, water, transport, and solid waste sectors between 2024 and 2030. It said that the energy sector requires \$4bn in investment to diversify the generation mix towards cleaner, affordable renewable energy sources and to switch from liquid fuel to natural gas. It indicated that the water sector needs \$1.8bn in investments to improve water security through additional storage capacity, increase water use efficiency, and restoring resilient water services. It pointed out that the solid waste sector requires \$200m in investments to rehabilitate existing treatment facilities, build new ones, and invest in the building and equipping of sanitary landfills. It added that the transportation sector is in need of \$915m to kick-start an effective green public transport system and \$665m to increase the resilience of transport infrastructure.



French government submits plan to rehabilitate Beirut Port

The French government submitted to the Lebanese authorities a plan for the rehabilitation of the Port of Beirut from the damages that the explosion of August 4, 2020 caused at the port. The plan, which is prepared by the French engineering firms Artelia and Egis covers the entire port, with the exception of the container terminal. It includes rebuilding the docks that were damaged by the explosion, reorganizing the port's layout to streamline traffic within the facility, and converting the port to solar energy with the help of Electricité de France. It said that the suggestions aim to organize the port and to prepare the technical documents to launch the tenders for priority infrastructure works.

In addition, the French government announced that Expertise France, the French agency for international technical cooperation, supported the Port of Beirut in conducting a Port Security Assessment (PSA) in order to identify the necessary measures for the port to comply with the International Ship and Port Facility Security Code (ISPS Code). The French authorities said that they took the initiative based on an official request from the Gestion et Exploitation du Port de Beyrouth in January 2023. Expertise France contracted a recognized security organization that conducted the PSA between June 2023 and February 2024.

In addition, the French authorities indicated that two funds of the French Treasury, the Fund for Technical Expertise and Experience Transfers (FEXTE) and the Fonds d'études et d'aide au secteur privé (FASEP) financed the plans and studies. FEXTE funds technical cooperation programs and project preparation studies in developing countries, while FASEP provides grants and advances to finance feasibility studies for small and medium-size enterprises in developing economies. They added that the plans and studies allow for a "pragmatic and low cost" approach to rehabilitate the Port of Beirut, as it noted that the cost would range from \$50m to \$100m and will be self-financed from the Beirut port.

In parallel, the PSA recommends, first the update of the legal and regulatory framework to ensure the port's compliance with the international norms and standards in the fields of port governance and of port safety and security. Second, it said that the relevant authorities should strengthen the safety of navigation with adequate lighting and navigation aid equipment. Third, it stressed the importance of cleaning the onshore and offshore areas of the port, in order to establish clear delimited operations areas for easier control. Fourth, it pointed out that the authorities should optimize the organization of access control to the port by clarifying the role and coordination of the different stakeholders. Fifth, it called for the optimization and clarification of the control of the flow of goods control to improve the commercial environment, given that a container clearance takes on average 10 to 12 days at the Beirut port compared to three to five days internationally. Sixth, it stressed the need to support the reform and modernization of customs, such as establishing a new information technology center and upgrading customs software. Seventh, it encouraged the authorities to continue their efforts to allow for the passage of dangerous goods in accordance with international standards. Seventh, it urged the authorities to accelerate the implementation of digitalization, as it considered it crucial for port security, especially through the establishment of a one-stop "port community system" that is supported by a solid cybersecurity policy.

Opened letters of credit at LBP2,611bn for imports and LBP477.7bn for exports in 2023

Figures released by Banque du Liban show that the amount of letters of credit (LCs) opened to finance imports to Lebanon totaled LBP2,611.2bn in 2023, or the equivalent of \$193.5m, compared to LBP404bn (\$268.2m) in the same period of 2022. Opened LCs for imports stood at LBP529.2bn (\$54.7m) in the first quarter, at LBP661.3bn (\$44.1m) in the second quarter, at LBP729.4bn (\$48.6m) in the third quarter, and LBP691.3bn (\$46.1m) in the fourth quarter of 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.

Further, utilized credits for imports reached LBP2,572.3bn (\$184.1m) in the covered period, compared to LBP336.5bn (\$223.2m) in 2022. They were equivalent to 98.5% of opened LCs for imports in the covered period. Also, outstanding import credits stood at LBP10,632.7bn (\$772.3m) at the end of 2023 compared to LBP1,032.4bn (\$684.8m) at end-2022. In addition, the aggregate amount of inward bills for collection reached LBP2,933.2bn (\$214.2m) in 2023 relative to LBP288.4bn (\$191.3m) in 2022. The outstanding amount of inward bills for collection was LBP3,137.3bn (\$244.4m) at the end of 2023, while it was LBP783.6bn (\$519.8m) at end-2022.

In parallel, the amount of documentary LCs opened to finance exports from Lebanon totaled LBP477.7bn (\$32.4m) in 2023 compared to LBP152bn (\$100.8m) in 2022. Opened LCs for exports stood at LBP60.8bn (\$4.7m) in the first quarter, at LBP190.8bn (\$12.7m) in the second quarter, at LBP75.8bn (\$5.1m) in the third quarter, and at LBP150.3bn (\$10m) in the fourth quarter of 2023.

Further, utilized credits for exports reached LBP534.8bn (\$43.7m) in the covered period relative to LBP116.4bn (\$77.2m) in utilized credits in 2022. They were equivalent to 112% of opened LCs for exports in the covered period. Also, outstanding export credits stood at LBP15,010.7bn (\$1.1bn) at the end of 2023 compared to LBP1,646.7bn (\$1.1bn) a year earlier. In addition, the aggregate amount of outward bills for collection amounted to LBP1,267.5bn (\$90.6m) in 2023 relative to LBP216.6bn (\$143.4m) in the same period last year. The outstanding amount of outward bills for collection reached LBP22,929.6bn (\$1.7bn) at the end of 2023, while it was LBP3,098.7bn (\$2.1bn) at end-2022.



Beirut ranks 184th worldwide, 14th in Arab world in quality of living

The Quality of Living Survey in 241 cities around the world by global consulting firm Mercer ranked Beirut in 208th place globally and in 16th place among 22 cities in the Arab world for overall living standards. Also, Beirut came in 34th place among 50 cities in lower middle-income countries (LMICs) included in the survey. In comparison, Beirut ranked in 184th place globally among 231 cities and in 14th place among 22 Arab cities in the 2019 survey, the most recent year prior to the economic crisis. Based on the 228 cities that were included in both the 2023 and 2019 surveys, Beirut came in 207th place globally in the 2023 survey and regressed by 26 spots from 181st place in the 2019 survey.

The survey evaluates cities on the basis of 39 key quality-of-living determinants grouped in 10 categories consisting of consumer goods, economic environment, housing, medical and health considerations, natural environment, political and social environment, public services and transport, recreation, schools and education, and socio-cultural environment. It uses New York City as the base city for the index and compares all cities against it. Mercer noted that the methodology was developed by an international team of professionals, working closely with major multinational companies and other experts in the field.

On a global basis, the quality of living in Beirut is similar to that in Caracas in Venezuela, while it is better than it is in Douala in Cameroon, Bishkek in Kyrgyzstan and Kyiv in Ukraine, and is less appealing than in Luanda in Angola, Islamabad in Pakistan and Yaounde in Cameroon. Also, the quality of living in Beirut is better than in Nouakchott in Mauritania, Tripoli in Libya and Damascus, and is less appealing than in Cairo, Algiers and Djibouti among Arab cities in 2023.

Vienna has the highest quality of living in the world and Dubai remains the city with the best living standards in the Arab world, while the survey considered Khartoum to be the world's least appealing city in terms of living conditions. Mercer conducts the survey to help multinational companies assess international hardship allowances and incentives for their expatriate workers. It collected and analyzed the data for the 2023 survey between September and November 2023 and regularly updates it to take into account the changing circumstances, such as political, economic, and environmental developments. Mercer is a global consulting firm in human resources and related financial advice, products and services.

Customs receipts at LBP26,267bn in first nine months of 2023

Figures released by Banque du Liban indicate that customs revenues totaled LBP26,266.8bn in the first nine months of 2023, compared to LBP1,633bn in the same period of 2022, to LBP1,201bn in the first nine months of 2021, and to LBP981bn in the same period of 2020. Customs receipts in the first nine months of 2023 represent a jump of 1,508.6% from the first nine months of 2022, relative to an increase of 36% in the first nine months of 2022 from the same period in 2021, and to a growth of 22.4% in the first nine months in 2021 from the same period in 2020. Further, customs revenues reached LBP766.4bn in January, LBP1,069bn in February, LBP1,970.6bn in March, LBP2,019.2bn in April, LBP3,590.8bn in May 2023, LBP3,811.3bn in June 2023, LBP4,488.5bn in July 2023, LBP4,614bn in August 2023 and LBP3,936.9bn in September 2023. In comparison, they stood at LBP148bn in January, at LBP162bn in February, at LBP190bn in March, at LBP155.2bn in April, LBP198.3bn in May 2022, LBP192.2bn in June, LBP195.2bn in July 2022, LBP237.7bn in August 2022 and LBP154.4bn in September 2022. The sharp increase in customs receipts is due to the rise of the exchange rate of the Lebanese pound to the US dollar for customs purposes in the fourth quarter of 2022 from LBP1,507.5 to LBP15,000 per dollar, as well as to LBP45,000 per dollar in the first quarter of 2023.

Further, the Ministry of Finance announced in April 2023 the increase of the monthly average exchange rate of the Lebanese pound for calculating the taxes and fees at customs on imported goods and products to LBP60,000 per dollar from May 2 until May 12, 2023, and then increased it again from LBP60,000 per US dollar to LBP86,000 per dollar starting on May 13, 2023. As such, the ministry said that the exchange rate for the currencies of Lebanon's main import sources became LBP86,000 for the US dollar, LBP93,832 for the euro, LBP106,697 for the British pound, LBP94,910 for the Swiss franc, LBP23,415 for the UAE dirham, LBP12,493 the Chinese yuan, LBP4,466 for the Turkish lira, LBP2,781 for the Egyptian pound, LBP1,049 for the Indian rupee, and LBP646.8 for the Japanese yen, among others. Also, Banque du Liban announced on December 19, 2023 that it has modified the exchange rate of the US dollar on the Sayrafa platform from LBP85,500 per dollar to LBP89,500 per dollar, but it is unclear if this will trigger a change in the monthly average of the exchange rate of the Lebanese pound for calculating the taxes and fees at customs.

The latest available figures issued by Lebanese Customs show that total imports reached \$10.3bn in the first eight months of 2023 and regressed by 19.5% from \$12.8bn in the same period of 2022. Non-hydrocarbon imports decreased by \$1.5bn, or by 16.7%, to \$7.6bn in the first eight months of 2023; while the imports of oil & mineral fuels contracted by \$963.7m, or by 26.4%, to \$2.7bn.

Quality of Living Rankings in 2023

City	Arab Rank	Global Rank	Change in Rank*
Dubai	1	79	-1
Abu Dhabi	2	84	-2
Doha	3	117	-1
Muscat	4	118	-7
Rabat	5	127	-3
Tunis	6	131	-10
Amman	7	134	-7
Casablanca	8	136	-5
Kuwait City	9	141	-7
Manama	10	144	-
Jeddah	11	171	+6
Riyadh	12	172	+2
Cairo	13	185	-
Algiers	14	189	+4
Djibouti	15	198	-
Beirut	16	208	-15
Nouakchott	17	227	+4
Tripoli	18	233	-5
Damascus	19	235	-
Sanaa	20	238	+1
Baghdad	21	240	+1
Khartoum	22	241	-4

*from 2019; (+) denotes improvement in rank
Source: Mercer 2023, Byblos Research

Constitutional Council suspends several articles in Budget Law 2024

The Constitutional Council suspended on February 19, 2024 articles 36, 45, 72, 93 and 94 of the 2024 Budget Law that the Lebanese Parliament enacted on January 26, 2024 and that was published in the Official Gazette on February 15, 2024. Article 36 increased the assessment of the rental values of built properties by municipalities and the change in municipal taxes accordingly. Article 45 imposed penalties for breaches of the principle of free access to public beaches. In addition, Article 72 mandated the payment in foreign currency of penalties from violations related to taxes payable in foreign currency. Article 93 imposed a 17% tax on profits exceeding \$15,000 from transactions by natural or legal persons on Banque du Liban's (BdL) Sayrafa platform, and Article 94 levied a 10 % tax on profits exceeding \$10,000 that companies or institutions made on BdL subsidies on imported goods and products.

Further, the Constitutional Council suspended on March 4, 2024 articles 10, 39, 40, 56, 69, 83, 86, 87 and 91 of the 2024 Budget Law. Article 10 prohibits giving Treasury advances contrary to the provisions of articles 203 to 212 of the Public Accounting Law. Articles 39 and 40 relate to the amendment of the law of stamps of mayors and revenues to their designated fund, to the prohibition of public departments and agencies from receiving formalities that do not include these stamps, as well as to the penalties on mayors who refrain from affixing stamps to the formalities they process.

Article 56 addresses the rentals of private state properties, which states that these properties can be rented to the private sector through tenders based on specifications that the Minister of Finance and the concerned minister set, and for a period ranging from 4 to 9 years that can be renewed for one time only.

Further, Article 69 provides exemptions of 80% on customs and excises, and reduces by 70% the registration fees and vehicle control fees on hybrid and electric vehicles and machinery that were imported starting January 1, 2022. It added that the reductions are applicable only at the time of the first registration.

Also, Article 83 relates to the fees imposed on foreign trucks that enter the Lebanese territory, whether they were empty or loaded with goods. In addition, Article 86 reduces the capital gains tax on real estate transactions from 15% to 1% exceptionally until the end of 2026.

In addition, Article 87 stipulates that taxpayers can reach a settlement about the income tax and the value-added tax due for the years up to the publication of the budget, and that are being contested at the Objections Committee and that are still pending. It added that they can benefit from an amnesty equal to 50% of the amounts of the objected tax adjustments provided they submit a written request to the tax authorities and pay the discounted amount due within three months of the publication date of Budget Law.

Article 91 allows the Lebanese University Council to set the annual fees and other amounts collected by the establishment by a decision subject to the approval of the Minister of Education and Higher Education and of the Minister of Finance.

The Constitutional Council has one month to debate the suspended articles and to rule on their annulment or validation.



Electricité du Liban posts cumulative losses of LBP5.6tn between 2019 and 2022, has negative equity of LBP33.5tn at end-2022

The income statement of the state-owned Electricité du Liban (EdL) shows that it posted net losses of LBP2.66 trillion (tn) in 2019, LBP1.86tn in 2020, LBP694.3bn in 2021 and LBP377.3bn in 2022. As such, EdL registered cumulative losses of LBP5.6tn during the 2019-22 period. Further, it generated revenues of LBP446.6bn from the sales of electricity in 2019, LBP59.1bn in 2020, LBP26.2bn in 2021, and LBP10.8bn in 2022; while the cost power purchased and of fuel consumed stood at LBP2.7tn in 2019, LBP1.67tn in 2020, LBP624.1bn in 2021, and LBP353bn in 2022. As a result, it generated revenues from electricity sales of LBP542.7bn, while the costs of power purchased and of fuel reached LBP5.33tn in the 2019-22 period. As a result, EdL's operating losses stood at LBP2.64tn in 2019, LBP1.83tn in 2020, LBP690.2tn in 2021, and LBP 374.75tn in 2022, leading to aggregate operating losses of LBP5.54tn during the 2019-22 period. Based on the prevailing official exchange rate of the Lebanese pound to the US dollar during the covered years, EdL posted losses of \$1.76bn in 2019, \$1.23bn in 2020, \$460.6m in 2021 and \$250.3m in 2022 for a total of \$3.7bn during the 2019-22 period. Further, based on the average parallel market exchange rate since the start of the crisis, EdL posted losses of \$277.4m in 2020, \$41.28m in 2021 and \$12.45m in 2022 for a total of \$331.13m in the 2019-22 period.

In addition, maintenance and other expenses amounted to LBP236.4bn in 2019, LBP179bn in 2020, LBP55.73bn in 2021, and LBP28.2bn in 2022. Also, salaries and related expenses stood at LBP217.6bn in 2019, LBP62.4bn in 2020, LBP40.76bn in 2021, and LBP10.62bn in 2022. As such, maintenance and other expenses totaled LBP499.1bn, while salaries and related expenditures stood at LBP331.3bn during the 2019-22 period.

In parallel, EdL's balance sheet shows total assets of LBP6.81tn at the end of 2019, LBP6.45tn at end-2020, LBP6.32tn at the end of 2021 and LBP6.32tn at end-2022. Further, accounts receivables net of provisions stood at LBP1.68tn at end-2019, LBP802.3bn at the end of 2021, LBP376bn at end-2021, and LBP262.6bn at the end of 2022; while receivables from the value-added tax amounted to LBP1.6tn at end-2019, LBP1.7tn at the end of 2020, LBP1.8tn at end-2021, and LBP1.82tn at the end of 2022. Also, the company's fixed assets, which consist of property, plants and equipment, stood at LBP2.61tn at end-2019, LBP2.82tn at the end of 2020, LBP2.9tn at end-2021, and LBP2.92tn at the end of 2022.

On the liabilities side, EdL's total current liabilities reached LBP1.8tn at end-2019 and included LBP1tn in accruals, LBP538bn in accounts payables and LBP233.7bn in payables to other creditors. Also, current liabilities totaled LBP2.14tn at the end of 2020 and included accounts payable of LBP963.6bn, accruals of LBP915.7bn, and payables to other creditors of LBP234.6bn. Further, aggregate current liabilities stood at LBP2tn at end-2021 and included LBP906.4bn in accounts payables, LBP863bn in accruals and LBP235bn in payables to other creditors. Finally, current liabilities amounted to LBP1.94tn at the end of 2022 and included accruals of LBP823tn, payables to other creditors of LBP235.3tn, and accounts payables of LBP855.5bn. In addition, advances from the Lebanese Treasury totaled LBP35.44tn at the end of 2019, LBP36.83tn at end-2020, LBP37.55tn at end-2021, and LBP37.8tn at the end of 2022.

Further, the balance sheet shows that EdL had a negative net assets position, or a negative equity of LBP30.54tn at end-2019, of -LBP32.64tn at the end of 2020, of -LBP33.4tn at the end of 2021, and of -LBP33.51tn at end-2022.

Import activity of top five shipping firms and freight forwarders down 2% in first 10 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 176,419 20-foot equivalent units (TEUs) in the first 10 months of 2023, constituting a decrease of 1.8% from 179,585 TEUs in the same period of 2022. The five shipping and freight forwarding firms accounted for 84.5% of imports to the Lebanese market in the covered period.

Merit Shipping handled 62,976 TEUs in the first 10 months of 2023, equivalent to 19% of the total import freight market to Lebanon. Mediterranean Shipping Company (MSC) followed with 50,866 TEUs (15.3%), then MAERSK with 32,292 TEUs (9.7%), Sealine Group with 15,503 TEUs (4.7%), and Gezairi Transport with 14,782 TEUs (4.4%). Sealine Group posted a surge of 13.7% in imported goods in the first 10 months of 2023, the highest growth rate among the covered companies, while MSC registered a decline of 7.2%, the steepest decrease among the five firms in the covered period. Also, the import shipping operations of the top five firms through the port increased by 41.3% in October 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 70,825 TEUs in the first 10 months of 2023, constituting an increase of 10.6% from 64,053 TEUs in the same period of 2022. The five shipping companies and freight forwarders accounted for 93.6% of exported Lebanese cargo in the covered period.

Merit Shipping handled 40,508 TEUs of freight in the first 10 months of the year, equivalent to 53.5% of the Lebanese cargo export market. MAERSK followed with 17,332 TEUs (22.9%), then Sealine Group with 5,558 TEUs (7.3%), MSC with 3,924 TEUs (5.2%), and Gezairi Transport with 3,503 TEUs (4.6%). Gezairi Transport posted a rise of 60% in exported goods in the first 10 months of 2023, the highest growth rate among the covered companies, while MSC registered a decrease of 17.2%, the steepest decline among the five firms in the covered period. The export-shipping operations of the top five companies increased by 53.3% in October 2023 from the previous month.



Ratio Highlights

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

*change in percentage points 22/21;

Source: Banque du Liban, Ministry of Finance, Central Administration of Statistics, International Monetary Fund, Byblos Research Estimates & Calculations

Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

National Accounts, Prices and Exchange Rates

	2020	2021e	2022f
Nominal GDP (LBP trillion)	95.7	196	480
Nominal GDP (US\$ bn)	24.7	18.0	18.3
Real GDP growth, % change	-25.9	-8.4	-2.5
Private consumption	-70	1.2	1.5
Public consumption	-4	-45.7	-9.8
Gross fixed capital	-63	-16.2	21.8
Exports of goods and services	-34.2	8.7	6.6
Imports of goods and services	-33.4	-1.1	10.6
Consumer prices, %, average	84.9	154.8	171.2
Official exchange rate, average, LBP/US\$	1,507.5	1,507.5	1,507.5
Parallel exchange rate, average, LBP/US\$	6,705	16,821	30,313
Weighted average exchange rate LBP/US\$	3,878	10,876	26,222

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

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Investors Service	C	NP	-	C		Stable
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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