

# LEBANON THIS WEEK

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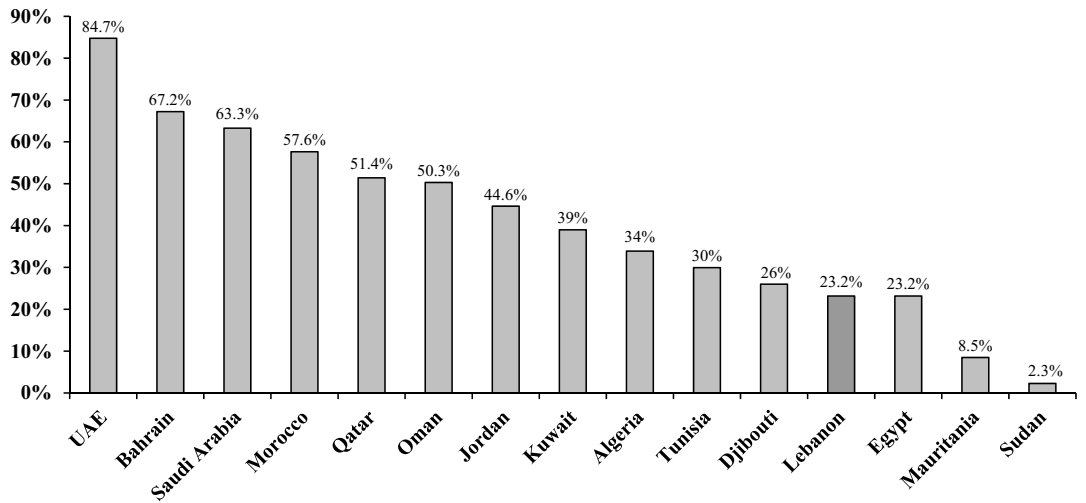
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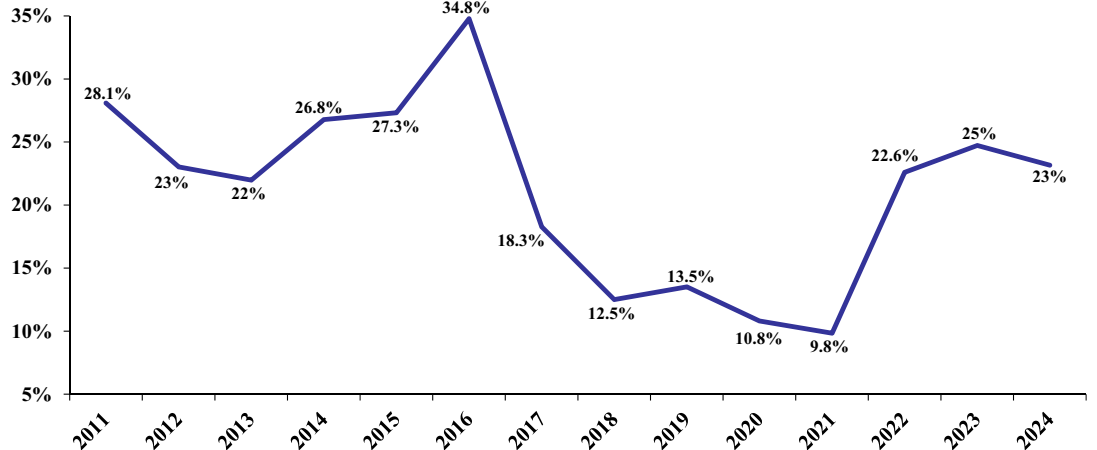
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## Charts of the Week

Percentile Rankings of Arab Countries in terms of Business Freedom in 2024\*



Percentile Rankings of Lebanon in terms of Business Freedom



\*The Heritage Foundation defines business freedom as the regulatory and infrastructure environments of a country that affect the operation of businesses based on the business environment risk, regulatory quality, access to electricity and women's economic inclusion.

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

## Quote to Note

"External vulnerabilities underscore the importance of preserving and rebuilding reserves."

*Standard Chartered Bank, on the increase of Banque du Liban's foreign currency reserves by \$1.1 billion since the end of July 2023*

## Number of the Week

**24:** 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 %
Solidere "A"	67.85	(3.1)	46,134	41.4%	Nov 2024	6.25	6.88	2,991.63
Solidere "B"	65.95	(4.4)	16,050	26.2%	Jun 2025	6.25	6.88	508.52
Audi GDR	1.12	0.0	6,686	0.8%	Nov 2026	6.60	6.88	140.44
Byblos Common	0.55	5.8	2,333	1.9%	Mar 2027	6.85	6.88	120.49
HOLCIM	59.60	0.0	170	7.1%	Nov 2028	6.65	6.88	70.19
Audi Listed	1.56	0.0	-	5.6%	Feb 2030	6.65	6.88	52.29
BLOM Listed	4.37	0.0	-	5.7%	Apr 2031	7.00	6.88	42.69
BLOM GDR	3.16	0.0	-	1.4%	May 2033	8.20	6.88	32.12
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	6.88	24.81
Byblos Pref. 09	29.99	0.0	-	0.4%	Mar 2037	7.25	6.88	21.98

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

Source: Refinitiv

	May 13-18	May 7-11	% Change	April 2024	April 2023	% Change
Total shares traded	71,373	25,543	179.4	736,801	315,447	133.6
Total value traded	\$4,262,101	\$1,234,814	245.2	\$18,271,664	\$17,282,146	5.7
Market capitalization	\$16.38bn	\$16.77bn	(2.4)	\$17.24bn	\$19.30bn	(10.7)

Source: Beirut Stock Exchange (BSE)

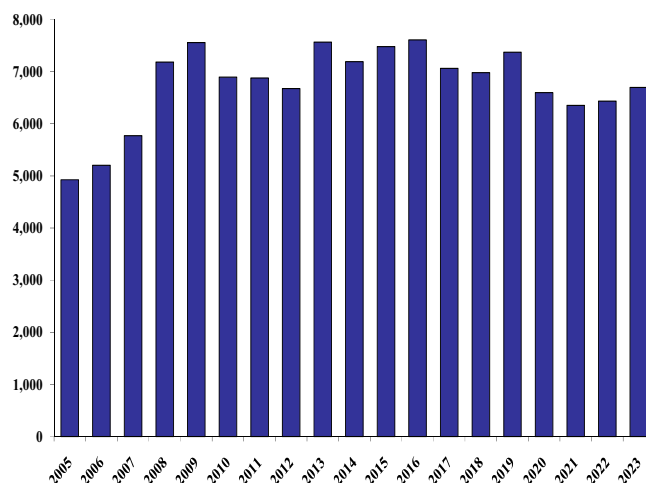


### Remittance inflows up 4% to \$6.7bn in 2023

Figures released by Banque du Liban (BdL) show that the inflows of expatriates' remittances to Lebanon totaled \$6.7bn in 2023, constituting an increase of 4.1% from \$6.44bn in 2022. Remittance inflows to Lebanon reached \$1.73bn in the first quarter, \$1.66bn in the second quarter, \$1.64bn in the third quarter, and \$1.61bn in the fourth quarter of 2023. The figures represented increases of 10.1% in the first quarter, 7.8% in the second quarter, 5.5% in the third quarter, and 3.2% in the fourth quarter of 2023 from the same quarters of 2022. The figures include workers' remittances and the compensation of employees, according to the World Bank's definition of remittances, with workers' remittances accounting for 98% of the total. BdL's figures are the only official data on remittance flows to and from Lebanon.

In addition, remittance inflows in 2023 reached their 12<sup>th</sup> highest level since 2008, and peaked at \$7.61bn in 2016. They averaged \$6.42bn during the 2002-2023 period, with an average of \$4.8bn during the 2002-07 period and an average of \$7.03bn in the 2008-2023 period.

Remittance Inflows to Lebanon (US\$m)



Source: Banque du Liban, Byblos Research

In parallel, remittance outflows from Lebanon reached \$1.78bn in 2023, constituting an increase of 2.2% from \$1.74bn in 2022. Remittance outflows from Lebanon stood at \$432.6m in the first quarter, \$449m in the second quarter, \$445.8m in the third quarter, and \$448m in the fourth quarter of 2023. The figures represent increases of 0.8% in the first quarter, 5.2% in the second quarter, 1.5% in the third quarter, and 1.4% in the fourth quarter of 2023 from the corresponding quarters of 2022.

In addition, remittance outflows in 2023 reached their second lowest level since 2002, as they peaked at \$5.75bn in 2009. They averaged \$3.81bn in the 2002-2023 period, with an average of \$3.54bn during the 2002-07 period and an average of \$3.91bn in the 2008-2023 period.

As such, net remittance inflows to Lebanon totaled \$4.92bn in 2023, constituting an increase of 4.7% from \$4.7bn in 2022. Net remittance inflows to Lebanon in 2023 reached their highest level since 2002. They averaged \$2.62bn in the 2002-2023 period, relative to an average of \$1.25bn during the 2002-07 period and to an average of \$3.13bn in the 2008-2023 period.

### EBRD forecast Lebanon's real GDP growth rate at 1.6% in 2024-25 period

The European Bank for Reconstruction and Development (EBRD) estimated that Lebanon's real GDP contracted by 0.2% in 2023. It noted that the Lebanese economy did not grow last year due to the prevailing political deadlock, little progress on critical reforms, and the Israeli attacks along Lebanon's southern border since the eruption of the war in the Gaza Strip. Further, it projected economic activity in Lebanon to grow by 0.2% in 2024 amid geopolitical risks, political inaction and stalled reforms, while it expected real GDP growth to accelerate to 3% in 2025 in case regional tensions recede, if a program with the International Monetary Fund's (IMF) is implemented, and in case there is progress on reforms. Also, it considered that the negative effect from the war in the Gaza Strip on tourist arrivals in Lebanon may persist. In comparison, it forecast economic activity in the Southern and eastern Mediterranean countries at 3.4% this year and 3.9% next year, and for EBRD's member countries at 3% in 2024 and 3.6% in 2025.

In addition, it considered that the country remains locked out of international capital markets, and that prospects of an IMF program are still uncertain. It said that yields on Lebanese sovereign bonds are elevated and that the economy effectively has lost access to global capital markets. But it pointed out that foreign currency reserves, while still at a record low, rose in 2023 on the back of increased remittance inflows and tourist arrivals. Moreover, it stated that the exchange rate of the US dollar on the parallel market has stabilized at around LBP89,700 per dollar since the end of July, and that the inflation rate dropped from a peak of 352% in March 2023 to 123% in February 2024, helped by easing energy and food prices.

Established in 1991, the EBRD aims to support economies and promote the private sector in 40 economies across three continents, from the Southern and Eastern Mediterranean (SEMED), to Central and Eastern Europe, and to Central Asia. The banks' countries in the SEMED region consist of Egypt, Jordan, Lebanon, Morocco, Tunisia, and the West Bank & Gaza. The bank has currently 75 shareholders that include 73 countries as well as the European Union and the European Investment Bank, and has invested in excess of €190bn in more than 6,800 projects. It said that it has invested more than €2bn in 42 projects in SEMED countries in 2023, with 93% of the funds targeting the private sector. The bank has €864m in cumulative pledges in Lebanon that include €248m in disbursements for 10 projects as at end-February 2024.



### Gaza War weighing on economic activity

In its Middle East and North Africa (MENA) economic update of April 2024, the World Bank projected the Lebanese economy to post a real GDP growth rate of 0.5% in 2024, relative to growth rates of 2.7% in the MENA region and of 2.5% in developing oil-importing economies during the year. It said it revised upward by 0.4 percentage point its current forecast for growth rates in the MENA region for 2024 from those it made in October 2023, on the assumption that the conflict in Gaza Strip will not worsen.

It indicated that the escalation of military confrontation in southern Lebanon has caused significant damage to infrastructure and affected primarily the tourism and agriculture sectors in the country. As such, it estimated that the Lebanese economy contracted by 0.2% in 2023, constituting a change from its forecast of a growth rate of 0.2% prior to the eruption of the conflict. It attributed the modification of its forecast to the sharp shock to tourism activity that has undermined consumption, along with the reduction in business volumes and the disruption in trade activity in the fourth quarter of 2023. It noted that agricultural lands in the south, which constitute 20% of Lebanon's cultivated areas, have suffered burning and contamination, and that nearly 100,000 square meters of olive groves that constitute 7% of agricultural output in the country have been affected. It added that the shock to the tourism sector that started in the fourth quarter of last year has had ripple effects on economic activity, given the dependence of the economy on tourism.

In addition, it estimated that Lebanon's fiscal balance posted a surplus at 0.5% of GDP in 2023, relative to a deficit of 2.9% of GDP in 2022, and forecast a balanced budget in 2024. It added that the country's primary balance shifted from a deficit of 2.5% of GDP in 2022 to a surplus of 1.6% of GDP in 2023. In comparison, it projected the fiscal deficit in the region's developing oil-importing countries at 5.5% of GDP in 2023 and 5.7% of GDP in 2024, and forecast deficits of 1.3% of GDP in 2023 and of 2.3% of GDP in 2024 in the MENA region. Further, it estimated Lebanon's public debt to have increased from 179.7% of GDP in 2022 to 201.2% of GDP in 2023, due to the revaluation of the debt denominated in foreign currency following the depreciation of the Lebanese pound.

In parallel, it estimated that Lebanon's current account deficit narrowed from 32.7% of GDP in 2022 to 11% of GDP in 2023, and projected it at 10.4% of GDP in 2024. In comparison, it forecast the current account deficit in the region's developing oil-importing countries to widen from 1.8% in 2023 to 3.4% of GDP in 2024, and to post surpluses of 5.2% of GDP in 2023 and 3.6% of GDP in 2024 in the MENA region.

### Nearly 93,600 families benefiting from AMAN program

The Ministry of Social Affairs indicated that, following the completion of the required administrative measures to transfer funds to the beneficiaries of the Emergency Social Safety Net Project (ESSN), known as "AMAN", and the signature of the Prime Minister Najib Mikati on the file related to the program, it will start sending text messages on May 20 to all old and new beneficiaries of the "AMAN" program who had stopped receiving payments, in order to inform them about the new schedule for aid disbursements. It pointed out that 93,585 Lebanese households are benefiting from the AMAN program and that it will disburse a total of \$10.3m.

The ministry announced that 583,000 Lebanese households registered since September 2021 in the "AMAN" program in order to receive a monthly financial assistance for a period of one year. Further, it noted that it chose to assist vulnerable Lebanese households based on several criteria, such as families without income or low income, the presence of at least one member of the family who requires special needs, the presence of an elderly over 64 years old, minor members, or a family headed by a female with no or limited income. It said that it signed a contract with an independent company to review the implementation of the program, including the registration, eligibility, cash transfers, and the auditing of the disbursed amounts.

Also, it indicated that the ministry managed to obtain a loan of \$300m from the World Bank to finance the "AMAN" program, but noted that the loan still needs the approval of the Lebanese government.

In parallel, the ministry launched in June 2023 the payment process for beneficiary families who have children enrolled in formal schools, institutes or vocational schools and who are between 13 to 18 years old. It said that it will cover the students' transportation fees during the academic year 2023-24. It added that it will provide assistance to the children of new beneficiaries and support them paying their school fees, stationery and transportation costs.

Established in January 2021, the ESSN project aims to provide cash transfers and access to social services to extremely poor and vulnerable Lebanese individuals and households who have been affected by the economic crisis and the COVID-19 shock in the country. Also, the Lebanese authorities have secured a \$246m loan in March 2021 from the World Bank to fund the ESSN for three years.



### **Government asks public entities to cooperate with assessment of corruption risks**

The Council of Ministers issued Circular No. 17/2024 dated May 15, 2024 addressed to public administrations, public institutions, municipalities, unions of municipalities, as well as to independent public bodies, funds, councils, and authorities about the national assessment of corruption risks in the public sector.

First, it asked public entities to cooperate with the National Anti-Corruption Commission (NACC) to be responsive to the work of the national assessment of corruption risks. Second, it requested public entities to assign an experienced person to follow up on the evaluation process within their administrations and/or institutions as well as to coordinate directly with the NACC.

It indicated that these decisions come pursuant to the provisions of the United Nations Convention Against Corruption, particularly Chapter II about the need for member countries to take preventive measures to fight corruption; to establish and strengthen the systems to employ individuals in the public sector; to enhance transparency, prevent conflicts of interests, and set the rules for the conduct of public sector employees and for public procurement; and to improve transparency in the public administration.

It added that the circular is in line with the National Strategy to Fight Corruption for the 2020-25 period, especially the point about higher ethical standards in public employment, and is aligned with Law 175 dated May 8, 2020 about fighting corruption in the public sector and establishing the NACC, which mandated the latter to "assess corruption risks in the public sector based on scientific methodologies and to provide the necessary suggestions and recommendations to combat graft". It added that it is in line with the NACC's launch of the national assessment of corruption risks in the public sector, which aims to identify and monitor corruption risks, and to identify the related strengths and weaknesses.

In parallel, the NACC considered that the corruption issue does not have a specific or known form like bribery and embezzlement, but is intertwined with other crimes such as fraud, theft, the abuse of power, tax evasion, and money laundering. It noted that Lebanon is currently being assessed on the degree of its compliance with the provisions of the United Nations Convention Against Corruption, particularly Chapter II about preventive measures to fight corruption, and Chapter V about asset recovery, following the completion by a local team of the self-evaluation report. It added that illicit income that originates from corruption crimes deprives the Lebanese State from much-needed resources in the prevailing conditions, as it considered that the impact of these crimes on society and the economy to be disastrous. As such, the NACC indicated that it decided to launch the first national assessment of corruption risks in the public sector, which includes ministries and public institutions, with the support of the United Nations Development Program. It noted that the initiative aims to identify and monitor the risks of corruption in the ministries and public administrations and institutions, based on best international practices, with the aim of evaluating them and identifying the strengths that can be built upon and the weaknesses that represent areas that may be vulnerable to corruption. It added that it will classify the risks in terms of their degree and determine the priorities for setting up measures to mitigate the risks of corruption. Also, it said that it will collect data and information on corruption issues and cases in the 2021-23 period from judicial authorities and related regulatory bodies.

Transparency International, a global anti-corruption advocacy association, ranked Lebanon in 149<sup>th</sup> place among 180 countries around the world and in 14<sup>th</sup> place among 19 Arab countries on its Corruption Perceptions Index for 2023. Lebanon ranked in the 17<sup>th</sup> percentile worldwide on the 2023 Index, which means that the perceived level of corruption in the country was lower than the level of graft in only 17% of the countries covered by the survey.

Also, Global Risk Profile, a Swiss company specializing in third-party risk management-related services, ranked Lebanon in 168<sup>th</sup> place among 196 countries and territories around the world and in 15<sup>th</sup> place among 19 Arab countries on its Global Corruption Index for 2023. Lebanon ranked in the 14<sup>th</sup> 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.

Further, Lebanon ranked in 182<sup>nd</sup> place globally among 211 countries and territories with available figures and in 15<sup>th</sup> place regionally on the Control of Corruption category of the World Bank Governance Indicators for 2022, which measures perceptions of the use of public power for private gain in a country, including both petty and grand forms of corruption. The results show that 86.3% of countries and territories around the world had a better score than Lebanon on this dimension of governance.



### Net foreign assets of financial sector up \$442.5m in first quarter of 2024

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 \$442.5m in the first quarter of 2024, compared to an increase of \$1.17bn in the same period of 2023 and a decrease of \$1.47bn in the first three months of 2022.

The cumulative surplus in the first quarter of 2024 was caused by increases of \$292.2m in the net foreign assets of BdL and of \$150.2m in those of banks and financial institutions. Further, the net foreign assets of the financial sector grew by \$51.9m in March 2024 compared to an uptick of \$131.1m in February 2024 and a decrease of \$463.5m in March 2023. The March increase was caused by a rise of \$27.4m in the net foreign assets of BdL and of \$24.5m in those of banks and financial institutions.

The cumulative increase in BdL's net foreign assets is due in part to the increase in BdL's foreign currency reserves during the covered period. The increase in the banks' net foreign assets in the first quarter of 2024 is mostly due to a decline in their foreign liabilities. The decrease in foreign liabilities was driven mainly by a contraction of \$201.5m in non-resident customer deposits, a drop of \$133.5m in liabilities to the non-resident financial sector, and a dip of \$47.8m in claims on the non-resident financial sector.

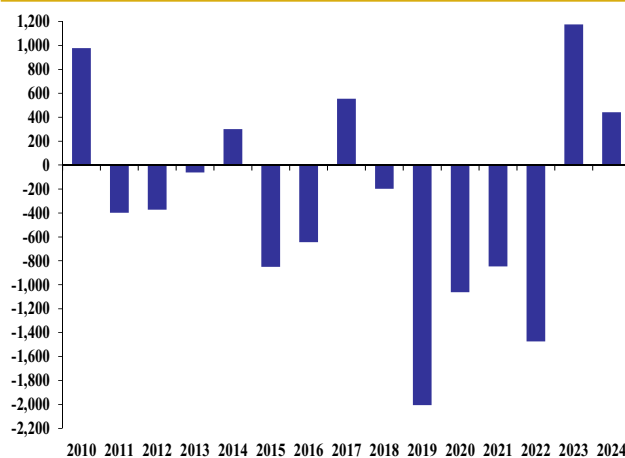
### Customs receipts at LBP37,804bn in 2023

Figures released by Banque du Liban indicate that customs revenues totaled LBP37,803.5bn in 2023, compared to LBP2,579.7bn in 2022, LBP1,608.3bn in 2021, LBP1,332.6bn in 2020, and to LBP1,884.5bn in 2019. Customs receipts rose by 1,365.4% in 2023, relative to increases of 60.4% in 2022 and of 20.7% in 2021, and to a decrease of 29.3% in 2020. Further, customs revenues reached LBP3,806bn in the first quarter, LBP9,421.3bn in the second quarter, LBP13,039.4bn in the third quarter, and LBP11,536.7bn in the fourth quarter of 2023. In comparison, they stood at LBP499.8bn in the first quarter, LBP545.8bn in the second quarter, LBP587.3bn in the third quarter, and LBP946.9bn in the fourth quarter of 2022. This constituted surges of 661.4% in the first quarter, 1,626.3% in the second quarter, 2,120.4% in the third quarter, and 1,118.4% in the fourth quarter of 2023 from the corresponding quarters of 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, and to LBP60,000 per dollar from May 2 until May 12, 2023.

Further, the Ministry of Finance increased the monthly average exchange rate of the Lebanese pound for calculating the taxes and fees at customs on imported goods and products 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 \$17.5bn in 2023 and regressed by 8% from \$19.05bn in 2022. Non-hydrocarbon imports decreased by \$593.4m, or by 4.4%, to \$12.9bn in 2023, while the imports of oil & mineral fuels contracted by \$936.4m, or by 17%, to \$4.64bn.

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



\*in first quarter of each year

Source: Banque du Liban, Byblos Research

### Lebanon ranks 112<sup>th</sup> globally, fifth among Arab countries on liberal democracy index

Varieties of Democracy, an independent research institute based at the University of Gothenburg in Sweden, ranked Lebanon in 112<sup>th</sup> place among 179 countries and territories worldwide and in fifth place among 21 Arab countries on its Liberal Democracy Index for 2024. In comparison, Lebanon came in 107<sup>th</sup> place globally and in second place regionally on the 2023 index. Based on the same set of countries in the 2023 and 2024 surveys, Lebanon's global and Arab ranks deteriorated by five and three spots, respectively, from the 2023 survey.

The index captures the liberal and electoral aspects of democracy based on over 500 indicators that are grouped in five sub-indices that are the Electoral Democracy Sub-Index, the Liberal Component Sub-Index, the Egalitarian Component Sub-Index, the Participatory Component Sub-Index, and the Deliberative Component Sub-Index. The survey gathers data from about 4,200 country experts to examine the level of democracy in each country and to detect subtle changes to the institutional environment of countries each year. A country's overall score ranges from zero to one, with a higher score reflecting a more developed liberal democratic system. In addition, it classifies countries in four electoral systems that are Liberal Democracy, Electoral Democracy, Electoral Autocracy, as well as in a separate category called the "grey zone" that falls between the Electoral Democracy and the Electoral Autocracy systems.

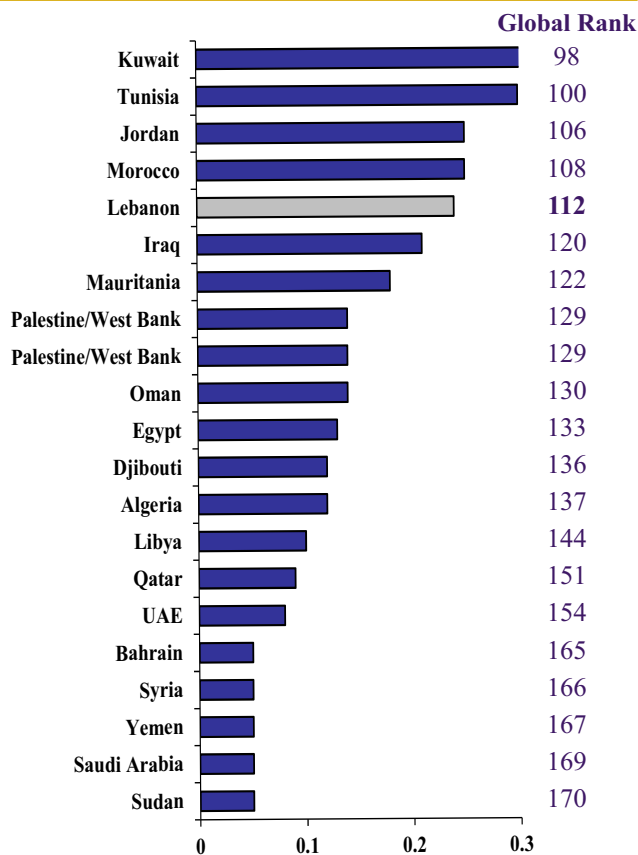
Globally, Lebanon has a more developed liberal democratic system than Thailand, Mozambique and Uganda, and a less developed one than Morocco, Ukraine and Madagascar among economies with a GDP of \$10bn or more. Also, Lebanon came fifth among 21 Arab countries, and ranked behind Kuwait, Tunisia, Jordan and Morocco. Further, Lebanon received a score of 0.24 points on the 2024 index compared to 0.26 points in the 2023 survey. Lebanon's score was below the global average score of 0.38 points, while it came higher than the Arab countries' average score of 0.15 points. The institute classified Lebanon, along with six Arab countries, in the Electoral Autocracy system in 2024, while Tunisia fell in the grey zone, and the remaining Arab economies were classified in the Closed Autocracy system.

Further, Lebanon preceded Serbia and Mauritania, and trailed India and Iraq on the Electoral Democracy Index, which captures the level of clean, free and fair elections in a country. It also measures a country's citizens' ability to participate in elections, as well as their freedom of expression, freedom of association and the level of media freedom. Lebanon ranked third regionally behind Tunisia and Iraq.

Also, Lebanon ranked ahead of Ukraine and Mozambique, and came behind Guatemala and Bolivia on the Liberal Component Index. This category covers the importance of protecting individual and minority rights against the tyranny of the state and the tyranny of the majority. It incorporates measures of the rule of law, checks and balances between institutions, and of civil liberties. Regionally, Lebanon trailed only Kuwait, Jordan, Morocco, and Tunisia on this segment.

In addition, Lebanon preceded Iran and Cameroon, and trailed Ethiopia and Mozambique on the Egalitarian Component Index. This category measures the level of equal access to resources, power, and freedoms for various groups in a society, in order to participate in the political arena. Lebanon ranked ahead of the UAE, Iraq, Libya, Saudi Arabia, Bahrain, Qatar, Mauritania, Egypt, Sudan, Syria, and Yemen among Arab economies on this category.

**Liberal Democracy Index for 2024  
Arab Countries' Scores & Rankings**



Source: Varieties of Democracy, Byblos Research

**Components of the Liberal Democracy Index for 2024**

Component	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
Electoral Democracy index	112	3	0.36	0.49	0.23
Liberal Component Index	111	5	0.56	0.59	0.38
Egalitarian Component Index	118	10	0.50	0.59	0.47
Participatory Component Index	111	3	0.47	0.48	0.30
Deliberative Component Index	93	5	0.67	0.6	0.43

Source: Varieties of Democracy, Byblos Research

### **Number of internally displaced persons from South Lebanon exceeds 93,000**

Figures compiled by the United Nations' Office for the Coordination of Humanitarian Affairs (OCHA) show that 93,040 persons have been displaced from South Lebanon as at April 30, 2024 due to the ongoing hostilities that erupted along Lebanon's border with Israel on October 8, 2023, constituting an increase of 419 individuals or 0.5% from 92,621 as of April 16, 2024, and representing increases of 2.8% from 90,491 as at March 19, 2024, of 13.4% from 82,012 as at January 9, 2024, of 25% from 74,471 as at December 26, 2023, and of 101% from 46,325 displaced persons as at November 14, 2023.

It indicated that about 84% of displaced individuals are currently living with host families, 12% are renting houses, 2% have relocated to secondary residences, and around 2% are housed in 18 collective shelters. It added that the shelters are providing accommodation for 1,557 IDPs, with seven shelters located in Hasbaya, five in Tyre, four in Nabatieh, one in Saida, and one in the Bekaa region. It stated that 96% of IDPs originate from the Bint Jbeil, Marjayoun, and Tyre districts.

Further, it added that 72 schools in South Lebanon remain partially or fully closed, which is impacting around 20,000 children, while six Primary Health Care Centers (PHCCs) in the Bint Jbeil and Marjayoun districts are currently closed.

Moreover, it indicated that nine water facilities have been partially or fully destroyed, which has impacted 100,000 residents, and that 1,058 hectares of agricultural land have been damaged. Also, the latest figures issued by the Ministry of Public Health show that a total of 355 persons have been killed and 1,072 wounded as at May 15, 2024 as a result of the hostilities along Lebanon's southern border with Israel.

According to OCHA, the food assistance distributed since the eruption of hostilities consisted of 516,624 meals and 31,652 food parcels, as well as micronutrient supplements to 8,153 children. It added that core relief included the distribution of 188,475 items in the South and Nabatieh governorates, and of 11,306 gas heaters, kitchen sets, and solar lamps in the impacted areas. It noted that the one-time cash assistance consisted of cash disbursements to 18,640 Lebanese households registered with the Ministry of Social Affairs' social safety nets databases, as well as to 16,500 Syrian refugees' households and 290 farmers in border areas.

Also, hygiene support included 401,148 liters of bottled water and 698,000 fuel liters of trucking water, as well as 38,628 water, sanitation, and hygiene (WaSH) kits that include dignity kits. It added that 26 PHCCs satellite units provided 11,755 healthcare consultations to IDPs, including 11,396 reproductive healthcare services.

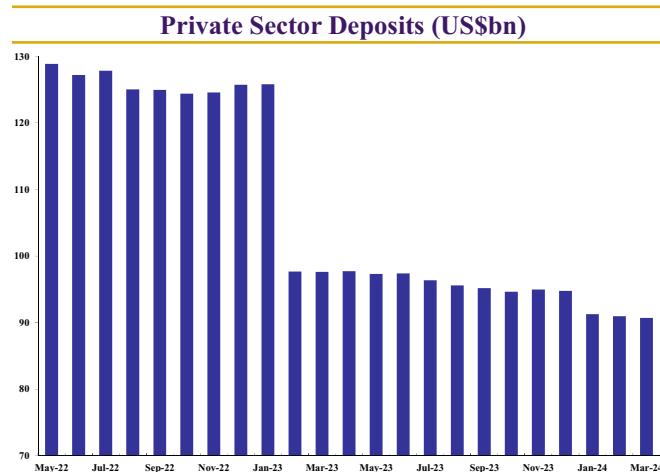
Further, it indicated that 27,426 beneficiaries received sessions about awareness on gender-based violence and on protection from sexual exploitation and abuse, as well as sessions on psychological support. In addition, it said that 6,013 individuals, including women and girls, received group and individual psychosocial support, and that 86 persons received training on protection and humanitarian principles. Also, it pointed out that 13,675 students are receiving daily nutritious in-school snacks schools, around 4,000 children received financial support to reduce barriers to education, and about 4,500 displaced children who are not registered in schools obtained non-formal education opportunities in learning centers.





### Private sector deposits at \$90.7bn at end-March 2024 based on new exchange rate

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at LBP9,290.5 trillion (tn), or the equivalent of \$103.8bn at the end of March 2024 compared to LBP9,319.4tn (\$104.1bn) at end-February 2024. Loans extended to the private sector totaled LBP631.4tn at the end of March 2024, with loans to the resident private sector reaching LBP547.5tn and credit to the non-resident private sector amounting to LBP83.9tn at the end of the month. Loans extended to the private sector in Lebanese pounds reached LBP10.8tn, decreasing by 5.6% from LBP11.4tn at the end of 2023 and by 25% from LBP14.3tn at end-March 2023; while loans in foreign currency totaled \$6.93bn at the end of March 2024, and regressed by 8.3% from \$7.56bn at the end of 2023 and by 23.3% from \$9.05bn at end-March 2023. The figures reflect Banque du Liban's Basic Circular 167/13612 dated February 2, 2024 that asked banks and financial institutions to convert their assets and liabilities in foreign currencies to Lebanese pounds at the exchange rate of LBP89,500 per US dollar when preparing their financial positions starting on January 31, 2024.



Source: Banque du Liban, Byblos Research

In nominal terms, credit to the private sector in Lebanese pounds decreased by LBP634bn in the first quarter of 2024 and by LBP3,565.2bn from a year earlier, while lending to the private sector in foreign currency decreased by \$627.5m in the first quarter of 2024 and by \$2.11bn from end-March 2023. Further, loans extended to the private sector in Lebanese pounds contracted by LBP16.8tn (-61%) and loans denominated in foreign currency dropped by \$34.2bn (-83.1%) since the start of 2019. The dollarization rate of private sector loans surged from 90.5% at the end of March 2023 to 98.3% at end-March 2024 due to the new exchange rate of LBP89,500 per dollar that went into effect on January 31, 2024. The average lending rate in Lebanese pounds was 2.98% in March 2024 compared to 5.61% a year earlier, while the same rate in US dollars was 1.85% relative to 4.04% in March 2023.

In addition, claims on non-resident financial institutions stood at \$4.41bn at the end of March 2024, constituting a decrease of \$47.8m (-1.1%) from the end of 2023 and an increase of \$282.6m (+6.8%) from a year earlier. Also, claims on non-resident financial institutions dropped by \$4.72bn (-51.7%) from the end of August 2019 and by \$7.6bn (-63.2%) since the start of 2019. Further, deposits at foreign central banks totaled \$734m, constituting decreases of \$3m (-0.4%) in the first quarter of 2024 and of \$65.6m (-8.2%) from a year earlier. In addition, the banks' claims on the public sector totaled LBP211.1tn at end-March 2024 and grew by 1% from end-February 2024. The banks' holdings of Lebanese Treasury bills stood at LBP10.89tn, while their holdings of Lebanese Eurobonds reached \$2.22bn at end-March 2024 relative to \$2.82bn a year earlier. Further, the deposits of commercial banks at Banque du Liban (BdL) reached LBP7,261.4tn at the end of March 2024, or \$81.13bn according to the new exchange rate.

In parallel, private sector deposits totaled LBP8,118tn at the end of March 2024, or \$90.7bn based on the new exchange rate. Deposits in Lebanese pounds reached LBP54.2tn at end-March 2024, as they increased by 4.1% from the end of 2023 and by 3.4% from a year earlier; while deposits in foreign currency stood at \$90.1bn, and contracted by 1.3% in the first quarter of the year and by 4.3% from the end of March 2023. Resident deposits accounted for 77% and non-resident deposits represented 23% of total deposits at end-March 2024.

Private sector deposits in Lebanese pounds increased by LBP2,111bn and foreign currency deposits declined by \$1.18bn in the first quarter of 2024. Further, aggregate private sector deposits in Lebanese pounds shrank by LBP23.04tn (-29.8%) and foreign currency deposits dropped by \$33bn (-26.8%) since the start of 2019. The dollarization rate of private sector deposits changed from 96.4% at the end of March 2023 to 99.3% at the end of March 2024 due to the effect of the new exchange rate on the Lebanese pound component of the balance sheet.

Further, the liabilities of non-resident financial institutions reached \$2.75bn at the end of March 2024 and decreased by 4.6% from \$2.9bn at end-2023. Also, the average deposit rate in Lebanese pounds was 1% in March 2024 compared to 0.63% a year earlier, while the same rate in US dollars was 0.02% relative to 0.07% in March 2023. In addition, the banks' aggregate capital base stood at LBP263.2tn at the end of March 2024, compared to LBP76.4tn at the end of 2023 and LBP73.1tn at end-March 2023. In dollar terms, the banks' capital was \$2.94bn at the end of March 2024 relative to \$5.1bn at end-2023 and to \$4.88bn at the end of March 2023.



### **Thirteen Lebanese universities among top 223 universities in Arab world**

The QS University Rankings for 2024 included 13 Lebanese universities among 223 ranked universities in the Arab region. The American University of Beirut (AUB) was the highest ranked institution in Lebanon and the fourth highest ranked in the Arab world. The university ranked in 226<sup>th</sup> place globally, with an overall score of 41.9 points out of a maximum of 100 points. Also, the survey ranked the Lebanese University (LU) in 577<sup>th</sup> place, as well as Université Saint-Joseph de Beyrouth (USJ) in the 631-640 range, the Holy Spirit University of Kaslik (USEK) and the Lebanese American University (LAU) in the 661-670 range, the Beirut Arab University (BAU) in the 711-720 range, the University of Balamand (UOB) in the 801-850 range, and Notre Dame University (NDU) in the 901-950 range.

The ranking of AUB improved by 26 spots from 2023, while the classification of LU and BAU improved from the 601-650 range and the 801-1000 range year-on-year, respectively. In contrast, the ranking of UOB deteriorated from the 531-540 range, the classification of the USJ regressed year-on-year from the 531-540 range, the ranking of USEK retreated from the 571-580 range, while the classification of LAU regressed from the 601-650 range last year. Further, NDU came in the 901-950 bracket in 2024, relative to its classification in the 801-1000 range in 2023.

The UAE accounted for four of the top 14 universities in the Arab world among the top 500 universities worldwide, followed by Saudi Arabia with three universities, Qatar and Egypt with two universities each, and Lebanon, Oman and Jordan with one university each among the top 500.

The rankings are based on a weighted average of nine factors that are academic reputation with a 30% weight, followed by citations per faculty (20%), employer reputation (15%), faculty-to-student ratio (10%), as well as sustainability performance, employment outcomes, international research network, the ratio of international faculty to the total number of faculty members and the ratio of international students to the overall number of students (5% each). The QS University Rankings are compiled by Quacquarelli Symonds Limited, a company specializing in education and study abroad. QS assessed 223 institutions from 19 Arab countries

In parallel, AUB ranked highest among Lebanese universities on the academic reputation, citations per faculty, international research network, employment outcomes, and sustainability factors. Moreover, AUB came in eighth place regionally and in 316<sup>th</sup> globally on the academic reputation factor, in 14<sup>th</sup> place among Arab universities and in 499<sup>th</sup> place worldwide on the citations per faculty indicator, and in ninth place regionally and in 415<sup>th</sup> place globally on the international research network factor. Further, AUB came in 40<sup>th</sup> place on the employment outcome indicator and in 70<sup>th</sup> place globally on the sustainability factor.

In addition, LU ranked first in Lebanon, fourth regionally, and in 171<sup>st</sup> place globally on the employer reputation factor, while UOB came in first place in Lebanon, in sixth place regionally, and in 115<sup>th</sup> place worldwide on the faculty-to-student ratio. Further, USEK ranked first locally, 42<sup>nd</sup> regionally, and 98<sup>th</sup> globally on the ratio of international faculty to the total number of faculty members, while BAU came on top in Lebanon, in 33<sup>rd</sup> place among Arab universities, and in 281<sup>st</sup> place globally in terms of the ratio of international students to the overall number of students.



## 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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