

LEBANON THIS WEEK

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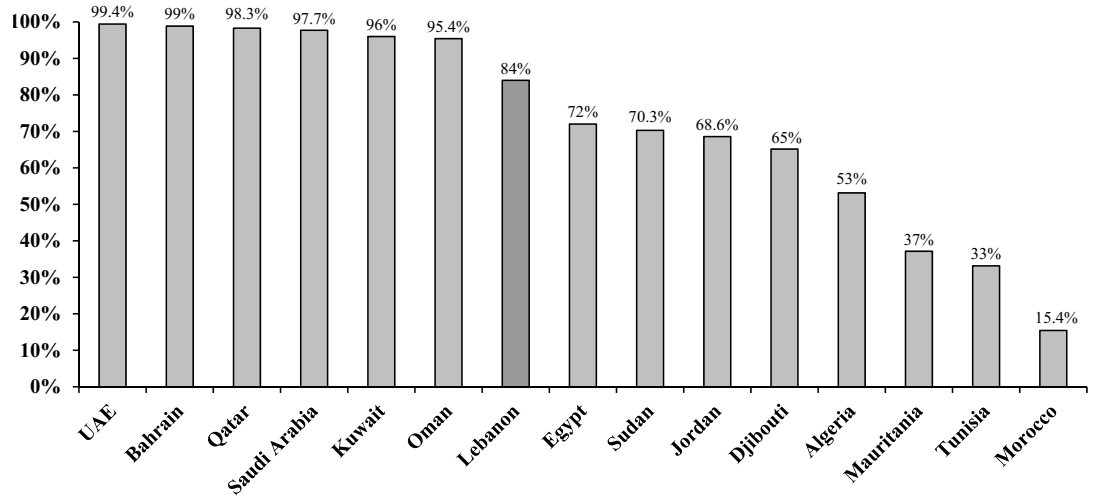
Term deposits account for 54.3% of customer deposits at end-March 2024

Balance sheet of financial institutions at LBP39.5 trillion at end-March 2024

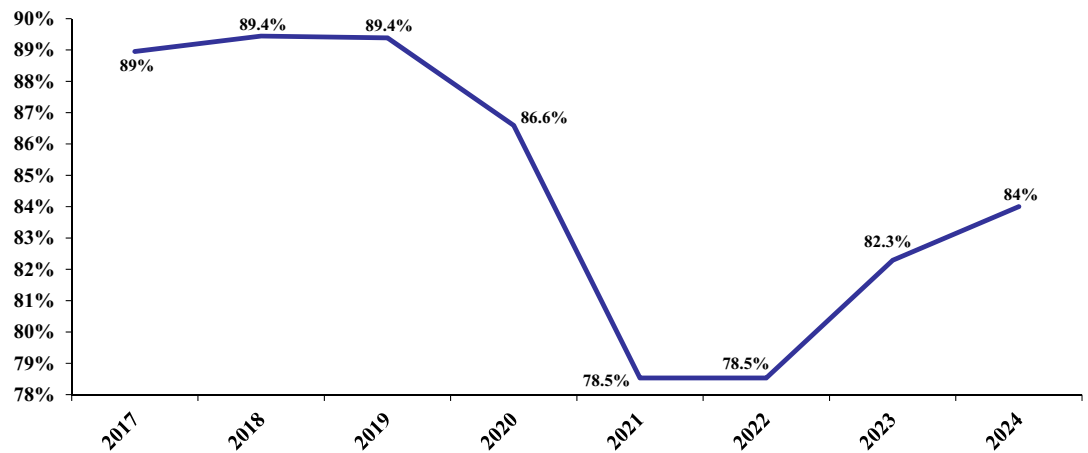
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Charts of the Week

Percentile Rankings of Arab Countries in terms of Tax Burden in 2024*



Percentile Rankings of Lebanon in terms of Tax Burden**



*The Heritage Foundation defines Tax Burden as marginal tax rates on personal and corporate income and the overall level of taxation, including direct and indirect taxes imposed by all levels of government, as a percentage of gross domestic product

**a higher percentile reflects lower tax rates and a minimal tax burden relative to GDP

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

Quote to Note

"Weaknesses in the quality, availability, and timeliness of economic data pose challenges for informed policy-making."

The International Monetary Fund, on the need to upgrade the statistical capacity in Lebanon

Number of the Week

369%: Increase in the public sector's aggregate deposits at Banque du Liban in the 12 months ending April 2024

Lebanon in the News

\$m (unless otherwise mentioned)	2021	2022	2023	% Change*	Dec-22	Nov-23	Dec-23
Exports	3,887	3,492	2,995	-14.2%	272	290	240
Imports	13,641	19,053	17,524	-8.0%	1,251	1,253	1,303
Trade Balance	(9,754)	(15,562)	(14,529)	-6.6%	(979)	(963)	(1,063)
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

**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 "B"	70.00	6.1	116,092	26.7	Nov 2024	6.25	6.88	3,146.04
Solidere "A"	70.00	3.2	63,156	41.1	Jun 2025	6.25	6.88	528.00
Audi GDR	1.12	0.0	26,333	0.8	Nov 2026	6.60	6.88	142.05
Byblos Common	0.60	9.1	9,667	2.0	Mar 2027	6.85	6.88	121.69
Audi Listed	1.56	0.0	2,000	5.4	Nov 2028	6.65	6.88	70.60
HOLCIM	63.00	5.7	1,083	7.2	Feb 2030	6.65	6.88	52.51
BLOM Listed	4.37	0.0	-	5.5	Apr 2031	7.00	6.88	42.84
BLOM GDR	3.16	0.0	-	1.4	May 2033	8.20	6.88	32.19
Byblos Pref. 08	27.00	0.0	-	0.3	Nov 2035	7.05	6.88	24.86
Byblos Pref. 09	29.99	0.0	-	0.4	Mar 2037	7.25	6.88	22.02

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

Source: Refinitiv

	May 20-24	May 13-17	% Change	April 2024	April 2023	% Change
Total shares traded	219,661	71,373	207.8	736,801	315,447	133.6
Total value traded	\$12,502,663	\$4,262,101	193.3	\$18,271,664	\$17,282,146	5.7
Market capitalization	\$17.04bn	\$16.38bn	4.0	\$17.24bn	\$19.30bn	(10.7)

Source: Beirut Stock Exchange (BSE)



IMF considers economic recovery contingent on additional structural reforms

In its statement at the conclusion of an Article IV staff visit to Lebanon, the International Monetary Fund (IMF) considered that the lack of action on necessary economic reforms is exerting a heavy toll on the economy and the population. It added that economic reforms are essential for a strong and sustainable recovery, and for attracting new investments and international financial support. It noted that the negative spillovers from the conflict in the Gaza Strip and the increased fighting along Lebanon's border with Israel are exacerbating an already weak economic and social situation, as the military confrontation has displaced internally a significant number of individuals and caused damage to infrastructure, agriculture, and trade in southern Lebanon. As such, it considered that the high risks associated with the conflict and a decline in tourism receipts have resulted in significant uncertainties to the economic outlook.

It indicated that the authorities have made some progress on monetary and fiscal reforms since the last Article IV consultation. It said that the policy measures that the Ministry of Finance (MoF) and Banque du Liban (BdL) took have helped contain the depreciation of the exchange rate of the Lebanese pound to the US dollar, stabilized money supply, and started to reduce inflationary pressure. It added that the measures include the phasing out of monetary financing of the budget, the termination of the Sayrafa electronic exchange platform, tight fiscal policy, and steps towards the unification of the multiple exchange rates of the US dollar. Also, it stated that the MoF's measures to increase public revenues from the value-added tax and customs, by adjusting the exchange rate of the US dollar at customs to the market exchange rate, brought the fiscal deficit close to zero in 2023. It added that the efforts of BdL and the MoF have supported the accumulation of foreign currency reserves.

However, it considered that these policy measures fall short of the necessary measures that would help the economy recover from the crisis. It pointed out that the timely approval of the 2024 budget was an important first step, but it called on the authorities to step up efforts to strengthen public finances. First, it said that the tax administration remains underfunded, which is hindering tax collection and putting taxpayers in the formal sector at a disadvantage, which is negatively affecting perceptions of tax fairness. Second, it noted that the lack of resources is preventing the provision of essential public services, social programs, and capital spending. Third, it indicated that the 2025 budget should continue to aim for a zero deficit through more ambitious fiscal reforms, mainly by strengthening tax compliance to increase revenues and reprioritizing current spending to meet the essential social and infrastructure need, given the likely lack of any financing next year.

In addition, it noted that progress on other critical reforms, including governance, transparency and accountability, has been limited. It said that BdL is starting to take steps to enhance its internal controls and governance, but it stressed the need for additional measures in order to raise transparency across the public sector, which include reforming state-owned enterprises and auditing their financial statements.

In parallel, it said that the government and Parliament have been unable to find a solution to the banking crisis. It considered that the absence of a credible and financially viable strategy for the banking system is hampering economic growth and the recovery of deposits, and is leading to an increasingly cash-based and informal economy. It added that bank deposits remain frozen, and that the banking sector still cannot extend credit to the economy. It urged the authorities to address the banks' losses while protecting depositors and limiting recourse to public resources in a credible and financially viable manner. Finally, the IMF expected the next Article IV discussions to take place in September 2024 to assess the progress on critical economic and financial reforms.

Lebanon ranks 79th globally, eighth in Arab region in travel & tourism development

The World Economic Forum ranked Lebanon in 79th place among 119 countries globally and in eighth place among 12 Arab countries on its Travel & Tourism Development Index (TTDI) for 2024. In comparison, Lebanon came in 86th place globally and in ninth place regionally on the previous index in 2021. Based on the same set of countries in the 2021 and 2024 surveys, Lebanon's global rank improved by seven spots and its Arab rank increased by one position from the 2021 survey.

The TTDI measures the set of factors and policies that enable the sustainable development of the Travel & Tourism (T&T) sector. The index includes 17 component pillars grouped in five sub-indices that are the Enabling Environment Sub-Index, the T&T Policy and Enabling Conditions Sub-Index, the Infrastructure and Services Sub-Index, the T&T Resources Sub-Index, and the T&T Sustainability Sub-Index. The rankings are based on scores that range from one to seven, with higher scores reflecting more developed T&T sectors.

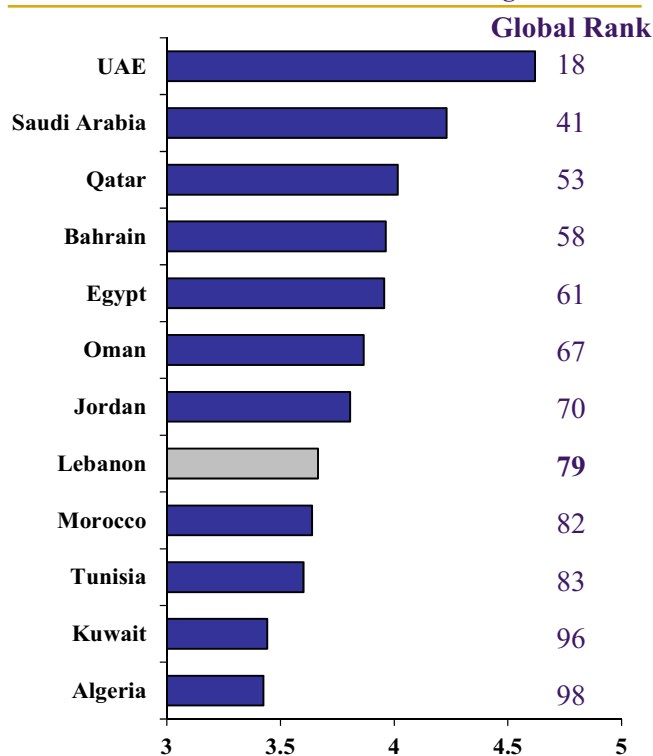
Globally, the World Economic Forum considered Lebanon's T&T sector to be more developed than the T&T sectors of Ecuador, Tanzania and Morocco, and is less developed than the T&T sectors in Sri Lanka, Kenya and Uzbekistan. Lebanon ranked ahead of Morocco, Tunisia, Kuwait, and Algeria on the index among Arab countries. Also, Lebanon received a score of 3.66 points on the 2024 index, constituting an increase of 2.6% from 3.57 points on the previous index. In comparison, the average score of the 119 countries included in the index stood at 3.96 points and the Arab average score was 3.85 points, while the average score of Gulf Cooperation Council (GCC) was 4.02 points and the average score of non-GCC Arab countries was 3.68 points.

Lebanon ranked in 52nd place worldwide and in sixth place in the Arab world on the T&T Policy & Enabling Conditions Sub-Index. This indicator assesses specific policies or strategic aspects that have a direct impact on the T&T industry. Lebanon came ahead of Bolivia and Japan, and ranked behind Greece and Lithuania worldwide, while it trailed only the UAE, Egypt, Tunisia, Jordan, and Morocco in the Arab world.

Further, Lebanon ranked in 53rd place globally and in first place in the Arab world on the T&T Sustainability Sub-Index. This indicator captures the current or potential T&T sustainability challenges and risks in a country, which include environmental sustainability, as well as the quality and socioeconomic impact of T&T in a country. Globally, Lebanon preceded Nigeria and Honduras, and trailed Japan and Ghana, while it ranked first in the Arab region.

In addition, Lebanon ranked in 56th place globally and in seventh place in the Arab world on the Infrastructure and Services Sub-Index. This indicator evaluates the availability and quality of physical infrastructure and tourism services in a country. Globally, Lebanon preceded Indonesia and Costa Rica, and trailed Oman and Azerbaijan. Regionally, it came ahead of only Morocco, Jordan, Kuwait, Tunisia and Algeria.

**Travel & Tourism Development Index for 2024
Arab Countries Scores & Rankings**



Source: World Economic Forum, Byblos Research

Components of the Travel & Tourism Development Index for 2024

	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
T&T Policy and Enabling Conditions Sub-Index	52	6	4.45	4.31	4.32
T&T Sustainability Sub-Index	53	1	4.25	4.19	3.76
Infrastructure and Services Sub-Index	56	7	3.42	3.42	3.62
Enabling Environment Sub-Index	85	10	4.19	4.75	4.74
T&T Resources Sub-Index	100	12	1.66	2.63	2.23

Source: World Economic Forum, Byblos Research



Gaza War affecting economy, resolution of sovereign default unlikely in near term

Global investment bank Goldman Sachs considered that Lebanon's economic indicators are showing signs of stabilization in spite of the ongoing economic and political challenges that the country is facing. It noted that the stabilization of the exchange rate of the Lebanese pound following the unification of the exchange rate regime last year reduced inflationary pressures, helped stimulate remittance inflows, and limited imports. It added that this has supported the balance of payments and resulted in the increase of foreign currency reserves.

It estimated that real GDP contracted by 1.8% in 2023 but projected a growth rate of 0.2% in 2024, and forecast growth rates of 2.9% and of 4.6% in 2024 and 2025, respectively. It added that the inflation rate reached 203.2% at the end of 2023 and anticipated it to decline to 79.6% at end-2024 and at end-2025, and to drop to 21.6% at end-2026.

In parallel, it indicated that the country faces acute economic challenges due to the impact of the conflict in the Gaza Strip on tourist inflows, which have declined by one third relative to their level prior to October. It added that maritime traffic through the Port of Beirut has been limited, with the flow of containers at two thirds of what it was prior to the explosion at the port in August 2020. It anticipated tensions along the Lebanese southern border to remain elevated for the rest of the year and estimated that the risk of military escalation is high.

Further, it projected the fiscal deficit to narrow from 1% of GDP in 2023 to 0.2% of GDP in 2024, and to average at 0.3% of GDP in the 2025-26 period. Also, it anticipated the primary balance to switch from a deficit of 0.2% of GDP in 2023 to surpluses of 0.7% of GDP in 2024, 0.4% of GDP in 2025 and 0.3% of GDP in 2026.

In addition, it noted that progress on finalizing a deal with the International Monetary Fund, following the signature of a Staff-Level Agreement two years ago, remains slow. Also, it considered that the question of the distribution of the financial sector's losses between the government, the banks' shareholders and depositors to be a political issue. It noted that the prospects for a near-term resolution of the sovereign default on Lebanon's external obligations are distant due to the vacancy in the Lebanese presidency.

Further, it forecast the current account deficit to narrow from 17.8% of GDP in 2023 to 8.6% of GDP in 2024, and to record surpluses of 2.3% of GDP in 2025 to 11.1% of GDP in 2026.

Amount of cleared checks in Lebanese pounds up 31.5% in first four months of 2024

The amount of cleared checks in Lebanese pounds reached LBP23,264bn in the first four months of 2024, constituting an increase of 31.5% from LBP17,963bn in the first four months of 2023, while the amount of cleared checks in foreign currency was \$581m and dropped by 65.6% from \$1.69bn in the first four months of 2023. Also, there were 75,294 cleared checks in the first four months of 2024, down by 60.5% from 190,418 checks in the same period of 2023. In addition, the amount of cleared checks in Lebanese pounds stood at LBP5,703bn in April 2024, constituting a decrease of 6% from LBP6,061bn in March 2024 and a surge of 85.3% from LBP3,077bn in April 2023. Further, the amount of cleared checks in foreign currency was \$65m in April 2024, and dropped by 16.7% from \$78m in the previous month and by 51% from \$133m in April 2023. Also, there were 16,194 cleared checks in April 2024 relative to 17,580 checks in March 2024 and to 30,591 cleared checks in April 2023.

Further, the amount of cleared checks in "fresh" Lebanese pounds stood at LBP3,404bn, while the amount of cleared checks in "fresh" foreign currency was \$60m in the first four months of 2024. Also, there were 2,023 cleared checks in "fresh" Lebanese pounds and 4,209 cleared checks in "fresh" foreign currency in the covered period.

In parallel, the amount of returned checks in Lebanese pounds totaled LBP172bn in the first four months of 2024, down by 52.4% from LBP361bn in the same period last year, while the amount of returned checks in foreign currency was \$20.5m and decreased by 64.7% from \$58m in the first four months of 2023. Also, the amount of returned checks in Lebanese pounds stood at LBP10bn in April 2024, as it grew by 11% from LBP9bn in March 2024 and dropped by 86% from LBP71bn in April 2023. Moreover, the amount of returned checks in foreign currency was \$1m in April 2024, up by 113.2% from \$0.47m in the previous month and down by 96.4% from \$28m in April 2023.

Further, there were 426 returned checks in the first four months of 2024, representing a drop of 74% from 1,635 returned checks in the same period last year. Also, the number of returned checks in foreign currency reached 142 in the covered period and fell by 77.6% from 633 checks in the first four months of 2023, while the number of returned checks in Lebanese pounds totaled 284 and contracted by 71.7% from 1,002 checks from the same period last year. In addition, there were 97 returned checks in April 2024, relative to 85 returned checks in the preceding month and to 355 checks in April 2023. Further, there were 75 returned checks in Lebanese pounds in April 2024 compared to 68 in the previous month and to 213 in April 2023, while there were 22 returned checks in foreign currency in April 2024 relative to 17 checks in the preceding month and 142 returned checks in April 2023.

In addition, the amount of returned checks in "fresh" foreign currency stood at \$389,121, while the amount of returned checks in "fresh" Lebanese pounds was LBP3.33bn in the first four months of the year. Also, there were eight returned checks in "fresh" foreign currency and 65 returned checks in "fresh" Lebanese pounds in the first four months of 2024.



Foreign direct investments up 24% to \$655m in 2023

Figures released by Banque du Liban show that foreign direct investments (FDI) in Lebanon totaled \$655.4m in 2023, constituting an increase of 24.4% from \$526.8m in 2022. FDI in Lebanon reached \$274.2m in the first quarter of 2023, \$103.4m in the second quarter, \$153.1m in the third quarter, and \$124.8m in the fourth quarter of 2023. As such, they grew by 80.7% in the first quarter, 21% in the third quarter, and 6.7% in the fourth quarter of 2023 from the same quarters of 2022, while they decreased by 19.2% in the second quarter of 2023 from the same period of the previous year. FDI inflows in 2023 reached their third lowest annual level since BdL started publishing detailed figures about the balance of payments in 2002, relative to \$526.8m in 2022 and \$599.8m in 2021. FDI inflows to Lebanon averaged \$2.5bn annually between 2002 and 2023, and registered a high of \$4.4bn in 2009. Further, FDI inflows were equivalent to 3.7% of GDP in 2023 compared to 2.5% of GDP in 2022.

In parallel, FDI outflows from Lebanon reached \$72.7m in 2023, relative to outflows of \$66.2m in 2022. FDI outflows reached \$8.6m in the first quarter, \$39.1m in the third quarter, and \$33m in the fourth quarter of 2023, while there were divestments in resident investments from non-resident markets of \$8m in the second quarter of the year. In addition, FDI outflows from Lebanon in 2023 reached their fourth lowest annual level between 2002 and 2023, relative to \$0.2m in 2002, \$28.9m in 2020, and \$66.2m in 2022. In comparison, they averaged \$656.7m annually in the 2002-23 period. Also, FDI outflows were equivalent to 0.4% of GDP in 2023 compared to 0.3% of GDP in 2022.

As such, net FDI inflows to Lebanon stood at \$582.8m in 2023 and increased by 26.5% from \$460.7m in 2022. Net FDI inflows last year registered their second lowest annual level between 2002 and 2023, relative to \$460.7m in 2022. They averaged \$2.4bn annually between 2002 and 2012, and \$1.3bn yearly during the 2013-2023 period. They peaked at \$3.25bn in 2009. They were equivalent to 3.2% of GDP in 2023 relative to 2.2% of GDP in 2022.

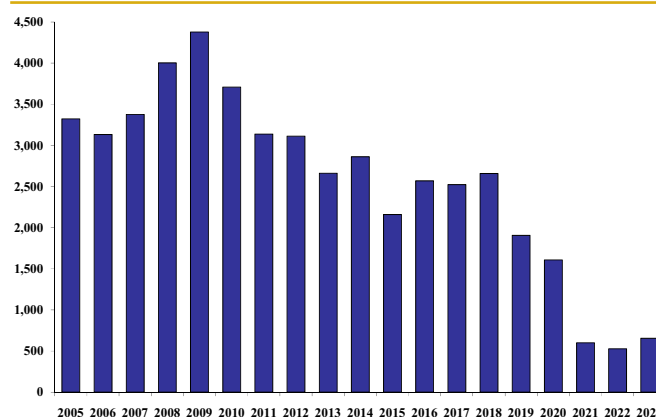
62.5% of Treasury securities in Lebanese pounds have seven-year maturities or longer at end-March 2024

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds stood at LBP86,133bn at the end of March 2024 compared to LBP89,543bn at end-March 2023. The securities were equivalent to \$962.4m at the end of March 2024 based on the new exchange rate of LBP89,500 per US dollar, according to the BdL Central Council's Decision No. 48/4/24 dated February 15, 2024. The weighted interest rate on Lebanese Treasury securities was 6.34% in March 2024 compared to 6.36% in March 2023.

Also, the distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP32,951bn and accounted for 38.3% of aggregate securities denominated in Lebanese pounds at the end of March 2024, followed by seven-year Treasury securities with LBP16,396bn (19%), five-year Treasury bonds with LBP11,643bn (13.5%), one-year T-bills with LBP7,922bn (9.2%), three-year Treasury securities with LBP6,771bn (7.9%), two-year Treasury bonds with LBP5,511bn (6.4%), 12-year Treasury securities with LBP3,076bn (3.6%), 15-year Treasury bonds with LBP1,417bn (1.6%), six-month Treasury bills with LBP446bn (0.5%), and three-month T-bills with LBP33bn (0.04%). As such, 62.5% of outstanding Treasury securities have seven-year maturities or longer and 76% have five-year maturities or more.

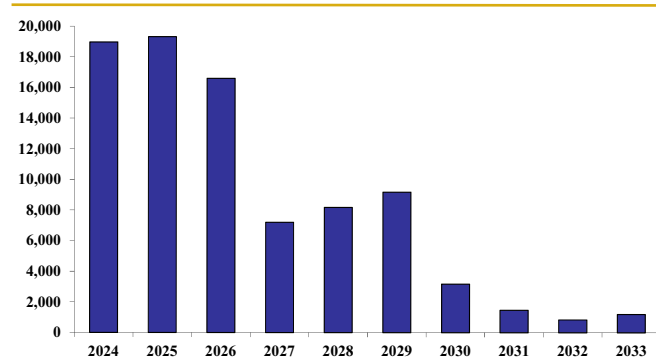
In parallel, LBP1,245bn in outstanding Treasury securities denominated in Lebanese pounds matured in March 2024. The distribution of maturing securities shows that 23.5% consisted of one-year T-bills, 19% were five-year Treasury bonds, 17.6% consisted of three-year Treasury securities and of six-month Treasury bills, 16% consisted of two-year Treasury bonds, 3.8% were seven-year Treasury bonds, and 2.7% were three-month Treasury securities. According to ABL, LBP18,968bn in outstanding Treasury securities in Lebanese pounds will mature in the remainder of 2024.

Foreign Direct Investment Inflows (US\$m)



Source: Banque du Liban, Byblos Research

Projected Maturities of Treasury Securities in LBP* (LBP billions)



*as at end-March 2024

Source: Association of Banks in Lebanon, Byblos Research

Number of registered real estate transactions at 9,361 in first four months of 2024

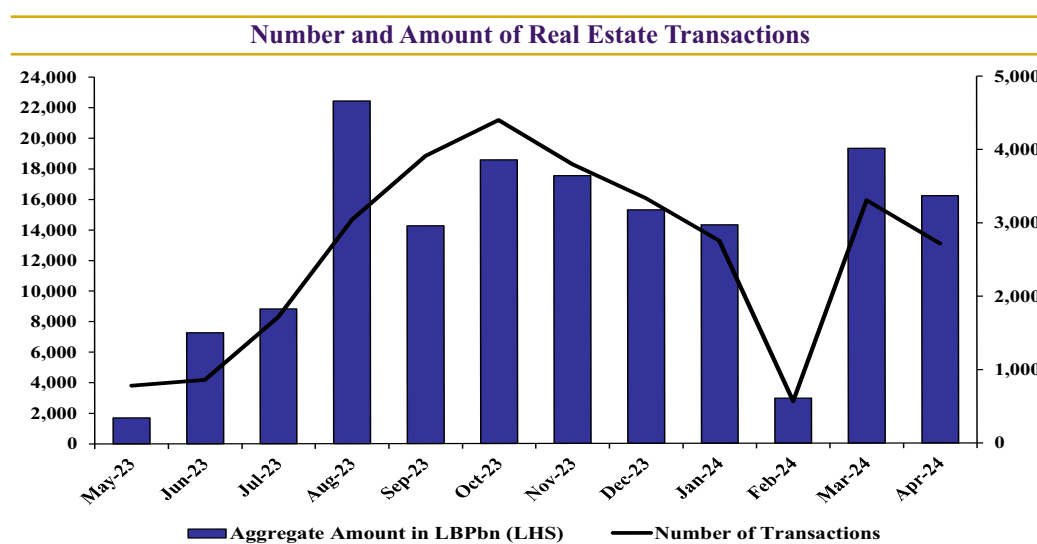
Figures released by the Ministry of Finance show that the ministry registered 9,361 real estate transactions in the first four months of 2024 compared to 1,761 real estate transactions in the same period of 2023. In comparison, the ministry registered 32,288 real estate transactions in the first four months of 2022 and 22,580 real estate deals in the same period of 2021. The surge in the number of registered transactions in the first four months of 2024 is due mainly to the resumption of activity in the General Directorate of Land Registry and Cadastre, as repeated strike by public sector employees delayed for long periods of time the registration of real estate transactions.

Further, the ministry registered 2,650 real estate transactions in the North in the first four months of 2024, representing 28.3% of the total. The Bekaa/Baalbeck-Hermel region followed with 2,205 deals or 23.6% of the total, then the South governorate with 1,865 transactions (20%), Beirut with 1,139 deals (12.2%), the Nabatieh governorate with 1,067 transactions (11.4%), and the Keserwan/Jbeil region with 16 deals (0.2%), while it did not register any real estate transactions in the Baabda/Aley/Chouf area and the Northern Metn district in the covered period due to the prevailing strikes. Also, real estate transactions totaled 2,718 in April 2024, and decreased by 18% from 3,312 real estate deals in March 2024.

In parallel, the aggregate amount of registered real estate transactions stood at LBP52,709.7bn in the first four months of 2024 relative to LBP1,591.5bn in the same period last year. In comparison, the amount of real estate deals was LBP4.5bn in the first four months of 2022 and LBP3.5bn in the same period of 2021. Further, the value of registered real estate transactions in Beirut was LBP26,954.7bn and accounted for 51% of the total in the first four months of 2024. The South governorate followed with LBP9,242.8bn (17.5%), then the North region with LBP7,988.8bn (15.2%), the Bekaa/Baalbeck-Hermel region with LBP4,311.1bn (8.2%), the Nabatieh governorate with LBP3,304.2bn (6.3%), and the Keserwan/Jbeil region with LBP3.1bn (0.01%). In addition, the aggregate amount of real estate transactions reached LBP16,173.7bn in April 2024, constituting a decline of 16.2% from LBP19,294.2bn in March 2024.

In parallel, the average amount per registered real estate transaction was LBP5.6bn in the first four months of 2024, and jumped by 523% from an average of LBP903.8m in the same period of 2023. Further, there were 198 real estate transactions executed by foreigners in the first four months of 2024, compared to 26 deals in the same period of 2023, to 311 transactions in the first four months of 2022, and to 316 deals in the same period of 2021. The number of real estate deals by foreigners accounted for 2.1% of the registered real estate transactions in the first four months of 2024, up from 1.5% in the same period of 2023 and relative to 1% in the first four months of 2022 and to 1.4% in the same period of 2021.

Further, 27.8% of real estate transactions executed by foreigners in the first four months of 2024 were in the North region, followed by Beirut (25.3%), then the South governorate (23.7%), the Bekaa/Baalbeck-Hermel region (20.7%), and the Nabatieh governorate (2.5%). The latest available figures show that Syrian citizens accounted for 44.5% of the amount of real estate transactions executed by foreigners in December 2023, followed by Qatari nationals (13.6%), U.S. citizens (8.2%), Citizens from Germany (6%), and Canadian citizens (3.1%), while the remaining 24.6% accounted for citizens from other countries.



Source: Ministry of Finance, Byblos Research

Currency in circulation down 5% in 12-months ending March 2024

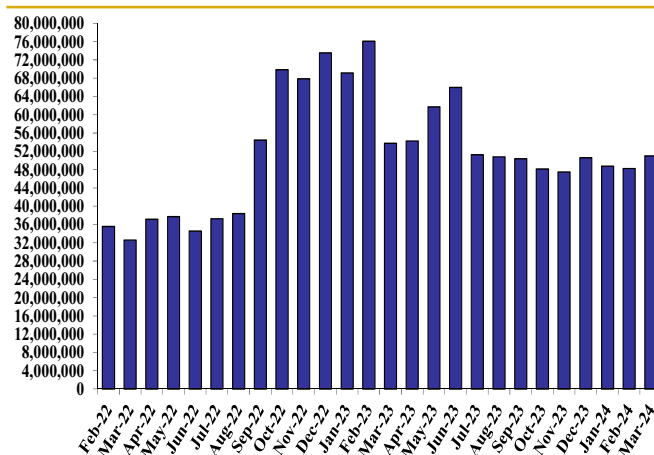
Figures released by Banque du Liban (BdL) show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP89,164.2bn at the end of March 2024, constituting increases of 4.3% from LBP85,449.6bn at the end of 2023 and of 3% from LBP86,633.4bn at end-March 2023. Currency in circulation stood at LBP50,988.4bn at the end of March 2024, as it grew by 0.7% from LBP50,599.7bn at end-2023 and decreased by 5% from LBP53,748.1bn at end-March 2023. Also, demand deposits in local currency stood at LBP38,175.7bn at the end of March 2024, and increased by 9.5% in the first quarter of 2024 and by 16% from end-March 2023. Money supply M1 grew by 7% in March from LBP83,364.4bn at end-February 2024, with currency in circulation expanding by 5.7% and demand deposits in local currency improving by 8.7% month-on-month.

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP104,155.5bn at the end of March 2024, constituting increases of 3.3% from LBP100,787.3bn at end-2023 and of 0.3% from LBP103,837.6bn a year earlier. Term deposits in Lebanese pounds stood at LBP14,991.3bn at the end of March 2024, and declined by 2.3% from LBP15,337.7bn at end-2023 and by 13% from LBP17,204.2bn at end-March 2023. Money supply M2 rose by 5.8% in March from LBP98,399.7bn at end-February 2024, while term deposits in local currency regressed by 0.3% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP6,358 trillion (tn) at the end of March 2024, with deposits in foreign currency totaling LBP6,230tn and debt securities of the banking sector amounting to LBP23,870bn at end-March 2024. In parallel, M3 increased by LBP5,191.8tn in the first quarter of 2024 due to a jump of LBP3,943.3tn in claims on the public sector, a rise of LBP1,397.5tn in the net foreign assets of deposit-taking institutions and a surge of LBP503,071bn in claims on the private sector, which were offset by a decline of LBP652,107.2bn in other items. The surge in M3 is due to the impact of the new exchange rate of the Lebanese pound that went into effect on January 31, 2024. BdL indicated that the change in its net foreign assets during the covered period includes the net flow of the internationally traded net Lebanese Government's sovereign bonds in foreign currencies that BdL bought during the same year only.

BdL issued 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. BdL requested banks and financial institutions, in line with the provisions of International Accounting Standard 21, to convert their foreign currency monetary assets and liabilities and non-monetary assets classified by fair value or by equity method at the exchange rate published on BdL's electronic platform at the date of the preparation of the financial statements. It added that the decision is applicable as of January 31, 2024. BdL had modified on February 1, 2023 the official exchange rate of the Lebanese pound against the US dollar from LBP1.507.5 per dollar to LBP15,000 per dollar, as part of the measures to unify the multiple exchange rates of the dollar that prevail in the Lebanese economy.

Currency in Circulation (LBP millions)



Source: Banque du Liban, Byblos Research

Consumer Price Index up 60% year-on-year in April 2024

The Central Administration of Statistics' Consumer Price Index increased by 97.1% in the first four months of 2024 from the same period of 2023. In comparison, it grew by 213.4% and by 216.3% in the first four months of 2023 and 2022, respectively.

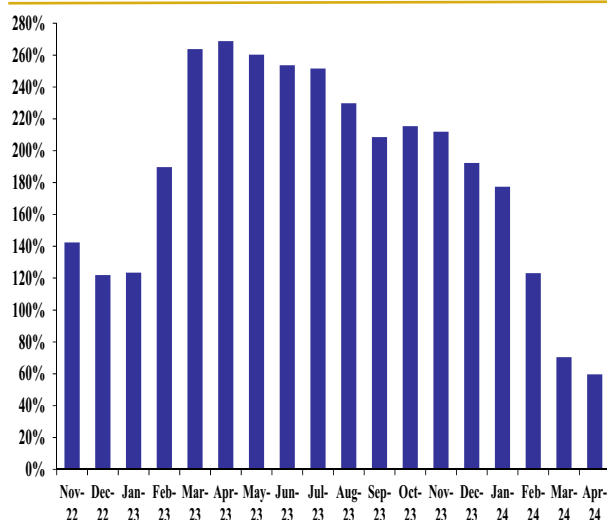
The CPI rose by 59.7% in April 2024 from the same month of 2023 and registered its second double-digit increase since July 2020, following the 60% month-on-month rise in March 2024. The slowdown of the inflation rate is due in part to the increasing dollarization of consumer goods and services in the economy, and to the stabilization of the exchange rate of the Lebanese pound against the US dollar since July 2023. However, the cumulative surge in the inflation rate is due in part to the repeated increase in customs tariffs, to the rise of telecommunications rates and electricity tariffs, and to the inability of the authorities to monitor and contain retail prices. It is also due to the impact of rising transportation costs and insurance rates on imported goods in the wake of the war in the Gaza Strip.

The cost of education surged by 6.9 times in April 2024 from the same month in 2023, followed by imputed rent (+2.3 times), actual rent (+1.9 times), as well as the cost recreation & entertainment (+1.6 times). In addition, healthcare costs rose by 50.2% year-on-year in April 2024, followed by the cost of water, electricity, gas & other fuels (+47.2%), the prices of food and non-alcoholic beverages (+33.5%), the rates at restaurants & hotels (+30.2%), the cost of communication services (+30%), the prices of clothing & footwear (+27.2%), the cost of alcoholic beverages & tobacco (+22.7%), transportation costs and the prices furnishings & household equipment (+9.2% each), while the prices of miscellaneous goods & services rose by 52%. Also, the distribution of actual rent shows that new rent surged by 158.2% and old rent increased by 27% in April 2024 from the same month of 2023.

In parallel, the CPI increased by 1.7% in April 2024 from the previous month, similar to the month-on-month rise in March 2024. The prices of clothing & footwear rose by 6.1% in April 2024 from March 2024, followed by the prices of water, electricity, gas and other fuels (+3.6%), the rates at restaurants & hotels (+3.2%), the cost of transportation and miscellaneous goods & services (+3.1% each), the prices of food & non-alcoholic beverages and the cost of alcoholic beverages & tobacco (+1.2% each), the prices of furnishings & household equipment (+0.5%), the cost of recreation & entertainment (0.4%), as well as the cost of healthcare (+0.3%). Also, the cost of education and of communication were unchanged from the previous month. Also, the distribution of actual rent shows that new rent increased by 0.8%, while old rent remained unchanged in April 2024 from the preceding month.

Further, the CPI increased by 2.57% in the North, by 2.47% in the South, by 1.56% in Mount Lebanon, by 1.55% in the Nabatieh, by 1.49% in Beirut, and by 1.11% in the Bekaa in April 2024 from the previous month. In parallel, the Fuel Price Index grew by 2.04% while the Education Price Index remained unchanged month-on-month in April 2024.

Annual Change in Consumer Price Index* (%)



*from the same month of the previous year

Source: Central Administration of Statistics, Byblos Research

Term deposits account for 54.3% of customer deposits at end-March 2024

Figures issued by Banque du Liban about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at LBP8,426.6 trillion (tn) at the end of March 2024, or the equivalent of \$94.2bn, compared to LBP8,446.4tn (\$94.4bn) at end-February 2024. Total deposits include private sector deposits that reached LBP8,118tn, deposits of non-resident financial institutions that amounted to LBP246.2tn, and public sector deposits that stood at LBP62.4tn at the end of March 2024. 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.

Term deposits in all currencies reached LBP4,572tn and accounted for 54.3% of total deposits in Lebanese pounds and in foreign currency at the end of March 2024 relative to a share of 54% at end-2023 and of 56% at end-March 2023. Further, the foreign currency-denominated term deposits of the public sector declined by 25.2% from end-2023, followed by a decrease of 9.2% in the term deposits of the non-resident financial sector, a contraction of 4.3% in the term deposits in Lebanese pounds of the resident private sector, a retreat of 2.1% in foreign currency-denominated term deposits of the resident private sector, and a downturn of 1.6% in the term deposits of non-residents. This was offset by an increase of 83.3% in the term deposits in Lebanese pounds of the public sector from the end of 2023. Aggregate term deposits declined by \$115.4bn since the end of September 2019, based on the new exchange rate, due to the migration of funds from term to demand deposits and to cash withdrawals, amid the confidence crisis that started in September 2019.

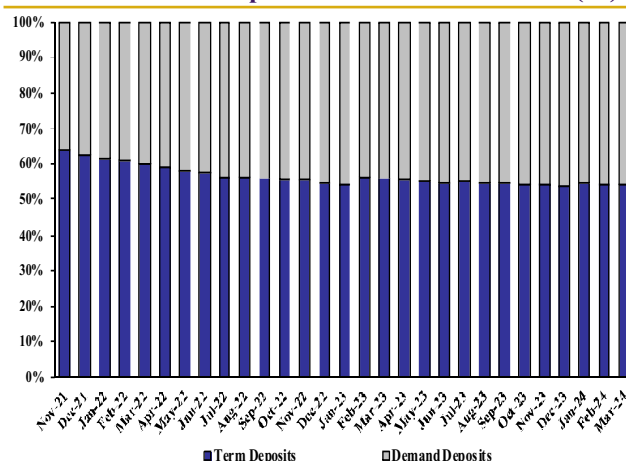
In addition, the foreign currency-denominated term deposits of the resident private sector reached \$36.2bn and accounted for 38.5% of aggregate deposits at the end of March 2024, relative to 37.4% at end-2023 and 39.1% at end-March 2023. Term deposits of non-residents followed with \$12.7bn or 13.5% of the total, then the term deposits of the non-resident financial sector with \$1.6bn (1.7%), term deposits of the public sector in foreign currency with \$231.2m (0.2%), term deposits in Lebanese pounds of the resident private sector with LBP14.4tn (0.2%), and term deposits of the public sector in Lebanese pounds with LBP8.7tn (0.1%).

In parallel, demand deposits in all currencies at commercial banks stood at LBP3,854.6tn at the end of March 2024 compared to LBP3,855.2tn at end-February 2024. They accounted for 45.7% of aggregate deposits at end-March 2024 relative to a share of 46% at end-2023 and 44.1% at end-March 2023. Foreign currency-denominated demand deposits of the resident private sector decreased by \$360.1m from end-2023, followed by a decline of \$20.2m in demand deposits in foreign currency of the public sector. This was partly offset by an increase of \$31.8m in demand deposits of the non-resident financial sector, an upturn of LBP2,827bn in demand deposits in Lebanese pounds of the resident private sector, an increase of \$10.5m in demand deposits of non-residents, and a rise of LBP688.1bn in demand deposits in Lebanese pounds of the public sector.

Also, demand deposits in foreign currency of the resident private sector totaled \$33bn and represented 35% of deposits at end-March 2024, relative to 33.7% at end-2023 and to 32.4% at the end of March 2023. Demand deposits of non-residents followed with \$8.2bn (8.7%), then demand deposits of the non-resident financial sector with \$1.1bn (1.2%), demand deposits in Lebanese pounds of the resident private sector with LBP37tn (0.4%), demand deposits in foreign currency of the public sector with \$312.2m (0.3%), and demand deposits in Lebanese pounds of the public sector with LBP4.05tn (0.05%).

Based on the latest available figures, Beirut and its suburbs accounted for 66.2% of private-sector deposits and for 53% of the number of depositors at the end of September 2023. Mount Lebanon followed with 14.7% of deposits and 16.7% of beneficiaries, then South Lebanon with 7.4% of deposits and 10.5% of depositors, North Lebanon with 6.6% of deposits and 11.9% of beneficiaries, and the Bekaa with 5.1% of deposits and 8.1% of depositors.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban, Byblos Research

Balance sheet of financial institutions at LBP39.5 trillion at end-March 2024

Figures released by Banque du Liban show that the consolidated balance sheet of financial institutions in Lebanon totaled LBP39.5 trillion (tn) at the end of March 2024, or the equivalent of \$441.4m, constituting an increase of 2.3% from LBP38.6tn (\$431.6m) at the end of February 2024. 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.

On the assets side, claims on resident customers amounted to LBP23tn (\$256.8m) at the end of March 2024 and grew by 2.4% from LBP22.4tn (\$250.7m) at end-February 2024. Claims on resident customers in Lebanese pounds totaled LBP455.6bn at end-March 2024, constituting a decrease of 2.4% from LBP466.8bn at end-February 2024; while claims on resident customers in foreign currency amounted to \$251.8m at end-March 2024, and grew by 2.5% from \$245.5m at end-February 2024 and by 20% from LBP209.7bn at end-March 2024. Also, claims on non-resident customers stood at \$9.1m at end-March 2024, and increased by 1.4% from \$8.95m at end-February 2024 and by 3.6% from \$8.8m at end-2023. In addition, claims on the resident financial sector reached LBP10.4tn (\$116.7m) at end-March 2024, up by 2.7% from LBP10.2tn (\$113.6m) at end-February 2024. Also, claims on the resident financial sector in Lebanese pounds amounted to LBP230.1bn at end-March 2024, constituting decreases of 2.7% from LBP236.5bn at end-February 2024 and of 10.5% from LBP257bn at end-2023; while claims on the resident financial sector in foreign currency totaled \$114.2m at end-March 2024, up by 3% from \$111m at end-February 2024, and down by 1% from \$115.2m at end-2023.

Further, claims on the non-resident financial sector reached \$14.5m at the end of March 2024, as they increased by 3% from \$14.1m at the end of February 2024 and dropped by 36.3% from end-2023. Also, claims on the public sector stood at LBP20.1bn at end-March 2024, constituting an uptick of 5% from LBP19.2bn at end February-2024; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, amounted to LBP847.2bn at end-March 2024 and grew by 1.3% from LBP836.7bn at end-February 2024. In parallel, currency and deposits with local and foreign central banks reached LBP1.94tn (\$21.7m) and declined by 7.1% from LBP2.1tn (\$23.3m) at the end of February 2024.

On the liabilities side, deposits of resident customers stood at LBP10.4tn (\$116.4m) at the end of March 2024, and increased by 9.8% from LBP9.5tn (\$106m) at the end of February 2024. Deposits of resident customers in Lebanese pounds amounted to LBP88.5bn at end-March 2024, representing decreases of 1.4% from LBP89.8bn at end-February 2024; while deposits of resident customers in foreign currency totaled \$115.4m at end-March 2024, constituting an increase of 10% from \$105m at end-February 2024. Also, deposits of non-resident customers reached \$4.53m at the end of March 2024, as they grew by 0.5% from \$4.51m at end-February 2024 and regressed by 4% from \$4.72 at end-2023.

Further, liabilities to the resident financial sector amounted to LBP9.44tn (\$105.5m), up by 1.6% from LBP9.3tn (\$104m) at end-February 2024. Liabilities to the resident financial sector in Lebanese pounds totaled LBP297bn at end-March 2024, and surged by 19.8% from LBP247.8bn at end-February 2024, while liabilities to the resident financial sector in foreign currency reached \$102.2m at the end of March 2024 and grew by 1.1% from \$101.1m at end-February 2024. In addition, liabilities to the non-resident financial sector amounted to \$36.2m at end-March 2024, up by 3.7% from \$34.95m at end-February 2024. Also, public sector deposits totaled LBP484.5bn at end-March 2024 relative to LBP480.1bn at end-February 2024, while issued debt securities stood at LBP86.8bn at end-March 2024 compared to LBP322bn at end-February 2024. Further, the aggregate capital account of financial institutions was LBP6.46tn (\$72.1m) at end-March 2024, relative to LBP6.62tn (\$74m) at the end of February 2024 and to LBP1.33tn (\$88.7m) at end-2023.



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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