

LEBANON THIS WEEK

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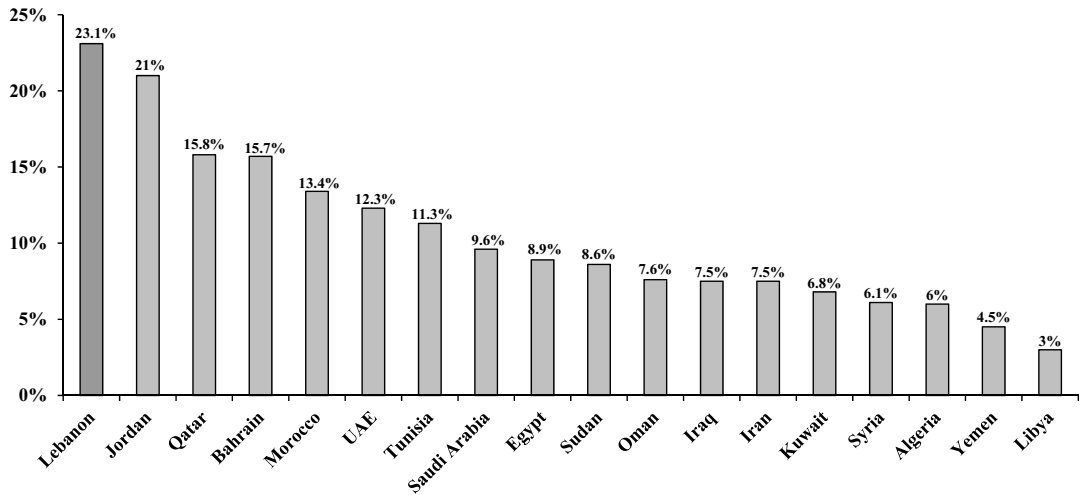
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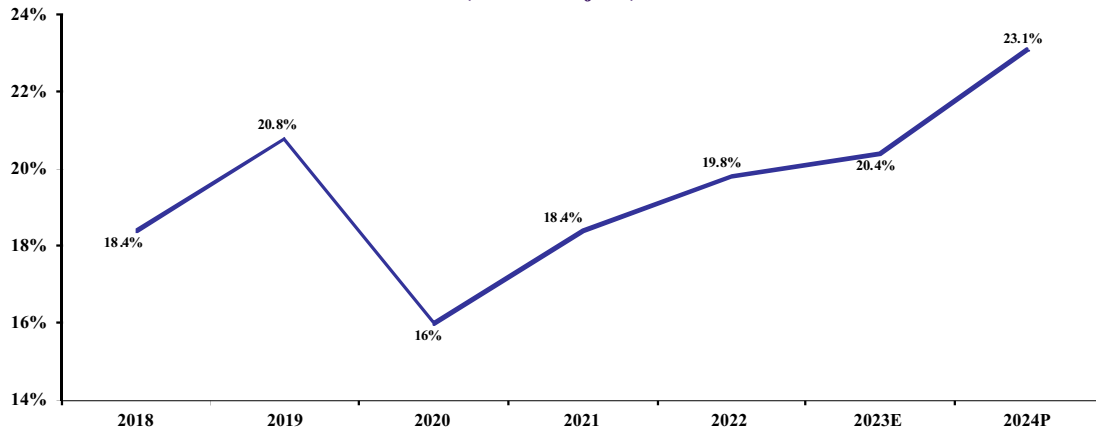
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Charts of the Week

Jobs in the Tourism and Travel Industry in Select Countries in the Middle East and North Africa Region in 2024
 (% of total jobs)



Jobs in the Tourism and Travel Industry in Lebanon
 (% of total jobs)



Source: World Travel & Tourism Council, Byblos Bank

Quote to Note

"A two-year presidential void, a caretaker government with limited powers, and minimal legislative activity, have significantly hindered the development of a comprehensive plan to resolve the ongoing economic and financial crisis."

The World Bank, on the causes of the delays in implementing structural reforms

Number of the Week

51: Number of months since the previous government decided to default on Lebanon's Eurobonds obligations

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 %
BLOM GDR	3.32	5.1	81,000	1.4%	Nov 2024	6.25	7.00	3,344.66
Solidere "A"	70.00	(0.1)	42,591	41.1%	Jun 2025	6.25	7.00	553.15
Solidere "B"	69.75	0.1	5,107	26.6%	Nov 2026	6.60	7.00	143.29
Byblos Common	0.63	(6.0)	4,360	2.1%	Mar 2027	6.85	7.00	122.48
HOLCIM	62.05	(5.8)	1,818	7.1%	Nov 2028	6.65	7.00	70.67
Audi GDR	1.12	0.0	-	0.8%	Feb 2030	6.65	7.00	52.46
Audi Listed	1.56	0.0	-	5.4%	Apr 2031	7.00	7.00	42.75
BLOM Listed	4.37	0.0	-	5.5%	May 2033	8.20	7.00	32.10
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	7.00	24.76
Byblos Pref. 09	29.99	0.0	-	0.4%	Mar 2037	7.25	7.00	21.92

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

Source: Refinitiv

	Jun 3-7	May 27-31	% Change	May 2024	May 2023	% Change
Total shares traded	137,925	173,269	(20.4)	495,504	817,904	(39.4)
Total value traded	\$3,725,002	\$7,017,972	(46.9)	\$25,233,203	\$29,115,048	(13.3)
Market capitalization	\$17.04bn	\$17.12bn	(0.5)	\$17.12bn	\$18.93bn	(9.5)

Source: Beirut Stock Exchange (BSE)



Eurobonds buyback implausible, potential recourse to courts unlikely to affect Lebanon's foreign assets

Bank of America (BofA) did not expect the Lebanese authorities to carry out a buyback of Eurobonds in the near-term. It noted that the political class views a buyback as an isolated exercise and not as part of a more comprehensive economic reforms plan, and that a bonds buyback is likely to generate domestic popular opposition, which would reduce political support for such a move. It estimated that the authorities' purchase of the bonds in the market or through a tender process are likely to push Eurobond prices up, given the volatile secondary market liquidity. It added that this would mean that fully retiring the \$31.3bn face value of the Eurobonds would deplete a larger share of Banque du Liban's (BdL) foreign currency reserves than implied by current bond market prices.

Further, it indicated that the ongoing institutional vacuum and challenging political domestic situation complicate the resolution of the prescription clause in the Eurobonds contracts that would gradually kick in from March 2025. It said that bondholders could be gradually losing their claim to "Past Due Interest" from March 2025, which is five years after the March 2020 default. It added that the bonds' notes, receipts and coupons will become void unless their holders submit them for payment within a period of 10 years for the principal and within five years for the interest after the date on which payment first becomes due.

It considered that the Lebanese Cabinet could approve extending the timeline of the prescription clause, and that a "tolling" agreement with bondholders would subsequently need to be endorsed by courts in the State of New York. But it noted that the Lebanese authorities may be reluctant to proceed with such an agreement due to the potentially unpopular domestic reception of this measure, given the possible perception of a preferential treatment of bondholders compared to domestic depositors and households. It suggested that an alternative solution may consist of obtaining a judgment in favor of bondholders in New York courts that could preserve their contractual rights, and noted that a favorable judgment is unlikely to allow bondholders to attach foreign assets of the Lebanese sovereign to their claims. Still, it added that this may allow bondholders to seek a better treatment from the sovereign in a potential future restructuring, relative to other bondholders without such judgment, as they will be bound by Collective Action Clauses.

In parallel, BofA considered that the ongoing and escalating military clashes between Israel and Hezbollah, and the lack of a diplomatic resolution to date, could put at risk the prevailing macroeconomic stabilization in the country. It added that the ongoing military tensions have contributed to the persistence of the institutional vacuum, and paralysis at the presidential, governmental, and legislative levels.

Further, it pointed out that macroeconomic stabilization is fragile and may have reduced the incentives of the political class to implement structural reforms. It pointed out that the 2024 budget has moved close to balance, as the enacted budget reflects the absence of debt servicing in foreign currency, the alignment of the exchange rate of the US dollar at customs with the parallel market rate, and the adjustment to tax brackets and wages, but did not include the implementation of broader reforms. Also, it noted that the current account deficit narrowed from \$11.1bn in 2019, which is equivalent to 21.8% of GDP, to \$5.6bn, or 28% of GDP in 2023, but that it widened from the deficit of \$2.8bn, or 11.4% of GDP, in 2020. It considered that the quality of financing of the external deficit is poor, as the 2023 deficit was largely financed by the repatriation of other assets held outside Lebanon, as well as by net errors and omissions.

In addition, it indicated that the increase in BdL's liquid foreign currency reserves by \$1.3bn between end-July 2023 and the end of May 2024 has been supported by tighter fiscal policy, BdL's sterilization of liquidity in Lebanese pounds, and its purchases of foreign currency in the domestic market. Also, it said that the exchange rate of the Lebanese pound to the US dollar has been stable at LBP89,500 per dollar in the parallel market, although BdL efforts towards the unification of the exchange rate have been delayed by the regional geopolitical tensions.

Moreover, it considered that any material financial support to Lebanon is contingent on reaching an agreement with the International Monetary Fund (IMF), despite the recent announcement of the European Union that it would provide €1bn in financial assistance to Lebanon for the 2024-27 period, which consist of €736m in grants to help displaced Syrians and €264m in regular bilateral aid. Also, it noted that the Council of the State's ruling that forbids the government to write off commercial banks' deposits at BdL may not be aligned with the IMF's conditionality for financial support.



Banque du Liban's liquid foreign reserves at \$9.9bn, gold reserves at \$21.6bn at end-May 2024

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP8,397 trillion (tn) at the end of May 2024, relative to LBP8,384.9tn on May 15, 2024 and to LBP8,373.4tn at end-April 2024. Assets in foreign currency stood at \$15.1bn on May 31, 2024, compared to \$14.97bn at mid-May 2024, to \$14.89bn at end-April 2024 and to \$14.46bn at end-May 2023. The dollar figures are based on the exchange rate of the Lebanese pound of LBP89,500 per US dollar starting on February 15, 2024, according to the BdL Central Council's Decision No. 48/4/24 dated February 15, 2024.

According to BdL, assets in foreign currency include \$5.22bn in Lebanese Eurobonds as at end-May 2024, relative to \$5.21bn at mid-May 2024. Further, BdL's liquid foreign currency reserves stood at \$9.87bn at the end of May 2024 compared to \$9.76bn on May 15, 2024, to \$9.32bn at the end of 2023, and to \$8.57bn at end-July 2023. As such, liquid foreign currency reserves increased by \$1.29bn from the end of July 2023.

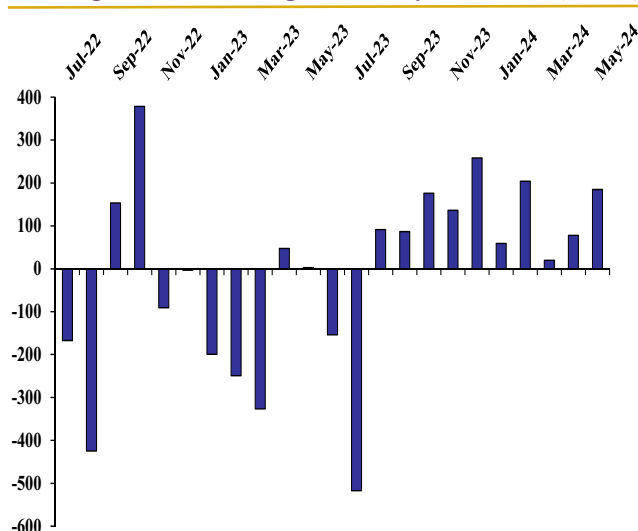
Further, the value of BdL's gold reserves reached \$21.6bn at the end of May 2024, relative to a peak of \$21.9bn at mid-May 2024 and to \$21.35bn at end-April 2024. Also, the securities portfolio of BdL totaled LBP129,082.4bn at end-May 2024 relative to LBP129,233.8bn on May 15, 2024. In addition, loans to the local financial sector stood at LBP14,377bn at end-May 2024 compared to LBP14,611.8bn at mid-May 2024.

Moreover, Deferred Open-Market Operations stood at LBP142,991.4bn at end-May 2024 relative to LBP139,932.1bn at mid-May 2024 and to LBP118,971.3bn at end-2023. BdL said that, based on the Central Council's decision 23/36/45 of December 20, 2023, it has started to present all deferred interest costs originating from open-market operations under this new line item. As a result, it transferred all deferred interest costs included in the "Other Assets" and "Assets from Exchange Operations" entries to the new item. Therefore, the item "Other Assets" stood at LBP11,448.5bn at end-May 2024 relative to LBP11,965.8bn two weeks earlier. Also, the Revaluation Adjustments item on the asset side reached LBP3,327,599bn at end-May 2024 relative to LBP3,304,314bn at mid-May 2024. It consists of a special account called the "Exchange Rate Stabilization Fund", in which it recorded all the transactions related to foreign-exchange interventions to stabilize the exchange rate starting in 2020 and that had a balance of LBP161.82tn at end-May 2024 relative to LBP161.65tn at mid-May 2024. It also consists of a special account in the name of the Treasury that stood at LBP3,165.8tn at end-May 2024 compared to LBP3,142.7tn at mid-May 2024. The account includes the differences between the countervalue, at the official exchange rate, of BdL's gold and currency holdings, and the value of these holdings at the market exchange rate, as well as the profits or losses on BdL's gold and currency holdings from the modification of the official exchange rate of the Lebanese pound or of a foreign currency exchange rate.

Further, the balance sheet shows that BdL's loans to the public sector totaled LBP1,486,745bn at the end of May 2024 relative to LBP1,486,730.2bn two weeks earlier.

On the liabilities side, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP58,987.2bn at the end of May 2024 compared to LBP61,008.8bn at mid-May 2024, and represented a decrease of 27% from LBP80,854.8bn at end-May 2023. Further, the deposits of the financial sector reached LBP7,793tn or the equivalent of \$87.07bn at end-May 2024, relative to LBP7,796tn or \$87.1bn at mid-May 2024, and to LBP1,345.3tn or \$89.7bn at end-May 2023; while public sector deposits at BdL stood at LBP426,931.2bn at end-May 2024 compared to LBP411,154.6bn at mid-May 2024 and to LBP101,197.6bn at end-May 2023. BdL noted that, starting on March 15, 2019, it has offset loans with their corresponding deposits in Lebanese pounds that have the same maturities, according to the criteria in International Accounting Standard 32 and as per International Financial Reporting Standard 7 on offsetting financial assets and liabilities. As such, loans that were offset against financial sector deposits stood at LBP36.24tn as at May 31, 2024 compared to LBP36.28tn two weeks earlier. In parallel, BdL stated that it is currently working on changing its accounting policy in line with international practices.

Change in Gross Foreign Currency Reserves* (US\$m)



*month-on-month change

Source: Banque du Liban, Byblos Research

Purchasing Managers' Index regresses in May 2024

The BLOM Lebanon Purchasing Managers' Index (PMI), an indicator of operating conditions in Lebanon's private sector, stood at 47.9 in May 2024 relative to 48.9 in April 2024 and to 49.4 in May 2023, and came higher than the PMI's trend average of 46.7 since the index's inception in May 2013. Also, the May result was the lowest outcome of the index since January 2023, when it stood at 47.7. Further, the PMI averaged 48.9 in the first five months of 2024 compared to 49 in the same period last year. The index has remained below the 50 mark since August 2023. A score that exceeds 50 signals positive business activity, while a score that is lower than 50 shows a deterioration in activity.

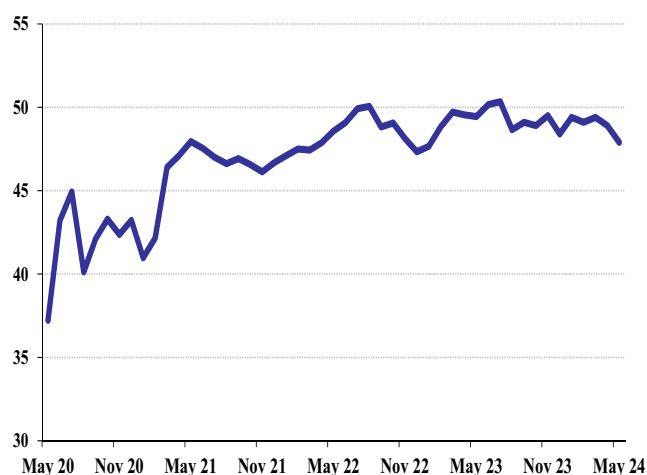
The survey's results show that the New Orders Index decreased from 47.7 in April 2024 to 46.1 in May 2024, as the survey's respondents indicated that the month of May marked the second consecutive month that the rate of contraction for new business has accelerated. They attributed the slowdown to political and economic challenges in the country, as well as to the ongoing hostilities between Israel and Lebanon along the southern border. In addition, the New Export Orders Index reached 46.2 in May relative to 48.1 in the previous month, indicating a deceleration in demand from foreign clients. The surveyed companies noted that the decline in exports was the sharpest since November 2021, and linked regional instability due to the war in the Gaza Strip to the decline in demand by foreign clients.

Further, the survey indicated that the Output Index stood at 46.4 in May 2024 compared to 47.4 in the preceding month. Businesses attributed the decline in output to security concerns in the Middle East, and noted that output declined at its quickest monthly pace since January 2023. The survey showed that 8% of respondents registered lower output in May while less than 1% of them registered growth. In addition, the Employment Index reached 49.8 in May and remained unchanged from the previous month, signaling little change in the number of jobs across Lebanon's private sector when compared to April. Also, the results show that the Backlogs of Work Index stood at 47.6 in May 2024 compared to 49.6 in April 2024, indicating the slowest level of completion of outstanding projects in Lebanon's private sector in 18 months.

In parallel, the survey indicated that the Suppliers' Delivery Times Index reached 49.5 in May 2024 relative to 49 in the previous month. The survey respondents cited security concerns as a factor for the delays in the receipt of items. Also, the Stocks of Purchases Index stood at 49.6 in the covered month compared to 51 in April 2024, as businesses noted a decrease in their stocks of raw materials, components and other necessary items.

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

BLOM Lebanon Purchasing Managers' Index



Source: BLOM Bank, S&P Global Market Intelligence

Components of BLOM Lebanon Purchasing Managers' Index

	Output	New Orders	New Export Orders	Future Output	Employment
December 2023	47.0	46.9	49.1	28.5	49.8
January 2024	48.7	48.8	48.4	25.3	50.0
February 2024	48.1	48.4	48.8	22.0	49.7
March 2024	48.6	49.1	48.3	23.6	49.6
April 2024	47.4	47.7	48.1	25.9	49.8
May 2024	46.4	46.1	46.2	21.1	49.8

Source: BLOM Bank, S&P Global Market Intelligence



Number of airport passengers down 7% in first five months of 2024

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 2.29 million passengers utilized the airport (arrivals, departures and transit) in the first five months of 2024, constituting a decrease of 6.8% from 2.46 million passengers in the same period of 2023 and an increase of 14.6% from 2 million passengers in the first five months of 2022. Also, 507,181 passengers utilized the airport in May 2024, representing declines of 1% from 512,234 in April 2024 and of 8.2% from 552,741 passengers in May 2023. The number of arriving passengers reached 1.14 million passengers in the first five months of 2024, as they contracted by 5.4% from 1.2 million passengers in the same period of 2023 and grew by 18% from 964,228 passengers in the first five months of 2022. The number of arriving passengers stood at 267,841 in May, representing an increase of 6.5% from 251,422 passengers in April 2024 and a decrease of 3.6% from 277,709 in May 2023.

Also, the number of departing passengers totaled 1.15 million in the first five months of 2024, constituting a decline of 8% from 1.25 million passengers in the same period last year and an increase of 12.4% from 1.02 million passengers in the first five months of 2022. Further, the number of departing passengers reached 238,972 in May, representing decreases of 8.2% from 260,379 in April 2024 and of 12.8% from 274,004 departing passengers in May 2023. The slide in the number of airport passengers in the covered period is due to the war in the Gaza Strip and to the related Israeli attacks along Lebanon's southern border, as well as to the decline in the number flights to and from Lebanon and to the suspension of some airlines of their flights to Lebanon.

In parallel, the airport's aircraft activity reached 19,306 take-offs and landings in the first five months of 2024, representing a decrease of 9.3% from 21,292 takeoffs and landings in the same period last year. In comparison, aircraft activity rose by 18.5% in the first five months of 2023 from the same period of the preceding year and by 53.3% in the first five months of 2022 from the covered period in 2021. Also, the airport's aircraft activity stood at 4,298 take-offs and landings in May 2024, constituting an uptick of 4.3% from 4,121 take-offs and landings in April 2024 and a decline of 5.7% from 4,556 takeoffs and landings in May 2023. In addition, the HIA processed 26,907 metric tons of freight in the first five months of 2024 that consisted of 17,853 tons of import freight and 9,055 tons of export freight. National flag carrier Middle East Airlines had 7,543 flights in the covered period and accounted for 39% of the HIA's total aircraft activity.

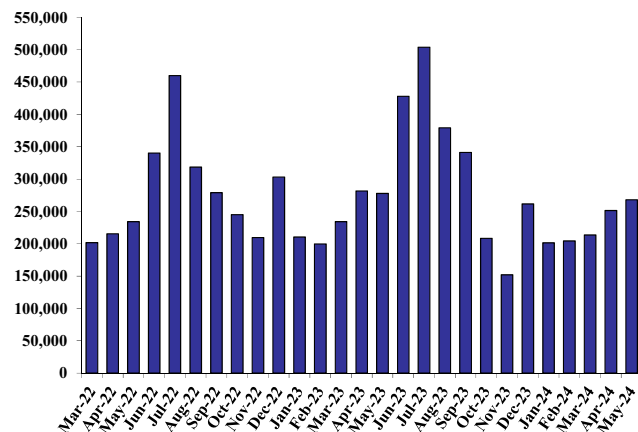
Net foreign assets of financial sector up \$585.1m in first four months of 2024

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 \$585.1m in the first four months of 2024, compared to an increase of \$1.24bn in the same period of 2023 and a decrease of \$1.7bn in the first four months of 2022.

The cumulative surplus in the first four months of 2024 was caused by increases of \$370.9m in the net foreign assets of BdL and of \$214.2m in those of banks and financial institutions. Further, the net foreign assets of the financial sector grew by \$142.6m in April 2024 compared to an uptick of \$51.9m in March 2024 and an increase of \$62.3m in April 2023. The April increase was caused by rises of \$78.7m in the net foreign assets of BdL and of \$64m in those of banks and financial institutions.

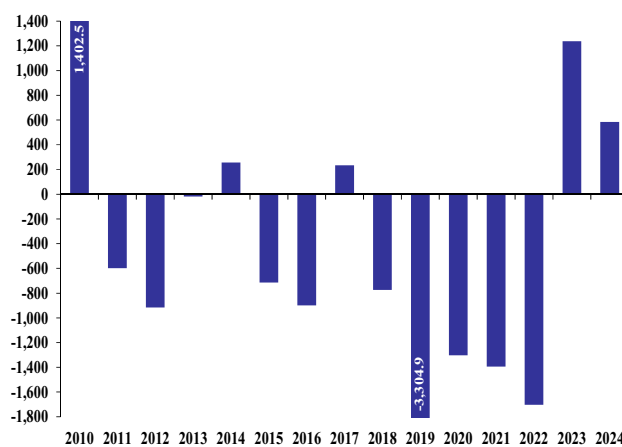
The cumulative increase in BdL's net foreign assets is due in part to the increase in BdL's gold and foreign currency reserves during the covered period. The increase in the banks' net foreign assets in the first four months of 2024 is mostly due to a decline in their foreign liabilities. The decrease in foreign liabilities was driven mainly by a contraction of \$85.2m in non-resident customer deposits, a drop of \$57.6m in liabilities to the non-resident financial sector, and a dip of \$45.4m in claims on the non-resident financial sector.

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

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



*in first four months of each year

Source: Banque du Liban, Byblos Research



EBRD and EU launch €12.5m initiative to support small- and medium-sized enterprises

The European Bank for Reconstruction and Development (EBRD) and the European Union (EU) announced the launch of a nine-year €12.5m program that aims to help Lebanese small and medium-sized enterprises (SMEs) improve their resource efficiency and promote circularity measures. The EBRD said that it will deploy the EU funds to enhance the sustainability practices of Lebanese SMEs and help them through capacity building, tailored advisory services, and grants to support their adoption of technologies and solutions.

The two institutions pointed out that the initiative aims to help companies in the industrial sector, mainly in the food and beverages value chain, to become more sustainable and reduce their carbon emissions. They noted that capacity-building activities will help raise awareness in the market about the importance and the commercial viability of resource efficiency projects. They added that the program will help Lebanese SMEs identify the most suitable solutions for improving their use of resources.

Further, the EBRD indicated that it will select the SMEs that will receive the EU-funded Resource Efficiency and Circularity grants to help them implement their projects, with the aim to raise their competitiveness and enable them to gain market share. In turn, this would help them grow, create additional jobs, and contribute to sustainable socioeconomic development in the country.

The EBRD and the EU considered that the new initiative builds on the success of the Advice for Small Businesses (ASB) program that they launched in 2018. They said that the ASB, including the Innovation Program that started in 2023, has helped almost 280 Lebanese SMEs access know-how to address market challenges and support their productivity and turnover. It said that the ASB program supported 85 Lebanese SMEs and start-ups in 2023 with more than 100 advisory projects, including 43 companies looking to innovate through applied research projects with Lebanese researchers. It stated that the EBRD's innovation program in Lebanon offers technical assistance grants to SMEs and start-ups that are seeking to invest in research and development, and that the program connects SMEs with researchers and research and development institutions that work with the companies in order to support the development of innovative products and processes. It noted that local and international consultants and researchers specialized in a broad range of areas are helping SMEs enhance their green, digital and inclusive business practices. It added that it continues to conduct various capacity-building activities to provide access to best practices and improve the local market for business advice.

The EBRD noted that its innovation program offers vouchers of €5,000 to SMEs for research and development projects, and vouchers of up to €30,000 for additional research, go-to-market and the commercialization of their products, and technical assistance for innovating SMEs and start-ups. Further, it stated that, since the start of its operations in Lebanon, it has invested more than €880m in the country, and has focused on enhancing private-sector competitiveness, promoting sustainable energy, and improving public-service quality and efficiency.

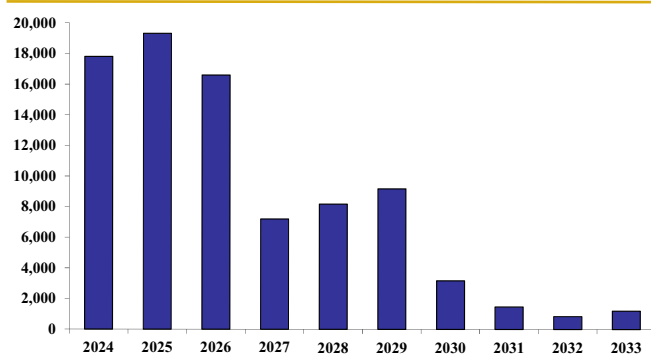
More than 63% of Treasury securities in Lebanese pounds have seven-year maturities or longer at end-April 2024

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds stood at LBP84,980bn at the end of April 2024 compared to LBP89,100bn at end-April 2023. The securities were equivalent to \$949.5m at the end of April 2024 based on the 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 6.36% in April 2024 compared to 6.35% in April 2023.

Also, the distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP32,951bn and accounted for 38.8% of aggregate securities denominated in Lebanese pounds at the end of April 2024, followed by seven-year Treasury securities with LBP16,325bn (19.2%), five-year Treasury bonds with LBP11,501bn (13.5%), one-year T-bills with LBP7,542bn (8.9%), three-year Treasury securities with LBP6,563bn (7.7%), two-year Treasury bonds with LBP5,310bn (6.2%), 12-year Treasury securities with LBP3,076bn (3.6%), 15-year Treasury bonds with LBP1,417bn (1.7%), and six-month Treasury bills with LBP295bn (0.3%). As such, 63.3% of outstanding Treasury securities have seven-year maturities or longer and 76.8% have five-year maturities or more.

In parallel, LBP1,153bn in outstanding Treasury securities denominated in Lebanese pounds matured in April 2024. The distribution of maturing securities shows that 33% consisted of one-year T-bills, 18% were three-year Treasury bonds, 17.4% consisted of two-year Treasury securities, 13% were six-month Treasury bills, 12.3% consisted of five-year Treasury bonds, and 6.2% were seven-year Treasury securities. According to ABL, LBP17,815bn in outstanding Treasury securities in Lebanese pounds will mature in the remainder of 2024.

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



*as at end-April 2024

Source: Association of Banks in Lebanon, Byblos Research

Lebanon ranks 124th globally, 10th in Arab region in environmental performance

The Environmental Performance Index (EPI) for 2024 ranked Lebanon in 124th place among 180 countries globally and in 10th place among 16 Arab countries. Lebanon ranked in the 31st percentile worldwide on the 2024 Index, which means that Lebanon's level of environmental performance and sustainability was higher than only 31% of the countries covered by the survey. The producers of the EPI changed the methodology to calculate the index, which precludes comparisons with previous surveys. The EPI assesses a country's performance on high-priority environmental issues, which are the mitigation of climate change, the safeguarding of ecosystem vitality, and the promotion of environmental health. As such, it ranks countries on 11 components that include 58 indicators that are divided into three core categories that are Environmental Health, Climate Change, and Ecosystem Vitality. The EPI categories measure how close a country comes to meeting internationally-established targets on environmental protection and combating climate change, and, in the absence of agreed targets, how nations compare to each other. The index's scores per country range from zero to 100, with a score of 100 points reflecting the best possible performance in addressing environmental issues. Columbia and Yale universities issue the EPI in collaboration with the McCall MacBain Foundation.

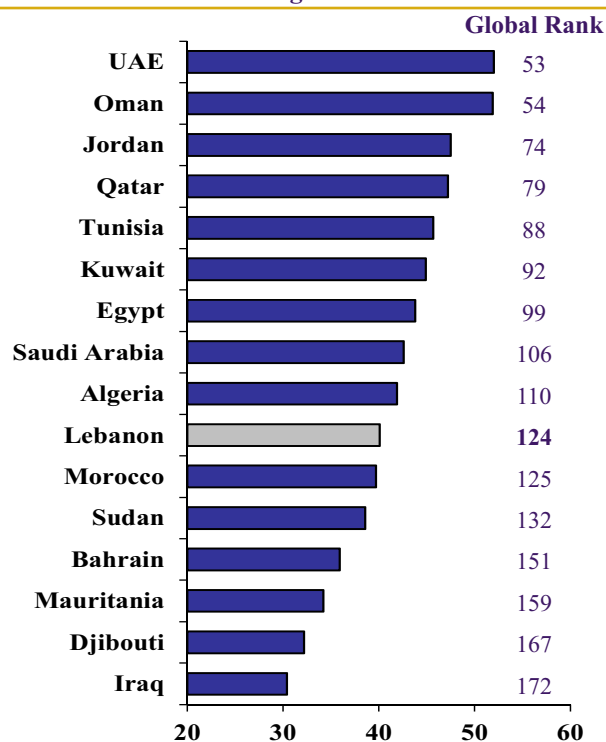
Globally, Lebanon has a better environmental performance than Angola, Morocco and Niger, and a weaker performance than Turkmenistan, Azerbaijan and Honduras among economies with a GDP of \$10bn or more. Lebanon received a score of 40.1 points on the 2024 index, lower than the global average score of 46.8 points and the Arab average score of 41.8 points. Also, Lebanon's score was lower than the Gulf Cooperation Council (GCC) countries' average score of 47.8 points but came higher than the average score of non-GCC Arab countries that stood at 39.4 points.

Lebanon preceded Mauritania and Malaysia, and trailed Tunisia and Romania on the Environmental Health category. This category assesses the risks of water and air pollution to human health, and measures how well countries protect public health from exposure to air pollution and other environmental risk factors. It also evaluates the population's access to sanitation and drinking water, as well as its exposure to waste, unsafe water and sanitation. Lebanon preceded Djibouti, Iraq, Egypt, Sudan, Saudi Arabia, Bahrain, Morocco and Mauritania in the Arab region on this category.

Further, Lebanon ranked ahead of Haiti and China, and came behind Bahrain and Guatemala worldwide on the Ecosystem Vitality category. This category measures how well countries manage their natural resources and conserve their biodiversity and natural ecosystems. Lebanon ranked ahead of Djibouti, Iraq and Mauritania among Arab countries on this category.

Also, Lebanon preceded Papua New Guinea and Nicaragua, and trailed Zambia and Cameroon on the Climate Change category. This category evaluates the changes in carbon emissions in each country, and projects how close a country will be to the net zero target by 2050. Lebanon preceded Iraq, Mauritania, Kuwait, Bahrain, Qatar, Oman, Saudi Arabia, Morocco, the UAE, Algeria and Sudan among Arab countries on this category.

Environmental Performance Index for 2024 Scores & Rankings of Arab countries



Source: Columbia and Yale universities, McCall MacBain Foundation

Components of the Environmental Performance Index for 2024

	Global Rank	Arab Rank	Lebanon Score	Global Avg Score	Arab Avg Score
Climate Change	113	5	38.0	41.9	34.5
Climate Change Mitigation	113	5	38.0	41.8	34.5
Environmental Health	81	8	46.3	44.9	43.1
Air Quality	89	10	40.0	42.3	40.0
Sanitation & Drinking Water	71	9	62.4	53.8	58.2
Heavy Metals	51	2	43.0	49.8	37.1
Waste Management	63	6	36.6	34.8	31.1
Ecosystem Vitality	151	13	38.1	51.1	45.9
Biodiversity & Habitat	161	14	24.1	47.7	38.0
Forests	85	1	48.5	54.4	48.5
Fisheries	4	2	96.2	59.9	70.2
Agriculture	98	5	50.6	54.4	47.8
Air Pollution	117	9	62.5	67.1	58.3
Water Resources	69	12	47.3	42.2	58.7

Source: Columbia and Yale universities, McCall MacBain Foundation, Byblos Research

Sovereign rating upgrade contingent on implementation of reforms

In its periodic review of Lebanon's sovereign rating, Moody's Ratings indicated that Lebanon's 'C' issuer rating is constrained by a score of 'caa2' on the country's economic strength indicator, as well as a score of 'ca' on the institutional framework category and on each of the fiscal strength and the susceptibility to event risk categories. It noted that the 'caa2' score on the economic strength indicator is driven by the country's deep economic contraction and the decline of foreign currency inflows.

In parallel, the agency stated that its score of 'ca' on the strength of institutions and governance underscores the very low effectiveness of fiscal policy and the very weak quality of institutions. It considered that Lebanon's score of 'ca' on the fiscal strength category reflects its unsustainable debt trajectory, as well as the agency's expectations that domestic and external private creditors will likely incur substantial losses in case the government carries out a debt-restructuring plan. Further, it pointed out that the 'ca' score on the susceptibility to event risk, which captures the country's vulnerability to sudden events that would materially impact the government's creditworthiness, is driven by political risks, the government's liquidity risks, external vulnerability risks, and the banking sector's risks.

In addition, it noted that the sovereign rating of 'C' reflects its assessment that bondholders will likely incur losses in excess of 65% as a result of the previous government's decision to default on its Eurobond obligations in March 2020. It considered that official external funding support remains contingent on the implementation of reforms. It said that the strong linkages between the public sector, Banque du Liban, and commercial banks point to a comprehensive debt restructuring that involves all three participants in order to restore debt sustainability, and as a condition to unlock financial support from the International Monetary Fund (IMF).

Further, it expected Lebanon's real GDP growth rate to improve in 2024, supported by tourism and remittance inflows that will lead to an increase in domestic consumption. But it pointed out that long-term investments remain contingent on the proper functioning of the public sector and of the financial system.

Also, it noted that it could upgrade the sovereign ratings in case the government restructures its debt. In addition, it indicated that it would substantially upgrade the ratings in case the key drivers of the country's debt dynamics, including economic growth, interest rates, privatization revenues, and the ability to generate and sustain large primary fiscal surpluses, evolve in a way that would ensure debt sustainability in the future. But it considered that it is unlikely to upgrade the rating in the near term, given Lebanon's macroeconomic, financial and social challenges, and given the agency's expectation of very significant losses that Eurobond holders will incur.

Moody's said Lebanon's 'C' sovereign rating is the lowest on its rating scale and is 11 notches below investment grade. The agency downgraded the country's sovereign ratings from 'Ca' to 'C' in July 2020. It attributed its decision at the time to the recurring delays in the implementation of fiscal and economic policy reforms, which stalled discussions with the IMF and with other international official donors. Further, the agency revised last December the outlook on the sovereign rating from 'no outlook' to 'stable' due to its expectations that the rating will remain at the current level in the near term, due to the unstable economic environment as a result of recurrent political deadlocks and weak institutions, as well as to the high likelihood of significant losses for private creditors from the restructuring of the public debt.

Banking Control Commission provides guidelines for the accounting of uncashed bankers checks

The Banking Control Commission of Lebanon (BCCL) issued Memo No. 1/2024 dated June 4, 2024 addressed to banks and auditors about bankers' checks that banks have issued and that have not been submitted for collection. It asked banks to adhere to the below procedures in case bankers' checks in any currency have not been cashed yet.

First, it asked banks to refrain from deducting from their placements at Banque du Liban (BdL) the amounts of the checks that have not been cashed yet, and to abstain from performing a netting operation between the outstanding bankers' checks on the liabilities side and their placements at BdL, or on any other assets before the check has been cashed. Second, it required banks to reverse any deductions or netting that they conducted prior to the date of this memo.

Third, it asked banks to record the amounts of the uncollected bankers' checks on their balance sheet under the item private sector creditors – other accounts payables, or under the item public sector creditors – other accounts payable.

Fourth, it requested banks to transfer the balances of the uncashed bankers' check that were recorded, prior to the issuance of this memo, under the items private or public sector creditors – other accounts payable, to the items private sector creditors – demand deposits or public sector creditors – demand deposits. Fifth, the BCCL indicated that banks should adhere to the procedures in the memo starting with their financial statements on May 31, 2024.



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

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at LBP9,281.5 trillion (tn), or the equivalent of \$103.7bn at the end of April 2024 compared to LBP9,290.5tn (\$103.8bn) at end-March 2024. Loans extended to the private sector totaled LBP619.6tn at the end of April 2024, with loans to the resident private sector reaching LBP535.8tn and credit to the non-resident private sector amounting to LBP83.7tn at the end of the month. Loans extended to the private sector in Lebanese pounds reached LBP10.4tn, decreasing by 9.1% from LBP11.4tn at the end of 2023 and by 24.4% from LBP13.7tn at end-April 2023; while loans in foreign currency totaled \$6.8bn at the end of April 2024, and regressed by 10% from \$7.56bn at the end of 2023 and by 23.6% from \$8.9bn at end-April 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.

In nominal terms, credit to the private sector in Lebanese pounds decreased by LBP1,032.6bn in the first four months of 2024 and by LBP3,337bn from a year earlier, while lending to the private sector in foreign currency regressed by \$755.2m in the first four months of 2024 and by \$2.1bn from end-April 2023. Further, loans extended to the private sector in Lebanese pounds contracted by LBP17.2tn (-62.4%) and loans denominated in foreign currency dropped by \$34.3bn (-83.4%) since the start of 2019. The dollarization rate of private sector loans increased from 90.7% at the end of April 2023 to 98.3% at end-April 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 2.78% in April 2024 compared to 3.07% a year earlier, while the same rate in US dollars was 1.78% relative to 2.46% in April 2023.

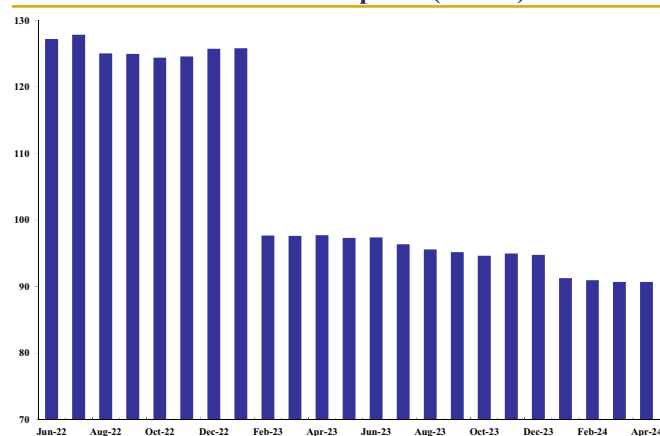
In addition, claims on non-resident financial institutions stood at \$4.38bn at the end of April 2024, constituting decreases of \$37.3m (-0.8%) from end-March 2024 and of \$85.2m (-2%) from the end of 2023, and an increase of \$170.3m (+4%) from a year earlier. Also, claims on non-resident financial institutions dropped by \$4.76bn (-52.1%) from the end of August 2019 and by \$7.6bn (-63.5%) since the start of 2019. Further, deposits at foreign central banks totaled \$785m, constituting an increase of \$47.9m (+6.5%) in the first four months of 2024 and a decrease of \$36.7m (-4.5%) from a year earlier. In addition, the banks' claims on the public sector totaled LBP211tn at end-April 2024, nearly unchanged from end-March 2024. The banks' holdings of Lebanese Treasury bills stood at LBP10.74tn, while their holdings of Lebanese Eurobonds reached \$2.21bn at end-April 2024 relative to \$2.81bn a year earlier. Further, the deposits of commercial banks at Banque du Liban (BdL) stood at LBP7,268.9tn at the end of April 2024, or \$81.2bn according to the new exchange rate.

In parallel, private sector deposits totaled LBP8,116tn at the end of April 2024, or \$90.68bn based on the new exchange rate. Deposits in Lebanese pounds reached LBP56.2tn at end-April 2024, as they increased by 8% from the end of 2023 and regressed by 1% from a year earlier; while deposits in foreign currency stood at \$90.05bn, and contracted by 1.3% in the first four months of the year and by 4.1% from the end of April 2023. Resident deposits accounted for 76.9% and non-resident deposits represented 23.1% of total deposits at end-April 2024.

Private sector deposits in Lebanese pounds increased by LBP4,163.3bn and foreign currency deposits declined by \$1.23bn in the first four months of 2024. Further, aggregate private sector deposits in Lebanese pounds shrank by LBP21tn (-27.2%) and foreign currency deposits dropped by \$33bn (-26.8%) since the start of 2019. The dollarization rate of private sector deposits changed from 96.1% at the end of April 2023 to 99.3% at the end of April 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 \$2.66bn at the end of April 2024 and decreased by 8% from \$2.9bn at end-2023. Also, the average deposit rate in Lebanese pounds was 1.14% in April 2024 compared to 0.59% a year earlier, while the same rate in US dollars was 0.05% relative to 0.08% in April 2023. In addition, the banks' aggregate capital base stood at LBP250.8tn at the end of April 2024, compared to LBP76.4tn at the end of 2023 and LBP75tn at end-April 2023. In dollar terms, the banks' capital was \$2.8bn at the end of April 2024 relative to \$5.1bn at end-2023 and to \$5bn at the end of April 2023.

Private Sector Deposits (US\$bn)



Source: Banque du Liban, Byblos Research

Ciments Blancs posts net income of LBP234.6bn in 2023

Société Libanaise des Ciments Blancs sal, an affiliate of Holcim (Liban) sal, declared audited net profits of LBP234.6bn in 2023 compared to LBP32.4bn in 2022, while profits before income tax stood at LBP282.2bn in 2023 relative to LBP39bn in 2022. Also, the company generated sales of LBP511.2bn in 2023 relative to LBP151.6bn in 2022, and its cost of goods sold reached LBP285.6bn in 2023 compared to LBP109.2bn in 2022; resulting in gross profits of LBP225.5bn in 2023 relative to LBP42.4bn in 2022. As such, the firm's gross profit margin in Lebanese pounds increased from 28% in 2022 to 44.1% in 2023. In addition, general and administrative expenses totaled LBP26.8bn in 2023 compared to LBP7.3bn in 2022. Also, the firm's net gain on foreign currency exchange rates stood at LBP110.1bn in 2023 relative to LBP11.5bn in 2022.

Further, the company's assets totaled LBP525.6bn at the end of 2023 relative to LBP182.9bn at end-2022, while its inventory stood at LBP241.3bn at end-2023 compared to LBP113.6bn a year earlier. Also, the firm's current ratio, which is a measure of the company's ability to meet its short-term obligations, was 2.1x at the end of 2023 compared to 1.3x at the end of 2022; while the company's balances at banks totaled LBP76.8bn at end-2023 relative to LBP14.8bn at end-2022.

In addition, the firm's total equity reached LBP297.5bn at the end of 2023 compared LBP74.5bn at the end of 2022, while its debt-to-equity ratio was 76.7% at the end of 2023 relative to 145.7% a year earlier. The price of Ciments Blancs' nominal shares closed at \$32 on June 7, 2024, up by 45.5% from \$22 at end-2023.

In parallel, the firm's external auditors indicated that the accompanying financial statements, the company's financial performance and its cash flows, do not present fairly the financial position of the firm in accordance with International Financial Reporting Standards as at December 31, 2023, since the financial statements do not take into account the impact of hyperinflation on the revenues stream. It said that "the company did not use an appropriate exchange rate for the translation of foreign currency transactions and did not re-translate all monetary and assets and liabilities stated in foreign currencies at the appropriate exchange rate at the reporting date."



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 Ratings	C	NP	Stable	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 Ratings	Negative

Source: Moody's Ratings



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