

LEBANON THIS WEEK

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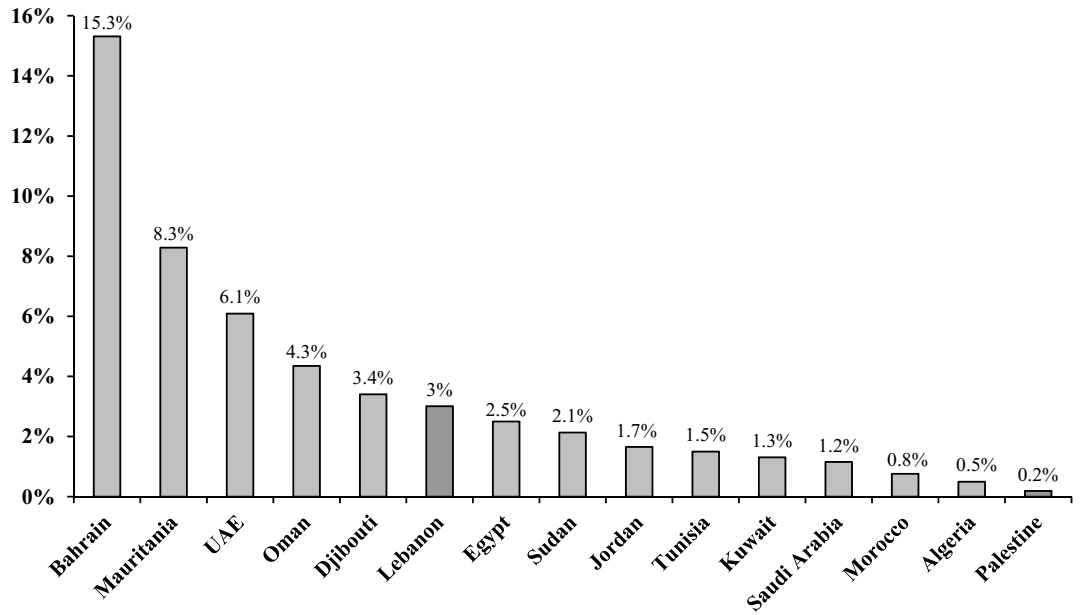
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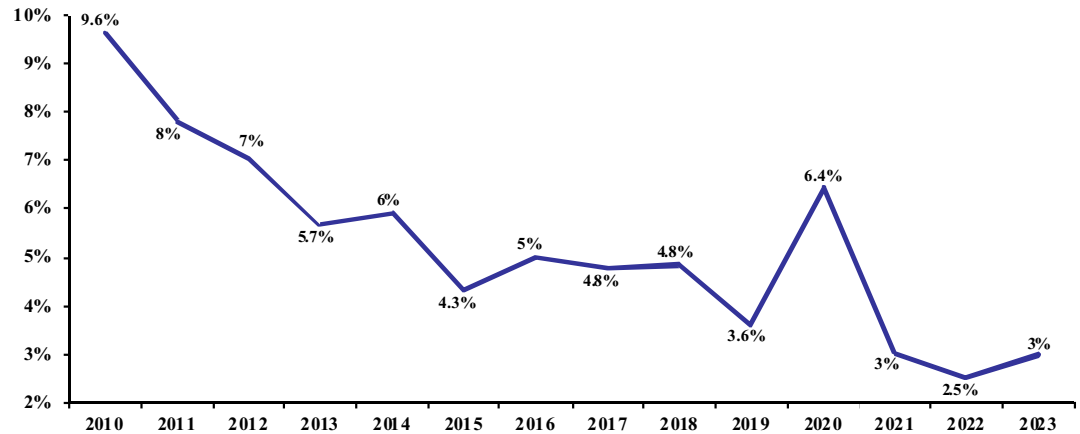
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Charts of the Week

Greenfield Foreign Direct Investments in Arab Countries in 2023 (% of GDP)



Greenfield Foreign Direct Investments in Lebanon (% of GDP)



Source: UNCTAD, International Monetary Fund, World Bank, Byblos Bank

Quote to Note

"A judgment is unlikely to allow bondholders to attach foreign assets."

Bank of America, on the consequences of a New York court decision in favor of Eurobond holders to preserve their contractual rights

Number of the Week

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

Lebanon in the News

\$m (unless otherwise mentioned)	2021	2022	2023	% Change*	Dec-22	Nov-23	Dec-23
Exports	3,887	3,492	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 "A"	69.90	3.6	83,202	41.8%	Nov 2024	6.25	6.75	4,604.94
Byblos Common	0.63	0.0	35,463	2.1%	Jun 2025	6.25	6.75	685.99
BLOM GDR	3.04	(12.6)	13,500	1.3%	Nov 2026	6.60	6.75	153.71
Audi Listed	1.54	4.1	13,300	5.4%	Mar 2027	6.85	6.75	130.33
Solidere "B"	71.00	2.2	9,389	27.6%	Nov 2028	6.65	6.75	73.68
Audi GDR	1.11	0.0	-	0.8%	Feb 2030	6.65	6.75	54.30
BLOM Listed	2.90	0.0	-	3.7%	Apr 2031	7.00	6.75	44.08
HOLCIM	61.00	0.0	-	7.1%	May 2033	8.20	6.75	32.96
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	6.75	25.35
Byblos Pref. 09	29.99	0.0	-	0.4%	Mar 2037	7.25	6.75	22.42

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

Source: Refinitiv

	Jul 8-12	Jul 1-5	% Change	June 2024	June 2023	% Change
Total shares traded	155,774	169,026	(7.8)	477,018	1,157,356	(58.8)
Total value traded	\$6,359,869	\$7,563,699	(15.9)	\$18,325,430	\$63,989,737	(71.4)
Market capitalization	\$16.73bn	\$16.39bn	2.1	\$16.54bn	\$17.68bn	(6.4)

Source: Beirut Stock Exchange (BSE)



Banque du Liban estimates real GDP growth at 0.5% in 2023

In its annual report on the Lebanese economy, Banque du Liban (BdL) estimated that the Lebanese economy posted a real GDP growth rate of 0.5% in 2023 and that nominal GDP reached LBP1,751bn for the year. It added that the average inflation rate was 221.3% in 2023 compared to 171.2% in 2022. Also, it said that the balance of payments posted a surplus of \$2.2bn in 2023 relative to a deficit of \$3.2bn in 2022, while the trade deficit reached \$14.5bn in 2023 and narrowed by 7% from \$15.6bn in 2022, compared to a widening of the deficit by 59.5% in 2022. It noted that imports regressed by 8%, while exports declined by 14.2% in 2023. It considered that the Lebanese economy has faced, for the fourth year in a row, stressful conditions related to the multi-dimensional crisis it is going through that consist of the financial and monetary inflationary factor, the shortage in foreign currency liquidity, the imbalance in the balance of payments, as well the local energy crisis in terms of electricity and hydrocarbons and its broad economic impact, and the global disruptions related to supply chains and to the food and energy markets.

In addition, it said that the economic and financial crisis resulted in the sharp depreciation of the national currency, as the exchange rate of the Lebanese pound reached LBP89,500 per US dollar on the parallel market in December 2023, which constituted a depreciation of 53% throughout the year. It added that, in its attempt to unify the multiple exchange rates prevailing in the market, BdL, in cooperation with the government, adopted a new official exchange rate of LBP15,000 per dollar starting in February 2023. It noted that this rate started to be used in all banking transactions, including for the withdrawals of foreign currency deposits in the framework of BdL circulars 151 and 161, instead of the previous exchange rates of LBP8,000 and LBP12,000, respectively.

Further, BdL indicated that its foreign assets, excluding gold, stood at \$14.6bn at the end of 2023, constituting a slight decline of 4.2% from \$15.2bn at end-2022, compared to \$38bn prior to the eruption of the crisis. It added that its gold reserves were \$19.2bn at the end of 2023. It noted that, due to the severe shortage in foreign currency liquidity, commercial banks continued to maintain restrictions on deposit withdrawals, and that most commercial transactions took place in cash rather than by checks or transfers or payment cards, and that BdL took measures to limit the size of the cash economy.

In parallel, BdL stated that it took measures during the year to help the Lebanese economy withstand the crisis. As such, it said that it attempted to maintain a balance between protecting the stability of the financial system from systemic risks through its macroprudential policy on one hand, and reducing the negative impact on economic output, as well as on monetary and price stability, on the other hand.

Further, BdL indicated that it tried to meet the following objectives: reducing the impact of successive shocks on companies and households by maintaining the stability of the exchange rate of the Lebanese pound against the US dollar; protecting depositors' funds at Lebanese banks; preserving the stability of the financial and banking sectors; developing the financial markets; enhancing payment systems, money transfer operations, and liquidity management; containing inflation; and contributing to the management of the public debt. It added that the banking sector's main indicators regressed last year, in light of the pressures that constrained its general activity. Still, it noted that banks continued to comply with the global risk and capital requirements based on Basel III standards and International Financial Reporting Standard 9, as the sector's capital adequacy ratio was 10.13% in December 2022.

In addition, BdL said that it used the following conventional tools to implement its monetary policy: First, ensuring the relative stability of interest rates on Lebanese pounds and in foreign currencies within acceptable margins without affecting market-based determinants, within the prevailing rules and regulations. Second, seeking to build confidence in the national currency by containing money supply in Lebanese pounds, as currency in circulation declined by 27% in 2023 compared to an increase of 75% in 2022. As such, the ratio of currency in circulation in Lebanese pounds to total deposits reached 4% at end-2023 compared to 40.8% a year earlier, following the modification of the official exchange rate. Third, providing a domestic payment system that is safe and advanced, in line with international best practices. It said that work continued last year to launch the government's payment system (BDL-PayGov), in line with the requirements of public institutions and administrations, and it expected its launch upon the readiness of the Ministry of Finance in 2024. It said that this system will allow ministries and public institutions to improve the management of their accounts at BdL directly, instantly and electronically. Also, BdL said that it issued licenses to a number of providers of electronic wallets that meet the proper requirements. Fourth, managing the surplus of liquidity, and ensuring the sources of funding for the state and managing the public debt. As such, it said that subscriptions to Lebanese pound-denominated Treasury bills reached LBP18,395bn during 2023, as the amount of maturities exceeded subscriptions by LBP5,822bn. It added that average interest rates on Certificates of Deposits and on terms deposits in Lebanese pounds at BdL were unchanged in 2023. In addition, BdL said that it generated revenues of LBP110.14bn from the rental of some of its real estate holdings, as well as nearly \$18m from the distribution of dividends by clearing firm MidClear sal, \$54.8m from dividend distribution by Middle East Airlines sal, and \$0.36m from the distribution of dividends by the Arab Investment Company saa.

Further, BdL said that it continued to use unconventional tools as part of its monetary policy, in order to stimulate economic activity, as well as to support sustainable growth and development, and job creation. It added that, in light of the exceptional circumstances that the Lebanese economy is going through, it did not extend any subsidized loans in 2023. Also, it stated that, within the context of the regulatory framework, it issued a number of basic and intermediate decisions in order to regulate the banking and financial sectors, given the developments and exceptional conditions that the country is facing, as well as to meet local needs and international standards.



Real GDP grows by 16% in second quarter of 2021 following several quarterly contractions

The Central Administration for Statistics (CAS) released national economic data that covers official figures for quarterly gross domestic product (GDP) and its structure and components for 2021, and revised its previous quarterly figures for 2020.

The CAS estimated that Lebanon's real GDP grew by 2% in 2021, while it revised its forecast for 2020 to a contraction of 24.6% from a decline of 25.9% previously. Further, it estimated that real GDP shrank by 18.9% in the first quarter of 2021 from the same period of the previous year, while economic activity grew by 16.3% in the second quarter, by 12.9% in the third quarter and by 3.1% in the fourth quarter of 2021 from the corresponding quarters of the preceding year. Also, it estimated nominal GDP at LBP35.8tn in the first quarter of 2021, at LBP50.5tn in the second quarter, at LBP68.6tn in the third quarter, and at LBP90.6tn in the fourth quarter of the year.

Further, its revised figures show that real GDP regressed by 12.3% in the first quarter, by 33.2% in each of the second and the third quarters, and by 18.4% in the fourth quarter of 2020 from the same quarters of the preceding year. Also, it estimated nominal GDP at LBP18.5tn in the first quarter of 2020, at LBP20.5tn in the second quarter, at LBP26.7tn in the third quarter, and at LBP31.2tn in the fourth quarter of the 2020.

In parallel, the national accounts showed that commercial trade & transport accounted for 24.8% of output in the first quarter, 26.5% of output in the second quarter, 31.5% of output in the third quarter, and 28.9% of output in the fourth quarter of 2021; while mining, manufacturing & utilities represented 17.8% and 19.6% of output in the first and second quarters of the year, respectively, and 20.2% and 21.5% in the third and fourth quarters of 2021, respectively. Also, it said that business services accounted for 14.4% of output in the first quarter of 2021 and 10.7%, 8.2%, and 10.1% in the second, third, and fourth quarters of 2021, respectively; while personal services, private education & healthcare represented 11.5% and 12% of output in the first and second quarters, respectively, as well as 10.6% and 11.7% of output in the third, and fourth quarters of 2021, respectively.

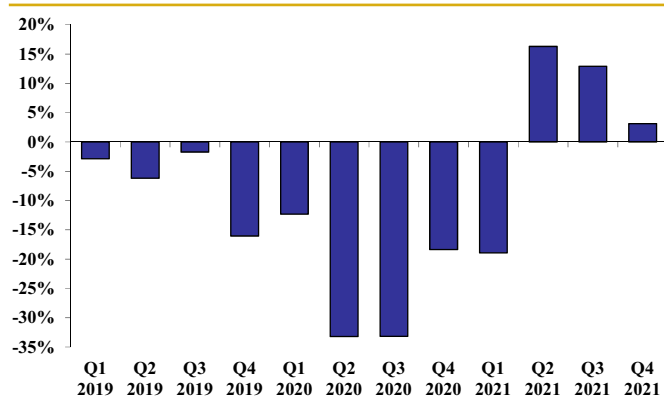
Further, the figures pointed out that real estate services accounted for 10.2% of output in the first quarter, 7.5% in the second quarter, 6.1% of output in the third quarter, and 4.8% of output in the fourth quarter of 2021; while financial services represented 10.2% and 6.3% of output in the first and second quarters of the year, as well as 5.6% and 3.9% of output in the third and fourth quarters of 2021, respectively. Also, it stated that the public administration, education & healthcare represented 9% and 6.8% of output in the first and second quarters of the year, as well as 6%, and 5% of output in the third and fourth quarters of 2021, respectively; while construction accounted for 5% of output in the first quarter, 4% in the second quarter, 2.95% of output in the third quarter, and 2.86% in the fourth quarter of 2021.

In parallel, CAS noted that commercial trade & transport contributed -5.7 percentage points (pps) to the change in GDP in the first quarter, +3.6 pps in the second quarter, +4.6 pps in the third quarter, and -1.5 pps in the fourth quarter of 2021; while mining, manufacturing & utilities contributed -3.1 pps and +3 pps to the change in GDP in the first and second quarters of the year, respectively, and +1.1 pps and +0.6 pps in the third and fourth quarters of 2021, respectively. Also, it said that business services contributed +2.9 pps to the change in GDP in the first quarter and +4.1% of GDP second quarter of the year, as well as -0.7 pps and +0.1 pps in the third and fourth quarters of 2021, respectively; while personal services, private education & healthcare contributed -2 pps and +7.2 pps to the change in GDP in the first and second quarters, respectively, as well as +6.3 pps and +2.2 pps in the third and fourth quarters of 2021, respectively.

Further, it pointed out that real estate services contributed -1.1 pps to the change in GDP in the first quarter, -0.3 pps in the second quarter, and +1.1 pps in each of the third and fourth quarters of 2021; while financial services contributed -7.5 pps and -5.2 pps to the change in GDP in the first and second quarters of the year, as well as -4 pps and -2.7 pps in the third and fourth quarters of 2021, respectively. Also, it stated that the public administration, education & healthcare contributed -1.6 pps and zero pps to the change in GDP in the first and second quarters of the year, as well as -0.3 pps and -0.7 pps in the third and fourth quarters of 2021, respectively; while construction contributed +0.4 pps to the change in GDP in the first quarter, +1.3 pps in the second quarter, +0.7 pps in the third quarter, and -0.4 pps in the fourth quarter of 2021.

In addition, it indicated that agriculture, livestock, forestry & fishing contributed -0.1 pps and +0.7 pps to the change in GDP in the first and second quarters of the year, as well as +1.4 pps in the third and +1.1 pps in the fourth quarter of 2021, respectively. Further, it added that hotels & restaurants contributed -1 pps to the change in GDP in the first quarter, +1.7 pps in the second quarter, +2.1 pps of output in the third quarter, and +1.6 pps in the fourth quarter of 2021; while information & communications contributed -0.4 pps and +0.5 pps to the change in GDP in the first and second quarters of the year, as well as +0.5 pps and +0.3 pps in the third and fourth quarters of 2021, respectively.

Lebanon's Quarterly Real GDP (year-on-year % change)



Source: Central Administration of Statistics

Number of new construction permits up by 3% in first half of 2024

Figures issued by the Orders of Engineers & Architects of Beirut and of Tripoli show that the two orders issued 5,791 new construction permits in the first half of 2024, constituting an increase of 2.8% from 5,635 permits in the same period last year. Also, the orders of engineers issued 1,000 permits in June 2024, representing a decrease of 18.4% from 1,225 permits in May 2024 and an increase of 10.7% from 903 in June 2023.

Mount Lebanon accounted for 30% of the number of newly-issued construction permits in the first half of 2024, followed by the South with 21%, the North with 17.5%, the Nabatieh area with 13.6%, the Bekaa region with 11.8%, and Beirut with 4%. The remaining 2.3% were permits issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon. The number of new construction permits issued in the North surged by 70.5% in the first half of 2024 from the same period last year, followed by permits in the Bekaa region (+51%), in Beirut (+50.7%), and permits issued for regions located outside northern Lebanon (+15%). In contrast, the number of new construction permits issued in the Nabatieh area dropped by 16.5% in the covered period, followed by permits in the South (-14.2%), and in Mount Lebanon (-11.7%).

Further, the surface area of granted construction permits reached 3.18 million square meters (sqm) in the first half of 2024, constituting an increase of 35% from 2.36 million sqm in the same period of 2023. Also, the surface area of granted construction permits reached 492,071 sqm in June 2024, down by 26% from 664,142 sqm in May 2024 and up by 40.7% from 349,793 sqm in June 2023.

Mount Lebanon accounted for 852,805 sqm, or for 26.8% of the total surface area of granted construction permits in the first half of 2024. The South followed with 649,996 sqm (20.4%), then the North with 626,645 sqm (19.7%), the Bekaa region with 484,493 sqm (15.2%), the Nabatieh area with 305,724 sqm (9.6%), and Beirut with 121,572 sqm (3.8%). The remaining 141,985 sqm, or 4.5% of the total, represent the surface area of permits that the Order of Engineers & Architects of Tripoli issued for regions located outside northern Lebanon.

Also, the surface area of new construction permits issued in regions located outside northern Lebanon surged by 176.8% in the first half of 2024 from the same period last year, followed by surface areas in the Bekaa region (+105.6%), in Beirut (+93.2%), in the North (+92.3%), in Mount Lebanon (+10.4%), and in the South (+9.7%). In contrast, the surface area of new construction permits in the Nabatieh area regressed by 3.6% in the covered period. In parallel, the latest available figures show that cement deliveries totaled 2.35 million tons in 2023, constituting an increase of 10.8% from 2.12 million tons in 2022.

Government exempts public institutions from penalty and fines on delayed payments of taxes and fees

The Council of Ministers issued Circular 23/2024 dated July 9, 2024 addressed to the public administration departments, public institutions, funds, councils, and authorities, as well as to public law persons, about benefiting from Clause 1 of Article 88 of Law 334 dated February 12, 2024 or the Budget Law 2024. The clause exempts public administrations, municipalities, unions of municipalities, public institutions, and public law persons from all the fines and verification fines that are due.

First, it indicated that the exemptions cover the fines resulting, first, from the violations related to the taxes on salaries and wages of the public institutions' employees, especially the delay in declaring the taxes or not paying them to the Treasury within the legal deadlines. Second, the discharges cover the tax violations of Articles 41, 42, and 43 of the Income Tax Law (tax on non-residents), or not paying the taxes to the Treasury within the legal deadlines. Third, they include the violations related to the financial stamp fee, including missed payments of the fees on amounts paid to others. Fourth, they cover the violations related to the value-added tax (VAT) or from not paying the VAT to the Treasury within the legal deadlines. Fifth, the exemptions cover fines resulting from the occupation of the State's public properties.

Further, it pointed out that public administrations, municipalities, unions of municipalities, public institutions, and public law persons qualify for these exemptions on the condition that they pay all their due taxes and fees, including taxes and fees that they deducted and collected but have not paid to the Treasury, that date back to many years and that are no longer due because of the "passage of time" concept, within six months from the date of this circular. Also, they must pay all taxes and fees due that date back to years that are not subject to the "passage of time" concept, with regard to the taxes and fees that are they did not deduct or collect, within a maximum of six months from the date of the circular.

In parallel, it said that, in order to benefit from the exemptions, public institutions, funds, councils, and authorities, as well as public law persons, must declare their taxes by August 15, 2024 and avoid paying the fines on the verification and collection of taxes. It added that public administrations that have collected taxes and fees and that were late in transferring them to the Treasury, which resulted in the fines, must transfer the taxes to the Treasury by August 15, 2024 at the latest in order to benefit from the exemptions.



Currency in circulation down 17% in 12 months ending May 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 LBP89,933.5bn at the end of May 2024, constituting an increase of 5.2% from LBP85,449.6bn at the end of 2023 and a decline of 14.4% from LBP105,093.5bn at end-May 2023. Currency in circulation stood at LBP51,062.2bn at the end of May 2024, as it increased by 1% from LBP50,599.7bn at end-2023 and decreased by 17.3% from LBP61,708.6bn at end-May 2023.

Also, demand deposits in local currency stood at LBP38,871.2bn at the end of May 2024, and increased by 11.5% in the first five months of 2024, while they contracted by 10.4% from end-May 2023. Money supply M1 regressed by 0.2% in May from LBP90,080bn at end-April 2024, with currency in circulation growing by 1.2% and demand deposits in local currency regressing by 1.2% month-on-month.

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP107,475bn at the end of May 2024, constituting an increase of 6.6% from LBP100,787.3bn at end-2023 and a decline of 11.6% from LBP121,569bn a year earlier. Term deposits in Lebanese pounds stood at LBP17,541.5bn at the end of May 2024 and improved by 14.4% from LBP15,337.7bn at end-2023 and by 6.5% from LBP16,475.6bn at end-May 2023. Money supply M2 rose by 1.7% in May from LBP105,728.7bn at end-April 2024, while term deposits in local currency expanded by 12.1% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP6,377.8 trillion (tn) at the end of May 2024, with deposits in foreign currency totaling LBP6,238.4tn and debt securities of the banking sector amounting to LBP31,929.8bn at end-May 2024. In parallel, M3 increased by LBP5,211.6tn in the first five months of 2024 due to a jump of LBP3,784.6tn in claims on the public sector, a rise of LBP1,543.2tn in the net foreign assets of deposit-taking institutions and a surge of LBP490,404.8bn in claims on the private sector, which were offset by a decline of LBP606,555.5bn 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.

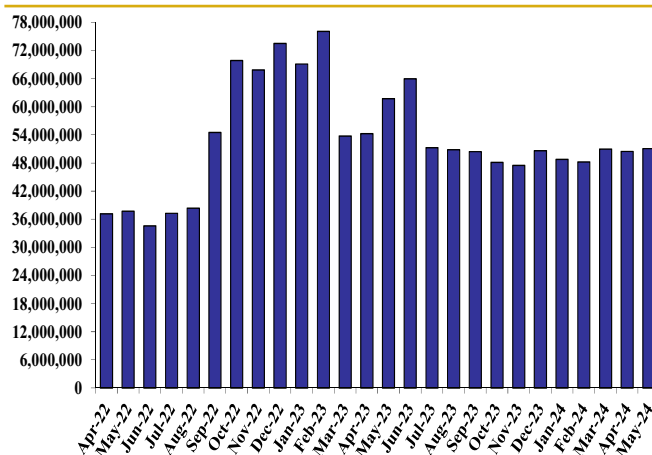
BdL issued Basic Circular 167/13612 dated February 2, 2024 that asked banks and financial institutions to convert their assets and liabilities in foreign currencies to Lebanese pounds at the exchange rate of LBP89,500 per US dollar when preparing their financial positions. BdL requested banks and financial 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.

Port of Beirut processes 1.3 million tons of freight in first quarter of 2024

Figures released by the Port of Beirut show that the port processed 1.3 million tons of freight in the first quarter of 2024, constituting an increase of 2.4% from 1.27 million tons of freight in the same period of 2023. Imported freight totaled 1.1 million tons in the first quarter of 2024, up by 4.1% from 1.06 million tons in the same period of the previous year, and accounted for 84.8% of total processed freight. In addition, the volume of exported cargo reached 198,000 tons in the first quarter of 2024, representing a decrease of 5.7% from 210,000 tons in the same period of 2023, and accounted for 15.2% of aggregate freight in the covered quarter. A total of 383 vessels docked at the port in the first quarter of 2024, constituting a rise of 25.2% from 306 ships in the same quarter of the preceding year. The port handled 492,000 tons of freight in March 2024, up by 15.2% from 427,000 tons in February 2024. In addition, 142 vessels docked at the port in March 2024 compared to 122 ships in the preceding month.

In parallel, the Port of Tripoli processed 575,000 tons of freight in the first quarter of 2024, representing a decline of 258,000 tons (-31%) from 833,000 tons in the same quarter of 2023. Imported freight stood at 326,000 tons in the first quarter of 2024, and increased by 14,000 tons (+4.5%) from 312,000 tons in the same period of the previous year. Imports accounted for 56.7% of freight activity in the covered quarter. In parallel, the volume of cargo that was exported through the port reached 249,000 tons in the first quarter of 2024, constituting a drop of 272,000 tons (-52.2%) from 521,000 tons in the same period of 2023, and represented 43.3% of aggregate freight in the covered period. A total of 191 vessels docked at the port in the first quarter of 2024, constituting an increase of 6.7% from 179 ships in the same period of 2023. The port handled 210,000 tons of freight in March 2024, up by 13% from 186,000 tons in February 2024. Also, 70 vessels docked at the port in March 2024 compared to 45 ships in February 2024.

Currency in Circulation (LBP millions)



Source: Banque du Liban, Byblos Research

Ministry of Finance to audit repayment of foreign currency loans

The Ministry of Finance (MoF) issued Memo No.1431/1 dated June 11, 2024 addressed to the Association of Banks in Lebanon (ABL) about information on each person who reimbursed due loans in a payment method other than in "fresh" dollars. It said that it based its decision to request the data on Article 23 of Tax Procedures Law 44 dated November 11, 2008 and its modifications, which mandates any public or private-sector party to provide the tax administration with any information it requests in order to perform its functions. It attributed its decision to the fact that the tax administration plans to audit the operations that natural or legal persons conducted through the usage of local checks issued in foreign currencies, or through transfers, or the usage of local bank accounts to reimburse their foreign currency loans to banks. As such, it asked the ABL to inform its members to provide the tax administration before the end of June 2024 with the relevant information, such as the full name, the Tax Identification Number and the address of every natural or legal person who did not pay his/her loans in "fresh" dollars, with the exception of housing loans, as well as the balance of the loan as at end-October 2019, and the date, amount and method that the natural or legal person used to repay the loan, whether in one lump sum or in instalments.

In parallel, the Deputy Prime Minister submitted to the Council of Ministers in November 2023 a draft law that aims to earmark a portion of direct tax revenues to fund the planned Deposit Recovery Fund. The draft law consists of one article that stipulates the following: first, it asked the concerned tax authorities to review and verify, by the end of 2024, the tax declarations of natural or moral taxpayers who took out loans from banks and financial institutions operating in Lebanon, and who have repaid their loans and obligations at an exchange rate and at a value that differ from the actual value of their loan and, as such, realized profits as a result of the exchange rate differential and the loan repayments. It noted that this will apply to cases where the statute of limitations has not expired based on the prevailing laws and regulations. It added that, in case the tax authorities determine that there is a need to modify the tax declaration or impose an additional tax, they will issue the necessary decision and will communicate it to the taxpayer directly, but without imposing any penalty, unless the taxpayer does not comply with the pre-set legal deadline to pay the taxes.

Second, the draft law exempts from this procedure mortgages, retail loans, and consumption loans, which natural persons took, that do not exceed \$100,000 or their equivalent in Lebanese pounds on the date that the loan was extended. Third, it stipulates that the revenues that the Lebanese State will generate from the tax on undeclared profits, as specified in the first point, will be earmarked to the Deposit Recovery Fund that the Lebanese authorities plan to establish as part of the draft law to restore balance to the financial system in the country, or to any other fund that has the same purpose. Fourth, it said that the implementation of this law will be based on decrees that the Council of Ministers will approve based on the recommendation of the Minister of Finance.

It added that the draft law is based on prevailing Lebanese laws, particularly on Income Tax Law 144 dated June 12, 1959 and the Tax Procedures Law 44 dated November 11, 2008, and in coordination with the Special Investigation Commission and the Banking Control Commission of Lebanon according to Law 306 of October 28, 2022 that modified the banking secrecy law. The Ministry of Finance is currently reviewing the content of the draft law.

In parallel, in its Article IV Country Report on Lebanon dated June 2023, the International Monetary Fund considered that the decline in the banks' foreign currency loan book resulted in a loss to depositors and a "transfer of wealth" to borrowers. It indicated that borrowers received an implicit subsidy of up to \$15bn between March 2020 and January 2023, given that many of these loans were repaid in local currency at the official exchange rate rather than at the prevailing parallel market exchange rate. It noted that this preferential exchange rate treatment on the repayment of foreign currency loans will be ultimately borne by depositors, as it led to a decline in assets denominated in foreign currency and, therefore, in the amount of recoverable foreign currency deposits. Further, figures issued by Banque du Liban show that loans denominated in foreign currency dropped by \$34.3bn, or by 83.5%, between the start of 2019 and the end of May 2024.



Term deposits account for 54.7% of customer deposits at end-May 2024

Figures issued by Banque du Liban (BdL) about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at LBP8,455 trillion (tn) at the end of May 2024, or the equivalent of \$94.5bn, compared to LBP8,417.9tn (\$94.1bn) at end-April 2024. Total deposits include private sector deposits that reached LBP8,138.5tn, deposits of non-resident financial institutions that amounted to LBP239.5tn, and public sector deposits that stood at LBP77tn at the end of May 2024. The figures reflect BdL'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 LBP4,623.1tn and accounted for 54.7% of total deposits in Lebanese pounds and in foreign currency at the end of May 2024, relative to 54% at the end of 2023 and to 55.2% at end-May 2023. Further, the foreign currency-denominated term deposits of the public sector declined by 20.8% from end-2023, followed by a decrease of 7.4% in the term deposits of the non-resident financial sector, a contraction of 2.5% in the term deposits of non-residents, and a downturn of 0.5% in foreign currency-denominated term deposits of the resident private sector. This was offset by a surge of 113% in the term deposits in Lebanese pounds of the public sector and an increase of 13.5% in the term deposits in Lebanese pounds of the resident private sector from the end of 2023. Aggregate term deposits declined by \$114.8bn 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.

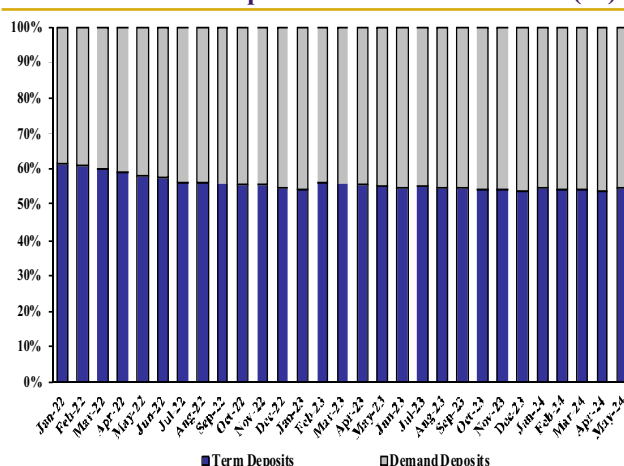
In addition, the foreign currency-denominated term deposits of the resident private sector reached \$36.8bn and accounted for 39% of aggregate deposits at the end of May 2024, relative to 37.4% at end-2023 and 38.4% at end-May 2023. Term deposits of non-residents followed with \$12.6bn or 13.3% of the total, then the term deposits of the non-resident financial sector with \$1.66bn (1.8%), term deposits of the public sector in foreign currency with \$245m (0.3%), term deposits in Lebanese pounds of the resident private sector with LBP17tn (0.2%), and term deposits of the public sector in Lebanese pounds with LBP11.25tn (0.1%).

In parallel, demand deposits in all currencies at commercial banks stood at LBP3,832tn at the end of May 2024 compared to LBP3,864tn at end-April 2024. They accounted for 45.3% of aggregate deposits at end-May 2024, compared to 46% at end-2023 and to 44.8% at end-May 2023. Foreign currency-denominated demand deposits of the resident private sector decreased by \$857.4m from end-2023, followed by a decline of \$74.8m in demand deposits of the non-resident financial sector. This was partly offset by a surge of \$230m in demand deposits of non-residents, an increase of \$81.4m in demand deposits in foreign currency of the public sector, a rise of LBP3,390bn in demand deposits in Lebanese pounds of the public sector, and an expansion of LBP2,708.5bn in demand deposits in Lebanese pounds of the resident private sector.

Also, demand deposits in foreign currency of the resident private sector totaled \$32.5bn and represented 34.4% of deposits at end-April 2024, relative to 33.7% at end-2023 and to 32.2% at the end of May 2023. Demand deposits of non-residents followed with \$8.4bn (8.9%), then demand deposits of the non-resident financial sector with \$1bn (1.1%), demand deposits in Lebanese pounds of the resident private sector with LBP36.9tn and demand deposits in foreign currency of the public sector with \$413.8m (0.4% each), and demand deposits in Lebanese pounds of the public sector with LBP6.75tn (0.1%).

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

Bank Audi posts profits of LBP1.4bn in first quarter of 2024

Bank Audi sal, one of six listed banks on the Beirut Stock Exchange, declared unaudited consolidated net profits of LBP1.4bn in the first quarter of 2024 compared to audited profits of LBP774.5bn in the first quarter of 2023. The bank's net interest income reached LBP5,138bn in the first quarter of this year relative to LBP1,015.6bn in the same period of 2023; while its net earnings from fees & commission stood at LBP2,459bn compared to LBP304.2bn in the first quarter of 2023. Further, the bank's net operating income totaled LBP13,364.3bn in the first quarter of 2024 relative to LBP1,359.6bn in the same period of the preceding year. In addition, the bank's operating expenditures reached LBP13,361.3bn in the covered period compared to LBP701.3bn in the first quarter of 2023, with personnel cost accounting for 14.1% of the total.

In parallel, the bank's aggregate assets stood at LBP1,507 trillion at the end of March 2024 relative to LBP278,486.4bn at end-2023. Further, customer deposits reached LBP1,102 trillion compared to LBP194,176.2bn at end-2023 and deposits from related parties stood at LBP6,685.4bn at end-March 2024 relative to LBP1,319.6bn at end-2023. Also, net loans & advances to customers totaled LBP89,940.7bn at the end of March 2024 relative to LBP15,165.6bn at end-2023 and net loans & advances to related parties amounted to LBP3,388.5bn at end-March 2024 compared to LBP575.1bn at end-2023. In parallel, the bank's shareholders' equity was LBP85,360.2bn at the end of March 2024 relative to LBP26,076.6bn at end-2023.

The bank indicated that, according to Banque du Liban's (BdL's) Basic Circular 167/13612 dated February 2, 2024, it adopted in preparing the financial statements as at end-March 2024 the exchange rate that BdL announced on its electronic exchange platform, which is equivalent to LBP89,500 per US dollar, compared to a prevailing official exchange rate of LBP15,000 per dollar at end-2023. It added that the uncertainties arising since 2019 makes it difficult to estimate the negative impact of the crisis on its financial statements.

BLOM Bank registers profits of LBP3,231bn in 2023

BLOM Bank sal, one of Lebanon's listed banks on the Beirut Stock Exchange, declared audited net profits of LBP3,231.1bn in 2023 compared to earnings of LBP7.2bn in 2022. The bank's net interest income reached LBP8,176bn in 2023 relative to LBP2,178.7bn in 2022, while its net fees & commission income stood at LBP1,963.3bn compared to losses of LBP109.7bn in 2022. Also, the bank's net operating income totaled LBP10,293.8bn in 2023 relative to LBP1,249.7bn in 2022. In parallel, the bank's operating expenditures reached LBP5,474.7bn last year compared to LBP1,221.5bn in 2022, with personnel cost accounting for 63.3% of the total in 2023.

Also, the bank's aggregate assets amounted to LBP278.5 trillion (tn) at the end of 2023 relative to LBP38,876.5bn a year earlier. Further, net loans & advances to customers totaled LBP15,030.8bn at end-2023 compared to LBP2,577.3bn at end-2022, while net loans & advances to related parties stood at LBP42.2bn at end-2023. In addition, customer deposits reached LBP250.1tn at the end of 2023 compared to LBP30,690bn at end-2022, with deposits from related parties standing at LBP580.5bn at end-2023. In parallel, the bank's shareholders' equity was LBP16,341bn at end-2023 relative to LBP4,718.5bn at end-2022.

In parallel, the firm's external auditors indicated that "the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the group as at December 31, 2023, and its financial performance and its cash flows for the year that ended in accordance with International Financial Reporting Standards", since the financial statements do not take into account the impact of hyperinflation on the revenues stream. It said that "the group translated its assets and liabilities denominated in foreign currencies and the assets and liabilities of its foreign operations as at December 31, and all transactions in foreign currencies that occurred during the year that ended, using the official published exchange rates to the consolidated financial statements."

Holcim posts net profits of LBP1,923.5bn in 2023

Cement producer Holcim (Liban) sal posted consolidated net profits of LBP1,923.5bn in 2023 compared to net income of LBP292bn in 2022. The group's sales reached LBP9,666.8bn in 2023, relative to LBP2,687bn in 2022; while its cost of goods sold totaled LBP5,365.5bn last year compared to LBP1,746.5bn in 2022. This resulted in gross profits of LBP4,299.3bn in 2023 relative to LBP940.4bn in 2022. As such, the group's gross profits margin was 44.5% in 2023 relative to 35% in 2022.

Further, the firm's assets totaled LBP5,847.3bn at the end of 2023 compared to LBP1,844.3bn a year earlier; while its inventory reached LBP1,971.3bn in 2023 relative to LBP626.5bn at end-2022. Also, the company's bank balances and cash stood at LBP2,397.2bn at end-2023 compared to LBP502.5bn at end-2022; while its current ratio, which is a measure of the company's ability to meet its short-term obligations, was 2.3x at the end of 2023 relative to 2x a year earlier. In addition, the firm's loans from related parties reached LBP866.3bn at end-2023 relative to LBP353.5bn at end-2022, while its provision for risks and charges totaled LBP247.8bn at end-2023 compared to LBP111.8bn at end-2022. Moreover, Holcim's retained earnings reached LBP2,201.8bn at end-2023 relative to LBP411.5bn at end-2022. The firm's shareholders equity stood at LBP2,338bn at the end of 2023 and LBP613.8bn a year earlier. As such, the company's debt-to-equity ratio was 150% at the end of 2023 compared to 200.4% at end-2022.

Further, the dividends that the group received from its subsidiaries to minority interest stood at LBP16.7m in 2023 relative to LBP1.5bn in 2022. The firm produces and sells cement and other related products. Holcim's share price closed at \$61 on July 12, 2024, up by 2.5% from \$59.5 at the end of 2023.



Ratio Highlights

(in % unless specified)	2020	2021	2022	Change*
Nominal GDP (\$bn)	25.0	19.8	21.8	2.0
Public Debt in Foreign Currency / GDP	56.1	-	-	-
Public Debt in Local Currency / GDP	92.6	-	-	-
Gross Public Debt / GDP	148.7	349.9	283.2	(66.7)
Trade Balance / GDP	(12.1)	(6.3)	(4.3)	(2.0)
Exports / Imports	31.3	24.8	18.3	(6.5)
Fiscal Revenues / GDP	15.8	8.3	6.5	(1.7)
Fiscal Expenditures / GDP	20.0	7.4	12.7	5.3
Fiscal Balance / GDP	(4.2)	0.9	(6.1)	-
Primary Balance / GDP	(1.0)	2.0	(5.6)	-
Gross Foreign Currency Reserves / M2	41.5	26.0	13.4	(12.6)
M3 / GDP	206.4	81.9	41.8	(40.1)
Commercial Banks Assets / GDP	292.5	107.3	46.4	(60.9)
Private Sector Deposits / GDP	216.5	79.5	34.5	(45.0)
Private Sector Loans / GDP	56.3	17.0	5.5	(11.5)
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	-	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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