

# LEBANON THIS WEEK

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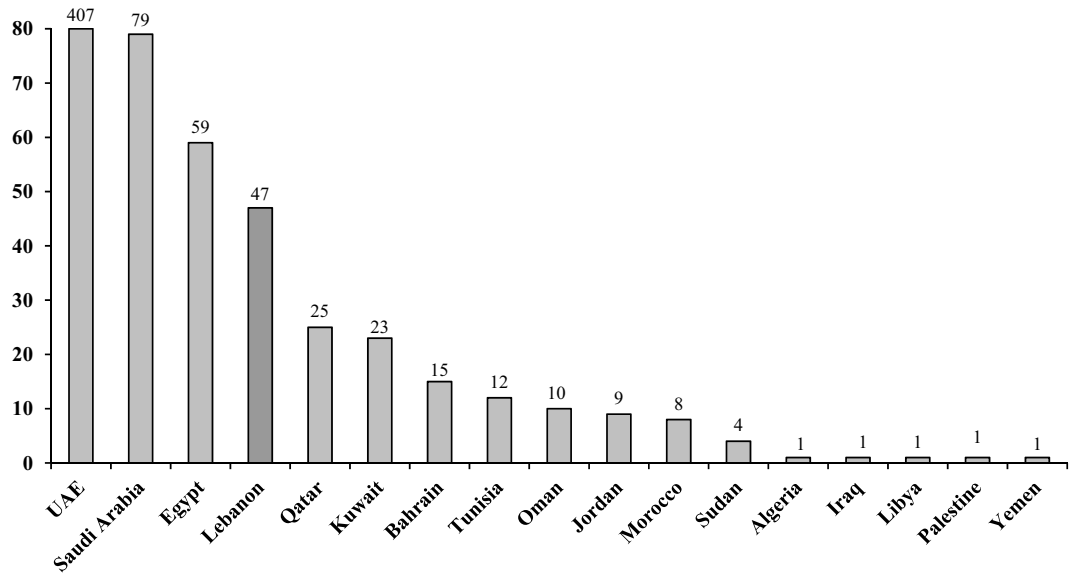
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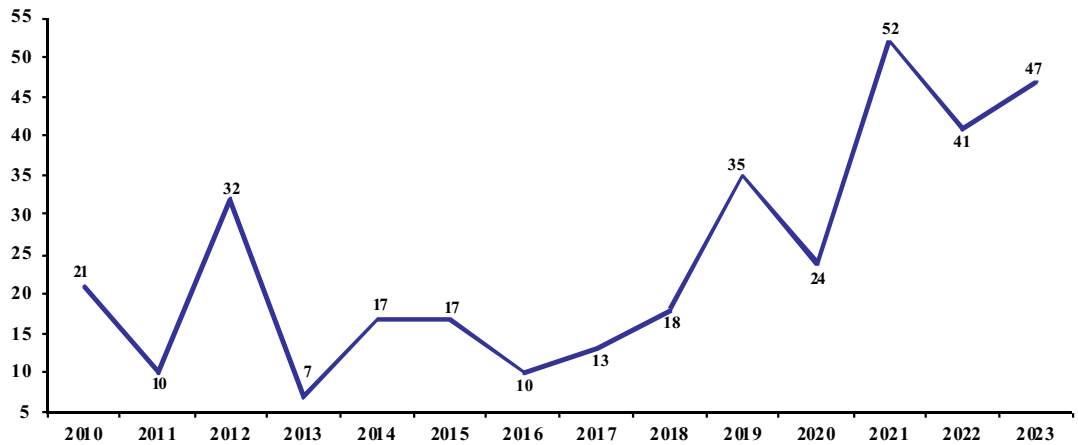
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## Charts of the Week

Number of Outward Greenfield Foreign Direct Investment Projects from Arab Countries in 2023



Number of Outward Greenfield Foreign Direct Investment Projects from Lebanon



Source: UNCTAD, Byblos Bank

## Quote to Note

"Economic reforms are essential for a strong and sustainable recovery and for attracting new investments and international financial support."

*The International Monetary Fund, on the stalling reforms in Lebanon*

## Number of the Week

**\$19.8bn:** Size of the Lebanese economy in 2021, according to the Central Administration of Statistics' National Accounts

## 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"	72.10	3.1	49,484	42.7%	Nov 2024	6.25	7.00	4,735.50
Solidere "B"	70.15	(1.2)	16,778	27.0%	Jun 2025	6.25	7.00	696.81
Audi Listed	1.55	0.6	3,370	5.4%	Nov 2026	6.60	7.00	152.64
Audi GDR	1.10	(0.9)	836	0.8%	Mar 2027	6.85	7.00	129.29
Byblos Common	0.63	0.0	-	2.1%	Nov 2028	6.65	7.00	72.91
BLOM GDR	3.04	0.0	-	1.3%	Feb 2030	6.65	7.00	53.69
BLOM Listed	2.90	0.0	-	3.7%	Apr 2031	7.00	7.00	43.56
HOLCIM	61.00	0.0	-	7.0%	May 2033	8.20	7.00	32.55
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	7.00	25.03
Byblos Pref. 09	29.99	0.0	-	0.4%	Mar 2037	7.25	7.00	22.14

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

Source: Refinitiv

	Jul 15-19	Jul 8-12	% Change	June 2024	June 2023	% Change
Total shares traded	70,468	155,774	(54.8)	477,018	1,157,356	(58.8)
Total value traded	\$4,713,494	\$6,359,869	(25.9)	\$18,325,430	\$63,989,737	(71.4)
Market capitalization	\$16.90bn	\$16.73bn	1.0	\$16.54bn	\$17.68bn	(6.4)

Source: Beirut Stock Exchange (BSE)



### Lebanon ranks 65<sup>th</sup> globally, 10<sup>th</sup> in Arab world in insurance density in 2023

Global reinsurer Swiss Re's annual survey of the global insurance market indicates that Lebanon ranked in last place among the largest 72 markets in terms of premiums generated in 2023. In comparison, Lebanon ranked in 59<sup>th</sup> place globally, while it came in 32<sup>nd</sup> place among 45 emerging markets EMs and in sixth place among 13 Arab countries in the 2022 survey. Lebanon generated \$259m in total premiums in 2023, constituting a decrease of 84.2% from \$1.64bn in 2022 in nominal terms. In comparison, *Al Bayan* magazine's survey of the insurance market estimated total premiums at nearly \$993m in 2023. Also, premiums dropped by 54.8% in real terms from the preceding year when taking into account the average inflation rate of 221.3% in 2023. Swiss Re provided the premium figures in US dollars after converting them from Lebanese pounds at the exchange rate of LBP13,892.8 per dollar in 2023 and of LBP1,507.9 per dollar in 2022. Lebanon generated LBP3,598.2bn in total premiums in 2023, constituting an increase of 45.1% in nominal terms and a decline of 54.8% in real terms from the preceding year. Total premiums generated in Lebanon in 2023 accounted for 0.004% of global premiums, for 0.045% of premiums generated in emerging markets excluding China, for 0.1% of premiums generated in the Middle East & Africa region, and for 0.5% of premiums generated in the Arab world.

#### Insurance Density in Arab Countries in 2023 (Premiums per Capita in US\$)

	Life	Non-Life	Total	Rank
UAE	192	1,339	1,531	26
Qatar	0	740	740	29
Bahrain	60	429	489	36
Saudi Arabia	19	454	472	37
Kuwait	32	356	388	42
Oman	35	249	283	47
Morocco	67	78	146	54
Tunisia	27	67	93	58
Jordan	17	75	93	59
<b>Lebanon</b>	<b>5</b>	<b>43</b>	<b>48</b>	<b>65</b>
Algeria	3	23	26	68
Egypt	11	12	23	69
Yemen	0	9	9	71

Source: Swiss Re, Byblos Research

Lebanon generated \$232m in non-life premiums last year, according to the Swiss Re methodology, ranking it in last place among the 72 markets covered in the survey. Non-life premiums produced in Lebanon dropped by 83.1% in nominal terms from \$1.37bn in 2022, while they declined by 51.5% in real terms in 2023. Lebanon generated LBP3,212.3bn in non-life premiums in 2023, constituting an increase of 55.8% from LBP2,061.4bn in 2022. Non-life premiums produced in the Lebanese market accounted for 0.01% of global non-life premiums, for 0.084% of such premiums generated in emerging markets excluding China, for 0.2% of non-life premiums generated in the Middle East & Africa region, and for 0.5% of premiums generated in Arab countries in 2023.

Further, Lebanon generated \$28m in life premiums in 2023, according to the Swiss Re methodology, ranking it in 70<sup>th</sup> place globally, in 43<sup>rd</sup> place among EMs, and in 11<sup>th</sup> place in the Arab world. Life premiums generated in the Lebanese market dropped by 90% from \$277m in 2022 in nominal terms, while they declined by 71.2% in real terms last year. Globally, life premiums generated in Lebanon were higher than those produced in Yemen (\$14m). In comparison, Lebanon generated LBP385.9bn in life premiums in 2023, constituting a decrease of 7.6% from LBP417.7bn in 2022. Life premiums generated in Lebanon accounted for 0.001% of global life premiums, for 0.01% of such premiums in emerging markets excluding China, for 0.04% of life premiums produced in the Middle East & Africa region, and for 0.4% of premiums generated in the Arab world in 2023.

In parallel, Swiss Re estimated Lebanon's insurance density, or premiums per capita, at \$48 in 2023, which ranks the local market in 65<sup>th</sup> place globally, in 38<sup>th</sup> place among 45 EMs, and in 10<sup>th</sup> place among 13 Arab economies. Lebanon had a higher insurance density than Kenya (\$45), Côte d'Ivoire and Algeria (\$26 each), and Egypt (\$23), and a lower density than Paraguay (\$70), Bolivia (\$67) and Indonesia and the Philippines (\$66 each) last year. The survey estimated Lebanon's non-life density at \$43 and life density at \$5 in 2023.

Also, the survey estimated the insurance penetration rate in Lebanon, or premiums relative to the size of the economy, at 0.2% of GDP in 2023, ranking it in last place among the 72 covered markets. Lebanon posted a penetration rate of 0.1% of GDP in the non-life category in 2023.

### Banque du Liban extends terms of two circulars until end of 2024

Banque du Liban (BdL) issued Intermediate Circular 700/13647 dated June 28, 2024 addressed to banks, financial institutions and auditors that modifies Basic Circular 36/6856 dated December 19, 1997 about bonds that banks and financial institutions can issue, and Basic Circular 61/7224 of February 11, 1999 about the banks' issuance of Certificates of Deposits and of banking certificates. The new circular extended specific articles and sections in the two circulars until December 31, 2024.

The circular stipulates that banks and financial institutions operating in Lebanon have to pay the principal and coupons of the bonds that they issued, and that are held by a custodian in Lebanon, in accounts at banks operating in the country. It said that the same rules will apply to the payments of the principal and interest on Certificates of Deposits and interbank certificates that banks and financial institutions issued and that are held by a local custodian. It added that the measures that the clearing house MidClear introduced on foreign transfers will apply to the payments of principal and coupons of the bonds and certificates. The decisions, which BdL issued under Intermediate Circular 541/13187, applied for a period of six months starting on January 30, 2020, but BdL extended them repeatedly, with Intermediate Circular 672/13561 extending the measures until the end of 2023 and Intermediate Circular 684/13597 extending the measures until the enactment of the government's budget for 2024 and its publication in the Official Gazette. BdL stated that the new circular goes into effect upon its publication.



### Banque du Liban's liquid foreign reserves at \$10.3bn, gold reserves at \$22.2bn at mid-July 2024

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP8,442.1 trillion (tn) on July 15, 2024, relative to LBP8,406tn at end-June 2024 and to LBP8,404.6tn at mid-June 2024. Assets in foreign currency stood at \$15.47bn at mid-July 2024, compared to \$15.12bn at end-June 2024, to \$15.15bn at mid-June 2024 and to \$14.4bn at mid-July 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 \$5.2bn in Lebanese Eurobonds as at mid-July 2024, nearly unchanged from end-June 2024. Further, BdL's liquid foreign currency reserves stood at \$10.28bn at mid-July 2024 compared to \$9.93bn at end-June 2024, \$9.32bn at the end of 2023, and \$8.57bn at end-July 2023. As such, liquid foreign currency reserves increased by \$1.71bn from the end of July 2023.

Further, the value of BdL's gold reserves reached a historical peak of \$22.2bn at mid-July 2024, relative to \$21.5bn at end-June 2024, and to \$18bn at mid-July 2023. Also, the securities portfolio of BdL totaled LBP127,755.5bn at mid-July 2024 relative to LBP127,974bn at end-June 2024. In addition, loans to the local financial sector stood at LBP14,010.4bn at mid-July 2024 compared to LBP14,112.5bn at end-June 2024.

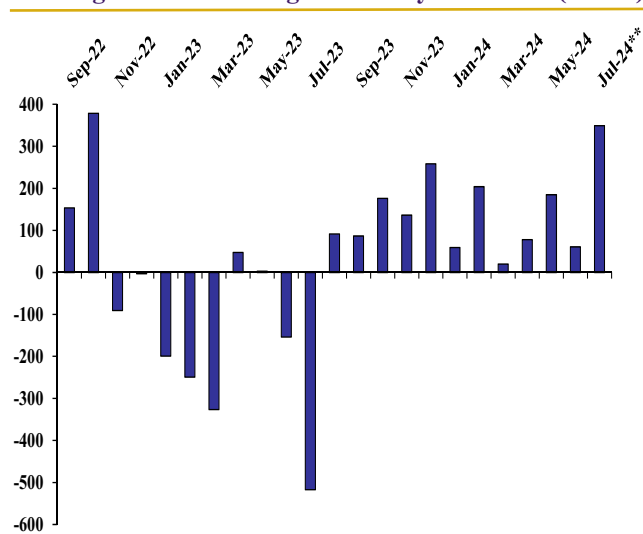
Moreover, Deferred Open-Market Operations stood at LBP151,293.6bn at mid-July 2024 relative to LBP148,540bn at end-June 2024 and to LBP118,971.3bn at end-2023. BdL said that, based on the Central Council's decision 23/36/45 of December 20, 2023, it has started to present all deferred interest costs originating 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 LBP14,054.9bn at mid-July 2024 relative to LBP13,391.9bn two weeks earlier.

Also, the Revaluation Adjustments item on the asset side reached LBP3,274,655.4bn at mid-July 2024 relative to LBP3,338,790.5bn at end-June 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 LBP162.28tn at mid-July 2024 relative to LBP162.09tn at end-June 2024. It also consists of a special account in the name of the Treasury that stood at LBP3,112.4tn at mid-July 2024 compared to LBP3,176.7tn at end-June 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 LBP1,486,786.5bn at mid-July 2024 relative to LBP1,486,772.7bn two weeks earlier.

On the liabilities side, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP62,483.4bn at mid-July 2024 compared to LBP60,416.8bn at end-June 2024, and represented a decrease of 21.2% from LBP79,313.2bn at mid-July 2023. Further, the deposits of the financial sector reached LBP7,794.7tn or the equivalent of \$87.1bn at mid-July 2024, relative to LBP7,791.3tn or \$87.05bn at end-June 2024, and to LBP1,343.6tn or \$89.57bn at mid-July 2023; while public sector deposits at BdL stood at LBP461,637.6bn at mid-July 2024 compared to LBP433,219bn at end-June 2024 and to LBP110,671bn at mid-July 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 LBP16.16tn as at July 15, 2024 compared to LBP23.33tn 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

\*\*as at mid-July 2024, change from end-June 2024

Source: Banque du Liban, Byblos Research



### **Amount of cleared checks in Lebanese pounds up 31.4% in first half of 2024**

The amount of cleared checks in Lebanese pounds reached LBP38,780bn in the first half of 2024, constituting an increase of 31.4% from LBP29,514bn in the first half of 2023, while the amount of cleared checks in foreign currency was \$780m and dropped by 64% from \$2.17bn in the first half of 2023. Also, there were 106,853 cleared checks in the first half of 2024, down by 59.6% from 264,443 checks in the same period of 2023. In addition, the amount of cleared checks in Lebanese pounds stood at LBP6,704bn in June 2024, constituting decreases of 20.7% from LBP8,452bn in May 2024 and of 2% from LBP6,847bn in June 2023. Further, the amount of cleared checks in foreign currency was \$99m in June 2024, and regressed by 1% from \$100m in the previous month, while they declined by 57% from \$230m in June 2023. Also, there were 14,166 cleared checks in June 2024 relative to 17,393 checks in May 2024 and to 32,534 cleared checks in June 2023.

Further, the amount of cleared checks in "fresh" Lebanese pounds stood at LBP5,893bn, while the amount of cleared checks in "fresh" foreign currency was \$101.4m in the first half of 2024. Also, there were 3,629 cleared checks in "fresh" Lebanese pounds and 7,419 cleared checks in "fresh" foreign currency in the covered period.

In parallel, the amount of returned checks in Lebanese pounds totaled LBP187bn in the first half of 2024, down by 61.4% from LBP484bn in the same period last year, while the amount of returned checks in foreign currency was \$23m and dropped by 83.5% from \$142m in the first half of 2023. Also, the amount of returned checks in Lebanese pounds stood at LBP5bn in June 2024, and fell by 50% from LBP10bn in the previous month and by 85.3% from LBP34bn in June 2023. Moreover, the amount of returned checks in foreign currency was \$2m in June 2024, compared to \$1m in the preceding month and to \$30m in June 2023.

Further, there were 583 returned checks in the first half of 2024, representing a drop of 75% from 2,319 returned checks in the same period last year. Also, the number of returned checks in foreign currency reached 206 in the covered period and fell by 79% from 977 checks in the first half of 2023, while the number of returned checks in Lebanese pounds totaled 377 and contracted by 72% from 1,342 checks from the same period last year. In addition, there were 76 returned checks in June 2024, relative to 81 returned checks in the preceding month and to 272 checks in June 2023. Further, there were 38 returned checks in Lebanese pounds in June 2024 compared to 55 in the previous month and to 118 in June 2023, while there were 38 returned checks in foreign currency in June 2024 relative to 26 checks in the preceding month and 154 returned checks in June 2023.

In addition, the amount of returned checks in "fresh" foreign currency stood at \$766,124 while the amount of returned checks in "fresh" Lebanese pounds was LBP12.33bn in the first half of the year. Also, there were 87 returned checks in "fresh" foreign currency and 17 returned checks in "fresh" Lebanese pounds in the first half of 2024.

### **BdL mandates additional AML/CFT measures**

Banque du Liban (BdL) issued Intermediate Circular 702/13649 dated June 27, 2024 addressed to banks, financial institutions, leasing companies, institutions that issue and promote charge and credit cards, institutions engaged in electronic financial and banking operations, money dealers, and specialized lending entities or comptoirs, that modifies Basic Circular 168/13638 of June 4, 2024 about communicating to BdL the names of shareholders and persons who hold managerial positions.

First, the circular stipulates that all the covered institutions must provide the legal department at BdL a list in English that includes the full name and date of birth of the shareholders and stockholders who own more than 5% of shares and stocks of the institution; the beneficial owners that own and/or who exercise effective control over more than 5% of shares and stocks; the Chairman and members of the Board of Directors of the institution; as well as the names of all persons who hold senior executive managerial positions. BdL noted that it may request the names of shareholders, stockholders, and beneficial owners who hold less than 5% of shares and stocks, if the bank is not listed on the Beirut Stock Exchange (BSE). It added that it may request the names of shareholders, stockholders, and beneficial owners who hold more than 2% of shares and stocks if the bank is listed on the BSE.

Second, it indicated that the institutions must send to BdL's Legal Department an updated list in case of any change, within a week from the occurrence of any change that requires amending the list. Third, it said that the Legal Department will continuously and periodically verify that the names are not designated on any United Nations, international, and national sanction lists.

Fourth, it stated that banks, companies, and institutions must comply with the provisions of this circular under the penalty of having their license revoked. Fifth, it pointed out that the circular goes into effect upon its publication and that it will be published in the Official Gazette.

In parallel, BdL said this it issued the circular pursuant to Law 44 about Fighting Money Laundering and Terrorism Financing; Basic Decision 12147 of December 22, 2015 on the implementation of UN Security Council Resolutions No. 1267 (1999), No. 1988 (2011), and No. 1989 (2011), and any related successor resolutions; as well as pursuant to Basic Decision 12253 dated May 3, 2016 about dealing with the U.S. Act of December 18 2015, and to the recommendations of the Financial Action Task Force.



### **Spillovers from regional conflict affecting economic activity**

Standard Chartered Bank expected Lebanon's real GDP to contract by 0.5% in 2024, as it expected the war in the Gaza Strip and the confrontations along Lebanon's border with Israel to weigh on economic activity in the country in the second half of 2024. However, it projected the real GDP growth rate at 1.5% in 2025 and 3% in 2026, following several years of a deep crisis. It anticipated economic activity to rebound in case of an eventual resolution to the military conflict in the region, but it considered that a broad-based recovery is likely to remain elusive given the absence of an agreement on a debt and banking sector restructuring plan, as well as on a financial recovery plan.

It noted that the Purchasing Managers' Index for Lebanon, an indicator of operating conditions in the private sector, reached a 17-month low of 47.9 in May 2024, and that the rebound in tourism activity alone cannot correct the cumulative contraction in nominal GDP between 2018 and 2022. Further, it expected the average inflation rate to decrease from 150% in 2024 to 100% in 2025 and 75% in 2026.

In addition, it considered that the unification of the multiple exchange rates in the 2024 budget is a significant step in the right direction, and pointed out that the 2024 budget that the Lebanese Parliament enacted is almost balanced due to foreign currency adjustments. Also, it noted that the acting governor of Banque du Liban (BdL) stated a year ago his intention to end the Central Bank's longstanding practice of funding the government in foreign currency, and added that BdL has not participated in Lebanese pound-denominated Treasury bills auctions since mid-2022. It said that the government continues to service its local currency debt obligations, despite the previous government's decision to default on its Eurobonds obligations in March 2020. It noted that the progress on implementing structural reforms and on negotiating a debt restructuring agreement remains stalled.

In parallel, it projected the fiscal balance to post deficits of 2% of GDP in 2024, 3% of GDP in 2025, and 3% of GDP in 2026, and for the current account balance to post deficits of 15% of GDP in 2024 and 20% of GDP in each of 2025 and 2026. It stated that the military conflict along Lebanon's southern border continues to escalate, which led to the displacement of more than 94,000 individuals and damages to physical infrastructure of about \$1.5bn.

### **Banque du Liban reduces rates on foreign currency deposits and Certificates of Deposits**

Banque du Liban (BdL) issued Intermediate Circular 701/13648 dated June 27, 2024 addressed to banks and financial institutions that modifies Basic Circular 14/5258 of September 17, 1993 about the opening of deposit accounts in foreign currency at BdL and Basic Circular 67/7534 dated March 2, 2000 about BdL's issuance of Certificates of Deposits in US dollars.

First, the circular stipulates that BdL will reduce by 75% the interest rates that it pays on commercial banks' term deposits in foreign currency placed at BdL, and that the latter will pay the interest rates in US dollars, other than in cash, in each bank's current account at BdL. Second, it said that it will reduce by 75% the interest rates that it pays on the Certificates of Deposits in US dollars that it has issued and that are held by commercial banks; and that it will pay the interest rates in US dollars, other than in cash, in each bank's current account at BdL. Third, it said that the terms of this circular go into effect upon its publication and will end on December 31, 2024.

BdL reduced in 2019 the interest rates that it pays on deposits and Certificates of Deposits in foreign currency. It issued on December 4, 2019 Intermediate Circular 536/13157 that stipulates that BdL will, exceptionally and for a period of six months, apply new rules on the interest income it pays on term deposits that banks placed in US dollars at BdL and on the Certificates of Deposits that it issued in US dollars. At the time, the circular stipulates that BdL will reduce by 50% the interest rates that it pays on the commercial banks' term deposits in foreign currency placed at BdL, and that the latter will, on an exceptional basis, continue to pay half of the interest rates in US dollars and the other half in Lebanese pounds. Also, BdL said that it will reduce by 50% the interest rates that it pays on the Certificates of Deposits in US dollars that it has issued and that are held by commercial banks; and that it will, on an exceptional basis, continue to pay half of the interest rates in US dollars and the other half in Lebanese pounds. It then extended the terms of the circular repeatedly for six to 12-month periods.

But BdL issued Intermediate Circular 686/13613 dated February 2, 2024 that stipulated that BdL will reduce by 75% the interest rates that it pays on the commercial banks' term deposits in foreign currency placed at BdL, and that the latter will pay the interest rates in US dollars. Also, it said that it will reduce by 75% the interest rates that it pays on the Certificates of Deposits in US dollars that it has issued and that are held by commercial banks; and that it will pay the interest rates in US dollars. It added that the terms of this circular will end on June 30, 2024.



### Lebanon ranks 117<sup>th</sup> place globally, 15<sup>th</sup> among Arab countries on governance index

The Bertelsmann Stiftung's Governance Index ranked Lebanon in 117<sup>th</sup> place worldwide and in 15<sup>th</sup> place among 19 Arab countries in 2024. In comparison, Lebanon ranked in 118<sup>th</sup> place globally and in 16<sup>th</sup> place regionally in the 2022 survey, while it came in 98<sup>th</sup> place worldwide and in 13<sup>th</sup> place among 18 Arab countries on the 2014 index. Based on the same set of countries in the 2022 and 2024 surveys, Lebanon's global and regional ranks improved by one spot each from the 2022 index, while its global rank deteriorated by 11 notches and its regional rank regressed by one spot from the 2014 index. The index is produced through the collaboration of nearly 300 country and regional experts from global leading universities and think tanks.

The Governance Index assesses the quality of political leadership and the effectiveness of policymakers that drive the political and economic transformation processes in a country. The index is composed of five categories that are the Level of Difficulty, Steering Capability, Resource Efficiency, Consensus-Building, and International Cooperation. The index's scores per country range from one to 10 points, with a score of 10 points reflecting the best possible governance transformation level.

Globally, Lebanon had a similar level of governance than the Democratic Republic of the Congo, a higher level than Zimbabwe and Eswatini, and a lower level than Tajikistan and the Republic of Congo. Lebanon received a score of 2.87 points on the 2024 index, down from 3.05 points on the 2022 index and 3.96 points 2014 index. Also, Lebanon's score came lower than the global average score of 4.6 points and the Arab average score of 3.97 points in 2024. Further, Lebanon's score was lower than the Gulf Cooperation Council (GCC) countries' average score of 4.94 points and the average score of non-GCC Arab countries that stood at 3.53 points.

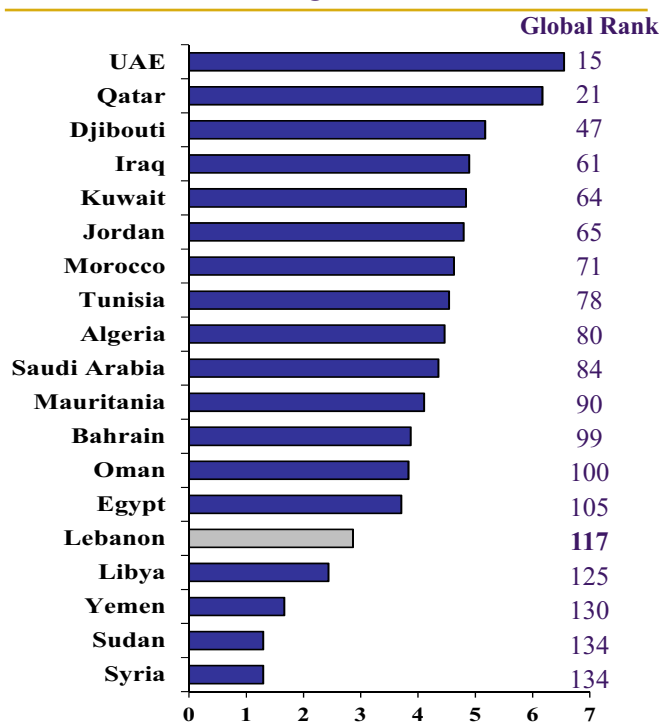
Further, Lebanon preceded Uzbekistan and Vietnam, tied with Tunisia, and trailed India and Tunisia on the Level of Difficulty category. This criteria evaluates the structural constraints, civil society traditions, and conflict intensity in a country. Lebanon preceded Egypt, Bahrain, Algeria, Saudi Arabia, Oman, Qatar, Kuwait, and UAE among Arab economies. The survey classified the level of difficulty in Lebanon as "moderate", given that a higher score reflects a higher difficulty level in this category.

Also, Lebanon came ahead of Hungary, tied with Oman, Laos and Pakistan, and ranked behind Djibouti globally on the Consensus-Building category. This criteria measures the broadest possible consensus for the transformation goals of decision-makers, and evaluates anti-democratic actors, conflict management, civil society participation, and the reconciliation process in a country. Lebanon tied with Oman, and ranked ahead of Bahrain, Saudi Arabia, Libya, Egypt, Yemen, Sudan and Syria on this category among Arab countries.

In addition, Lebanon preceded Mali, tied with Pakistan, Zimbabwe, Somalia and Chad, while it trailed behind Tajikistan worldwide on the International Cooperation category. This indicator measures the effective use of support from international partners to implement a long-term strategy of development, the credibility of the government in its relations with the international community, and the country's cooperation with external supporters and organizations. Lebanon preceded only Libya, Yemen, Sudan and Syria in the Arab world on this category.

Bertelsmann Stiftung is a Germany-based independent foundation that promotes "reform processes" and "the principles of entrepreneurial activity" to build a "future-oriented society".

**Governance Index for 2024**  
Scores & Rankings of Arab Countries



Source: Bertelsmann Stiftung, Byblos Research

**Components of the 2024 Governance Index for Lebanon**

	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
Level of Difficulty	63	10	5.50	5.37	5.83
Steering Capability	120	16	2.67	4.92	4.39
Resource Efficiency	117	15	2.67	4.57	4.05
Consensus-Building	99	11	3.40	4.91	3.56
International Cooperation	117	15	4.00	6.37	5.77

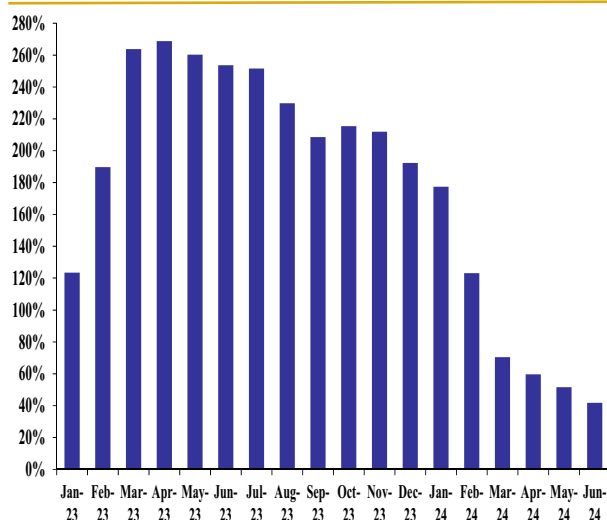
Source: Bertelsmann Stiftung, Byblos Research

## Consumer Price Index up 42% year-on-year in June 2024

The Central Administration of Statistics' Consumer Price Index increased by 76.5% in the first half of 2024 from the same period of 2023. In comparison, it grew by 229.7% and by 214.2% in the first half of 2023 and 2022 from the corresponding periods of the previous years, respectively.

The CPI rose by 41.8% in June 2024 from the same month of 2023 and registered its fourth double-digit increase since July 2020, following a 70.4% year-on-year rise in March 2024, a 59.7% increase in April 2024 from the same month of 2023, and a 51.6% expansion annually in May 2024. The slowdown of the inflation rate from triple-digit increases is due in part to the widespread dollarization of consumer goods and services in the economy, and to the stabilization of the exchange rate of the Lebanese pound against the US dollar since July 2023. However, the cumulative surge in the inflation rate is due in part to the repeated increase in customs tariffs, to the rise of telecommunications rates and electricity tariffs, and to the inability of the authorities to monitor and contain retail prices. It is also due to the impact of rising transportation costs and insurance rates on imported goods in the wake of the war in the Gaza Strip.

Annual Change in Consumer Price Index\* (%)



\*from the same month of the previous year

Source: Central Administration of Statistics, Byblos Research

The cost of education surged by 6.9 times in June 2024 from the same month in 2023, followed by healthcare costs and the prices of miscellaneous goods & services (+1.5 times each), the cost recreation & entertainment and imputed rent (+1.4 times each). In addition, the cost of communication services rose by 31% year-on-year in June 2024, followed by the prices of food and non-alcoholic beverages (+29.6%), actual rent (+28.7%), the prices of clothing & footwear (+26.7%), the rates at restaurants & hotels (+23.8%), transportation costs (+18.5%), the cost of alcoholic beverages & tobacco (+16.8%), and the cost of water, electricity, gas & other fuels (+12%). In contrast, the prices furnishings & household equipment decreased by 7.3% in the covered period. Also, the distribution of actual rent shows that new rent surged by 46.8% and old rent increased by 7% in June 2024 from the same month of 2023.

In parallel, the CPI grew by 0.28% in June 2024 from the previous month, compared to month-on-month growth rates of 0.02% in May 2024 and of 1.7% in April 2024. Imputed rent increased by 2.2% in June 2024 from May 2024, followed by the cost of transportation (+2%), rates at restaurants & hotels (+1.4%), actual rent (+1.3%), the cost of education (+0.3%), and the cost of healthcare and communication (+0.01% each). In contrast, the prices of miscellaneous goods & services declined by 2.4% in June 2024 from the preceding month, followed by the cost of recreation & entertainment (-2%), the prices of clothing & footwear (-0.6%), the cost of alcoholic beverages & tobacco (-0.3%), the prices of food & non-alcoholic beverages (-0.2%), the prices of furnishings & household equipment (-0.04%), and the prices of water, electricity, gas and other fuels (-0.03%). Further, the distribution of actual rent shows that new rent increased by 2.1% and old rent grew by 0.1% in June 2024 from May 2024.

Further, the CPI increased by 2.57% in the South, by 1.29% in Beirut, by 0.49% in the North, and by 0.44% in the Bekaa in June 2024 from May 2024. However, the CPI regressed by 0.5% in the Nabatieh and by 0.31% in Mount Lebanon in June 2024 from the previous month. In parallel, the Fuel Price Index declined by 4.5%, while the Education Price Index increased by 0.3% month-on-month in June 2024.



### **Import activity of top five shipping firms and freight forwarders down 3% in first quarter of 2024**

Figures released by the Port of Beirut show that the aggregate volume of imports by the top five shipping companies and freight forwarders through the port totaled 46,846 20-foot equivalent units (TEUs) in the first quarter of 2024, constituting a decrease of 2.7% from 48,159 TEUs in the same quarter of 2023. The five shipping and freight forwarding firms accounted for 81% of imports to the Lebanese market in the first quarter of 2024.

Merit Shipping handled 16,344 TEUs in the first quarter 2024, equivalent to 28.3% of the total import freight market to Lebanon. Mediterranean Shipping Company (MSC) followed with 13,674 TEUs (23.6%), then MAERSK with 9,162 TEUs (15.8%), Gezairi Transport with 4,574 TEUs (8%), and Seanautics with 3,092 TEUs (5.3%). Seanautics registered a rise of 230.3% in imports in the first quarter of 2024 from the same quarter last year, the highest growth rate among the covered companies, while MAERSK posted a decrease of 1.4%, the steepest decline among the five firms in the covered period. Also, the import shipping operations of the top five firms through the port increased by 40% in March 2024 from the preceding month.

In parallel, the aggregate volume of exports by the top five shipping and freight forwarding firms through the Port of Beirut reached 17,543 TEUs in the first quarter of 2024, representing a decrease of 4.3% from 18,321 TEUs in the first quarter of 2023. The five companies accounted for 91% of exported Lebanese cargo in the covered quarter.

Merit Shipping handled 10,041 TEUs of freight in the first quarter of 2024, equivalent to 52% of the Lebanese cargo export market. MAERSK followed with 3,862 TEUs (20%), then MSC with 1,848 TEUs (9.6%), Gezairi Transport with 1,162 TEUs (6%), and Gharib Shipping & Trading with 630 TEUs (3.3%). Gezairi Transport posted a surge of 58% in exports in the first quarter of 2024 from the same period of 2023, the highest growth rate among the covered companies, while MAERSK registered a decrease of 24.2%, the steepest decline among the five firms in the covered period. The export-shipping operations of the top five companies increased by 27.5% in March 2024 from the previous month.

### **IFC extends \$15m loan to Lebanese construction group**

The International Finance Corporation (IFC), the private sector financing arm of the World Bank Group, announced that it is extending a \$15m loan to MAN Enterprise, a Lebanese engineering, procurement, and construction group. It indicated that the loan will help the group undertake new projects and grow its operations in the Middle East and Africa region, build its internal capacity for climate-friendly technologies, and improve its gender inclusion practices. It added that it will work with MAN Holding in Lebanon to improve its gender inclusion by providing childcare solutions for working parents, which aims to attract and retain females in the workforce through the Care Arabia program, an IFC-led initiative in Lebanon and Jordan.

Further, the IFC stated that, despite Lebanon's challenging environment, it has been selectively looking for opportunities to support the Lebanese private sector through investments to preserve jobs and help the economy at a critical time. It noted that this agreement will help the company gain access to corporate capital that complements its standard financing, improve sustainable and inclusive practices, and become more resilient to economic downturns.

Established in 1971 and headquartered in Luxembourg, the MAN Enterprise Group and its subsidiaries MAN Enterprise, Metrix, Tecman Industry, Hausman, and Mondis operate in 13 countries in general contracting, electromechanical services, wood & steel manufacturing, oil & gas, utility services, renewable energy solutions, and solid waste and facility management.

The IFC said that it has invested since 2005 more than \$920m in Lebanese firms that consist of \$603m from its own account and \$317m from other partners. It added that it has invested and provided advice across various sectors in Lebanon that include finance, manufacturing, construction, retail, and information and communication technology.

### **Proparco earmarks €2m to support microfinance lending in Lebanon**

Proparco, the private sector financing arm of l'Agence Française de Développement Group (AFD Group), announced that it allocated €2m to cover 80% of the loans that microfinance institution Vitas Lebanon extends to its clients. It indicated that the amount aims to increase access to finance for very small Lebanese businesses.

It indicated that the €2m guarantee program will allow Vitas Lebanon to cover 80% of its loan portfolio, with loan amounts ranging from \$500 to \$15,000 per recipient. It added that Vitas will receive technical support on gender issues, in order to provide greater support to its female clientele and to increase the proportion of female entrepreneurs in its portfolio.

Further, it said that the objective of the €2m portfolio guarantee is to support the growth of Vitas' activity for micro-, small-, and medium sized enterprises (MSMEs) clients that are located in crisis areas in Lebanon. It noted that the program aims to promote access to finance for companies with high-risk profiles in extremely fragile situations, while covering a significant number of small loans. It added that the allocation will facilitate access to finance for entrepreneurs under 30 years old, particularly in the North, Akkar, the Bekaa and Beirut. This is the second agreement between the two sides, as Proparco allocated €2.3m to Vitas Lebanon in December 2020 to support MSMEs in vulnerable regions in Lebanon.

Established in 1999, Vitas Lebanon sal, part of the Vitas Group, is a non-profit microfinance institution that provides financial solutions to small businesses and individuals.

## 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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**Economic Research & Analysis Department**  
**Byblos Bank Group**  
**P.O. Box 11-5605**  
**Beirut – Lebanon**  
**Tel: (961) 1 338 100**  
**Fax: (961) 1 217 774**  
**E-mail: [research@byblosbank.com.lb](mailto:research@byblosbank.com.lb)**  
**[www.byblosbank.com](http://www.byblosbank.com)**

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# BYBLOS BANK GROUP

## LEBANON

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Byblos Bank S.A.L  
Achrafieh - Beirut  
Elias Sarkis Avenue - Byblos Bank Tower  
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon  
Phone: (+ 961) 1 335200  
Fax: (+ 961) 1 339436

## IRAQ

---

Erbil Branch, Kurdistan, Iraq  
Street 60, Near Sports Stadium  
P.O.Box: 34 - 0383 Erbil - Iraq  
Phone: (+ 964) 66 2233457/8/9 - 2560017/9  
E-mail: [erbilbranch@byblosbank.com.lb](mailto:erbilbranch@byblosbank.com.lb)

Sulaymaniyah Branch, Kurdistan, Iraq  
Salem street, Kurdistan Mall - Sulaymaniyah  
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq  
Al Karrada - Salman Faeq Street  
Al Wahda District, No. 904/14, Facing Al Shuruk Building  
P.O.Box: 3085 Badalat Al Olwiya – Iraq  
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2  
E-mail: [baghdadbranch@byblosbank.com.lb](mailto:baghdadbranch@byblosbank.com.lb)

Basra Branch, Iraq  
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq  
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919  
E-mail: [basrabranch@byblosbank.com.lb](mailto:basrabranch@byblosbank.com.lb)

## ARMENIA

---

Byblos Bank Armenia CJSC  
18/3 Amiryan Street - Area 0002  
Yerevan - Republic of Armenia  
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296  
E-mail: [infoarm@byblosbank.com](mailto:infoarm@byblosbank.com)

## NIGERIA

---

Byblos Bank Nigeria Representative Office  
161C Rafu Taylor Close - Off Idejo Street  
Victoria Island, Lagos - Nigeria  
Phone: (+ 234) 706 112 5800  
(+ 234) 808 839 9122  
E-mail: [nigeriarepresentativeoffice@byblosbank.com.lb](mailto:nigeriarepresentativeoffice@byblosbank.com.lb)

## BELGIUM

---

Byblos Bank Europe S.A.  
Brussels Head Office  
Boulevard Bischoffsheim 1-8  
1000 Brussels  
Phone: (+ 32) 2 551 00 20  
Fax: (+ 32) 2 513 05 26  
E-mail: [byblos.europe@byblosbankeur.com](mailto:byblos.europe@byblosbankeur.com)

## UNITED KINGDOM

---

Byblos Bank Europe S.A., London Branch  
Berkeley Square House  
Berkeley Square  
GB - London W1J 6BS - United Kingdom  
Phone: (+ 44) 20 7518 8100  
Fax: (+ 44) 20 7518 8129  
E-mail: [byblos.london@byblosbankeur.com](mailto:byblos.london@byblosbankeur.com)

## FRANCE

---

Byblos Bank Europe S.A., Paris Branch  
15 Rue Lord Byron  
F- 75008 Paris - France  
Phone: (+33) 1 45 63 10 01  
Fax: (+33) 1 45 61 15 77  
E-mail: [byblos.europe@byblosbankeur.com](mailto:byblos.europe@byblosbankeur.com)

## ADIR INSURANCE

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Dora Highway - Aya Commercial Center  
P.O.Box: 90-1446  
Jdeidet El Metn - 1202 2119 Lebanon  
Phone: (+ 961) 1 256290  
Fax: (+ 961) 1 256293