

LEBANON THIS WEEK

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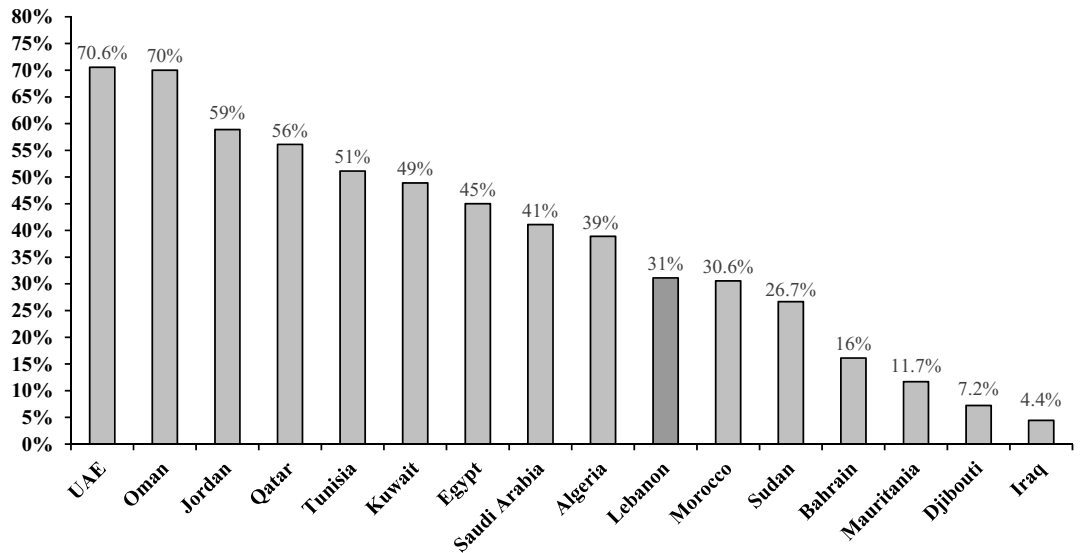
CMA CGM ratings affirmed, outlook 'stable'

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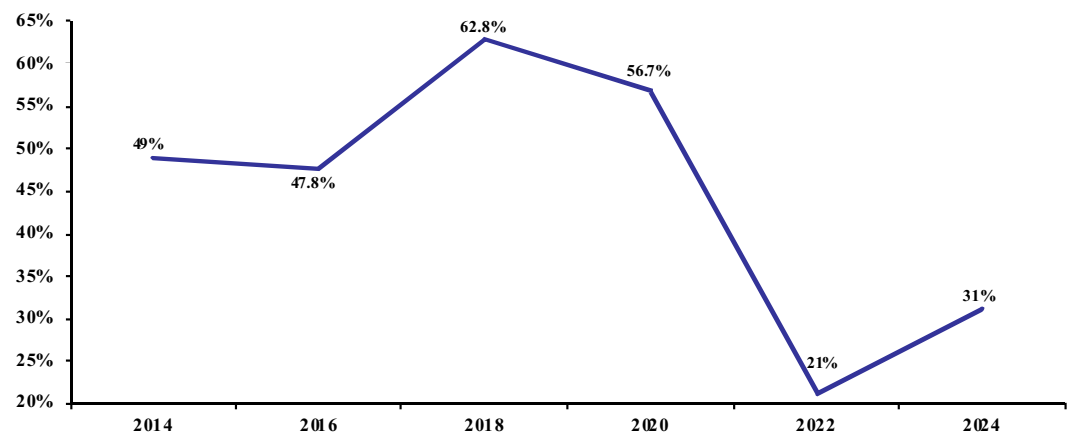
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Charts of the Week

Percentile Rankings of Arab countries on the Environmental Performance Index for 2024



Percentile Rankings of Lebanon on the Environmental Performance Index



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

Quote to Note

"Lebanon remains in default on its long-term foreign-currency government bonds, following the sovereign's failure to pay the principal on the Eurobond that matured on March 9, 2020."

Fitch Ratings, on the absence of any negotiations with Eurobond holders more than four years since the previous government decided to default on its Eurobonds obligations

Number of the Week

21: Number of months since Lebanon has been without a President

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"	80.65	0.9	89,149	43.8%	Nov 2024	6.25	6.63	5,765.87
Audi GDR	1.40	3.7	60,000	0.9%	Jun 2025	6.25	6.63	787.30
Solidere "B"	80.50	0.6	27,836	28.4%	Nov 2026	6.60	6.63	160.05
HOLCIM	60.50	0.0	-	6.4%	Mar 2027	6.85	6.63	135.04
Byblos Common	0.66	0.0	-	2.0%	Nov 2028	6.65	6.63	75.41
Audi Listed	1.55	0.0	-	4.9%	Feb 2030	6.65	6.63	55.34
BLOM GDR	3.26	0.0	-	1.3%	Apr 2031	7.00	6.63	44.82
Byblos Pref. 08	25.00	0.0	-	0.3%	May 2033	8.20	6.63	33.43
BLOM Listed	2.90	0.0	-	3.4%	Nov 2035	7.05	6.63	25.67
Byblos Pref. 09	29.99	0.0	-	0.3%	Mar 2037	7.25	6.63	22.69

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

Source: Refinitiv

	Jul 29 - Aug 2	Jul 22-26	% Change	July 2024	July 2023	% Change
Total shares traded	184,588	362,047	(49.0)	921,760	751,237	22.7
Total value traded	\$9,760,020	\$19,231,879	(49.3)	\$46,002,205	\$26,960,284	70.6
Market capitalization	\$18.43bn	\$18.37bn	0.3	\$18.59bn	\$18.40bn	1.0

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 93rd globally, 10th among Arab countries in terms of political and economic transformation

The Bertelsmann Stiftung's Status Index ranked Lebanon in 93rd place among 137 countries and in 10th place among 19 Arab countries for 2024. In comparison, Lebanon ranked in 88th place globally and in eighth place regionally in the 2022 survey, while it came in 51st place among 137 countries worldwide and in second 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 rank deteriorated by five spots, while its regional rank retreated by two notches from the 2022 index. In comparison, its global rank deteriorated by 36 notches and its regional rank regressed by eight spot from the 2014 index. The index is produced through the collaboration of nearly 300 country and regional experts from leading universities and think tanks around the world.

The index analyzes and evaluates if and how developing countries and those in transition are steering social change towards democracy and a market economy. The index is based on 12 indicators that are grouped in the Political Transformation dimension and the Economic Transformation dimension. A country's score on the index is the simple average score of the two dimensions and ranges from one to 10 points, with a score of 10 points reflecting the most advanced political, economic and governance transformation. The index is published every two years in order to evaluate the political and economic transformation and development towards democracy and a market economy in each country, and to assess trends and identify the outcomes of transformation strategies.

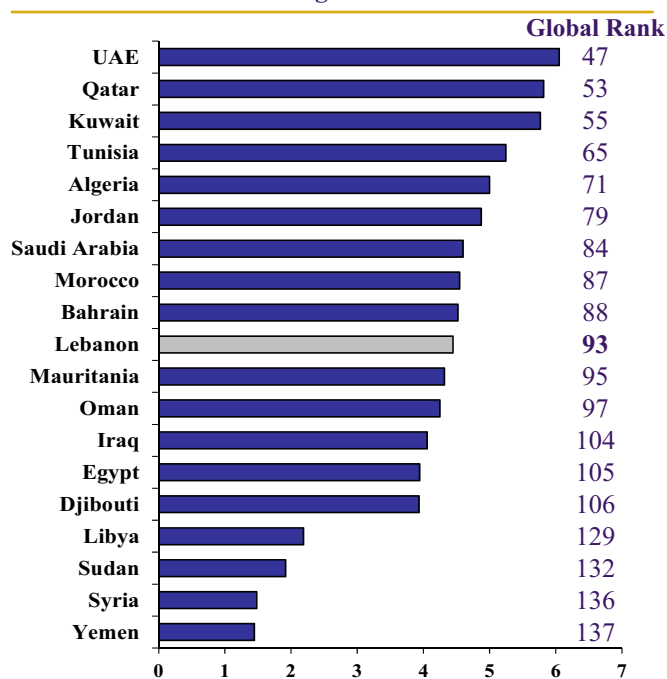
Globally, Lebanon had a similar level of political and economic transformation than Bangladesh, a higher level than Mauritania, Guinea and Belarus, and a lower one than Angola, Guatemala and Madagascar. It also ranked ahead of Mauritania, Oman, Iraq, Egypt, Djibouti, Libya, Sudan, Syria, and Yemen among Arab countries. Lebanon received a score of 4.45 points on the 2024 index, down from 4.68 points in the 2022 survey and from 6 points on the 2014 index. Also, Lebanon's score came lower than the global average score of 5.27 points and higher than the Arab average score of 4.12 points. Further, Lebanon's score was lower than the Gulf Cooperation Council (GCC) countries' average score of 5.17 points, but came higher than the average score of non-GCC Arab countries that stood at 3.64 points.

Lebanon preceded Guinea-Bissau, Papua New Guinea and Saudi Arabia, and trailed Malaysia, the Philippines and El Salvador on the Political Transformation dimension. This category captures the preconditions to democracy on the use of force and basic administrative structures. It also evaluates political participation, the rule of law, the performance and commitment of institutions towards democracy, as well as political and social integration in each jurisdiction. Lebanon came first among Arab economies on this category. Also, the survey classified Lebanon in the "highly defective democracies" segment, along with 10 other countries worldwide. The categories consist of "democracies in consolidation", "defective democracies", "highly defective democracies", "moderate autocracies", and "hard-line autocracies".

In addition, Lebanon tied with Pakistan, ranked ahead of Nigeria, Burundi and Cuba, and came behind Laos, Ethiopia and Iraq worldwide on the Economic Transformation dimension. This category measures the level of socio-economic development, the organization of competition, property rights, and welfare regime of a country. It also captures the economic performance, the monetary and fiscal stability, and the environmental, education and Research & Development policies in an economy. Lebanon ranked ahead of Libya, Sudan, Yemen and Syria among Arab countries on this category. The survey classified the Lebanese economy in the "very limited" economic transformation segment, along with 40 other countries globally. The five categories of economic transformation consist of "rudimentary", "very limited", "limited", "advanced", and "highly advanced" transformation.

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

Status Index for 2024
Scores & Rankings of Arab Countries



Source: Bertelsmann Stiftung, Byblos Research

Components of the 2024 Status Index for Lebanon

	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
Political Transformation	65	1	5.25	5.24	3.53
Economic Transformation	112	15	3.64	5.29	4.72

Source: Bertelsmann Stiftung, Byblos Research

Banque du Liban's liquid foreign reserves at \$10.3bn, gold reserves at \$22.3bn at end-July 2024

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP8,441.1 trillion (tn) on July 31, 2024, relative to LBP8,442.1tn at mid-July 2024 and to LBP8,406tn at end-June 2024. Assets in foreign currency stood at \$15.45bn at end-July 2024, compared to \$15.47bn at mid-July 2024, to \$15.12bn at end-June 2024 and to \$13.8bn at end-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 \$5.19bn in Lebanese Eurobonds as at end-July 2024, nearly unchanged from mid-July 2024. Further, BdL's liquid foreign currency reserves stood at \$10.26bn at end-July 2024 compared to \$10.28bn at mid-July 2024, \$9.32bn at the end of 2023, and \$8.57bn at end-July 2023. As such, liquid foreign currency reserves increased by \$1.68bn from the end of July 2023.

Further, the value of BdL's gold reserves reached a historical peak of \$22.3bn at the end of July 2024, relative to \$22.2bn at mid-July 2024, and to \$18bn at end-July 2023. Also, the securities portfolio of BdL totaled LBP127,789.6bn at end-July 2024 relative to LBP127,755.5bn at mid-July 2024. In addition, loans to the local financial sector stood at LBP12,449.3bn at end-July 2024 compared to LBP14,010.4bn at mid-July 2024.

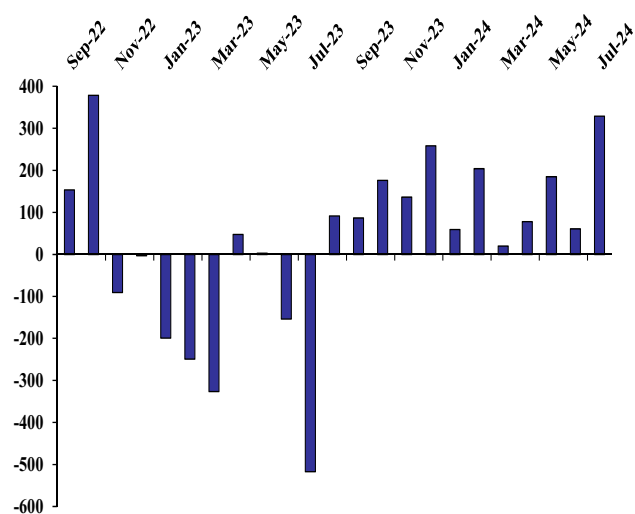
Moreover, Deferred Open-Market Operations totaled LBP154,194.2bn at end-July 2024 relative to LBP151,293.6bn at mid-July 2024 and to LBP118,971.3bn at end-2023. BdL said that, based on the Central Council's decision 23/36/45 of December 20, 2023, it has started to present all deferred interest costs 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 LBP14,515.4bn at end-July 2024 relative to LBP14,054.9bn two weeks earlier.

Also, the Revaluation Adjustments item on the asset side reached LBP3,265,347.4bn at end-July 2024 relative to LBP3,274,655.4bn at mid-July 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 LBP162.41tn at end-July 2024 relative to LBP162.28tn at mid-July 2024. It also consists of a special account in the name of the Treasury that stood at LBP3,102.9tn at end-July 2024 compared to LBP3,112.4tn at mid-July 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 LBP1,486,801.3bn at end-July 2024 relative to LBP1,486,786.5bn two weeks earlier.

On the liabilities side, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP60,522.1bn at end-July 2024 compared to LBP62,483.4bn at mid-July 2024, and represented a decrease of 2.3% from LBP61,963.4bn at end-July 2023. Further, the deposits of the financial sector reached LBP7,787.4tn or the equivalent of \$87.01bn at end-July 2024, relative to LBP7,794.7tn or \$87.1bn at mid-July 2024, and to LBP1,338.7tn or \$89.25bn at end-July 2023; while public sector deposits at BdL totaled LBP466,627.3bn at the end of July 2024 compared to LBP461,637.6bn at mid-July 2024 and to LBP115,652.3bn at end-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 LBP4.37tn as at July 31, 2024 compared to LBP16.16tn 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 improves in July 2024

The BLOM Lebanon Purchasing Managers' Index (PMI), an indicator of operating conditions in Lebanon's private sector, stood at 48.3 in July 2024 relative to 47.8 in June 2024 and to 50.3 in July 2023, and came higher than the PMI's trend average of 46.7 since the index's inception in May 2013. Also, the July result was the fourth lowest outcome of the index since January 2023, when it stood at 47.7. Further, the PMI averaged 48.7 in the first seven months of 2024 compared to 49.4 in the same period last year, and 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 increased from 45.9 in June 2024 to 46.9 in July 2024, reflecting a slower decline of new orders in July from June. The survey's respondents indicated that the volume of new orders placed with private sector companies in Lebanon remained below the 50 mark due to security concerns related to the war in the Gaza Strip, as well as to the challenging domestic political and economic conditions.

In addition, the New Export Orders Index reached 47.2 in July relative to 46.4 in the previous month, reflecting an acceleration in demand from foreign clients. The surveyed companies noted that the regional insecurity due to the war in the Gaza Strip is still affecting export orders.

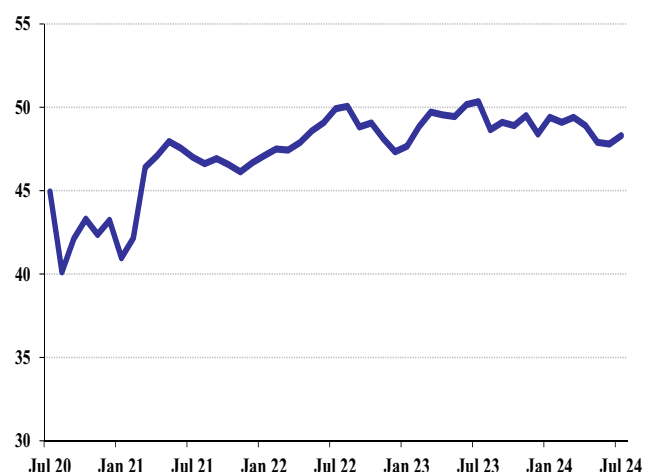
Further, the survey indicated that the Output Index stood at 47.2 in July 2024 compared to 46.2 in the preceding month. Businesses noted that weak demand conditions are weighing on output, but said that the pace of contraction eased from June 2024.

Also, the Employment Index reached 49.5 in July relative to 49.9 in the previous month, signaling a limited decrease in staffing numbers across Lebanon's private sector. Further, the results show that the Backlogs of Work Index stood at 48.6 in July 2024 compared to 48.3 in June 2024, indicating a slight acceleration in the level of completion of outstanding projects in Lebanon's private sector.

In parallel, the survey indicated that the Suppliers' Delivery Times Index reached 50.1 in July 2024 relative to 50.2 in June 2024, and exceeded the 50 mark for the second time since February 2024. The survey respondents said that private sector firms in Lebanon reported an improvement in the efficiency of their suppliers or vendors at the beginning of the third quarter of 2024. Also, the Stocks of Purchases Index stood at 50.2 in the covered month compared to 50.3 in June 2024, as businesses noted an increase in their stocks and a marginal growth in inventories.

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
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
June 2024	46.2	45.9	46.4	19.4	49.9
July 2024	47.2	46.9	47.2	21.6	49.5

Source: BLOM Bank, S&P Global Market Intelligence



Port of Beirut processes 1.7 million tons of freight in first four months of 2024

Figures released by the Port of Beirut show that the port processed 1.66 million tons of freight in the first four months of 2024, constituting an increase of 0.7% from 1.65 million tons of freight in the same period of 2023. Imported freight totaled 1.4 million tons in the first four months of 2024, up by 1.2% from 1.38 million tons in the same period of the previous year, and accounted for 84.2% of total processed freight. In addition, the volume of exported cargo reached 263,000 tons in the first four months of 2024, representing a decrease of 1.5% from 267,000 tons in the same period of 2023, and accounted for 15.8% of aggregate freight in the covered period. A total of 515 vessels docked at the port in the first four months of 2024, constituting a rise of 27.8% from 403 ships in the same period of the preceding year. The port handled 362,000 tons of freight in April 2024, down by 26.4% from 492,000 tons in March 2024. In addition, 132 vessels docked at the port in April 2024 compared to 142 ships in the preceding month.

In parallel, the Port of Tripoli processed 817,000 tons of freight in the first four months of 2024, representing a decline of 302,000 tons (-27%) from 1.12 million tons in the same period of 2023. Imported freight stood at 495,000 tons in the first four months of 2024, and increased by 68,000 tons (+16%) from 427,000 tons in the same period of the previous year. Imports accounted for 60.6% of freight activity in the covered period. In parallel, the volume of cargo that was exported through the port reached 322,000 tons in the first four months of 2024, constituting a drop of 370,000 tons (-53.5%) from 692,000 tons in the same period of 2023, and represented 39.4% of aggregate freight in the covered period. A total of 250 vessels docked at the port in the first four months of 2024, constituting an increase of 3.7% from 241 ships in the same period of 2023. The port handled 242,000 tons of freight in April 2024, up by 15.2% from 210,000 tons in March 2024. Also, 59 vessels docked at the port in April 2024 compared to 70 ships in March 2024.

Spending per Syrian refugee at LBP4.3m per month in 2023

The Vulnerability Assessment for Syrian Refugees (VASyR) in Lebanon for 2023 indicated that a Syrian refugee in Lebanon spent an average of LBP4,290,864 per month in 2023, constituting a surge of 172.3% from LBP1,575,613 in 2022. It attributed the rise in spending to higher inflation rates in food and non-food commodity prices, as well as to the depreciation of the Lebanese pound against the US dollar. The survey showed that household spending on food accounted for 52% of total monthly expenditures in 2023, followed by rent (9%), electricity and medicine (6% each), and hygiene (5%), while spending on other categories represented the remaining 22%. It noted that the average monthly rent among surveyed refugees' households across Lebanon was LBP5.6bn last year relative to LBP863,155 in 2022. It said that rent ranged from LBP1.35m per month for non-permanent structures, such as tents at informal settlements, to an average of LBP4.1m and LBP6.7m per month for non-residential and residential accommodations, respectively.

Also, the survey revealed that 63% of Syrian refugee households spent less than LBP5,663,000 per month in 2023, which is below the Survival Minimum Expenditure Basket (SMEB) that consists of basic items that a household needs for physical survival. It added that 13% of households spent between LBP5,663,000 and LBP6,889,600, while 9% of households spent between LBP6,889,600 and LBP8,612,000, and 15% spent more than LBP8,612,000. In addition, it indicated that Syrian refugees in Akkar and North Lebanon spent LBP2,287,926 and LBP3,165,841 per capita, respectively, in 2023, while displaced Syrians in Beirut and the Nabatieh governorate spent between LBP6,077,741 and LBP5,461,390 per capita, respectively, last year.

In parallel, the survey indicated that 66% of Syrian refugee households said that they received financial support through informal credit from shops, friends and family; 43% revealed that they used ATM cards from humanitarian agencies; 7% of displaced Syrians noted that they received gifts from their families and relatives; 2% indicated that they were the recipients of remittances; and 1% of households pointed out that they got cash assistance from charitable organizations. It added that 12% of households said that the agriculture sector was their primary source of income, while 10% noted that construction work was their main source of remuneration last year. Also, the survey noted that 37% of Syrian refugees worked in the agriculture sector in 2023; 17% of Syrian refugees worked in the hotel, restaurant and transport sectors, and in other services; followed by the construction sector (12%), and in skilled work such as blacksmith and plumbing (11%).

In addition, the survey pointed out that 88% of Syrian households noted that they were in debt and 76% said that they bought food on credit, while 28% of families noted that they sold household items and 25% said that they spent their savings in times of need. Further, it showed that household debt reached LBP28,077,939 on average, or the equivalent of \$300 in 2023, up from LBP6,000,000 (\$209) in 2022; while the average per capita debt stood at LBP6,239,542 (\$67) relative to LBP1,400,000 (\$49). It added that the average debt per household was LBP37.4m (\$400) in Beirut, LBP31.1m (\$332) in Mount Lebanon, LBP30.5m (\$325) in the Nabatieh governorate, LBP29m (\$310) in the Bekaa, LBP28.1m (\$300) in the Baalbeck/Hermel region, LBP24.7m (\$264) in the North, LBP20.2m (\$216) in the South, and LBP17.2m (\$184) in Akkar.

Also, it noted that 90% of households said that they borrowed money to buy food, 52% revealed that they borrowed funds to pay rent, 32% noted that they resorted to debt to buy medicine, 29% of households borrowed to buy essential non-food items, 20% said that they contracted debt to cover healthcare, and 9% indicated that they resorted to debt to buy infant formula. It added that 86% of households cited friends and relatives in Lebanon as their main sources of borrowed money, followed by supermarkets and shops (52%), and landlords (16%). Further, households noted that alternative sources of borrowing money included friends or relatives living outside Lebanon.

The United Nations High Commissioner for Refugees (UNHCR), the World Food Program (WFP) and the United Nations Children's Fund (UNICEF) commissioned the VASyR survey. They conducted the survey by collecting the data from 5,000 Syrian refugee households in all districts across Lebanon between May and June 2023 for quantitative analysis, and held discussion groups to gather qualitative information.

Consumer Price Index up 32% in 10 months ending June 2024 in dollar terms

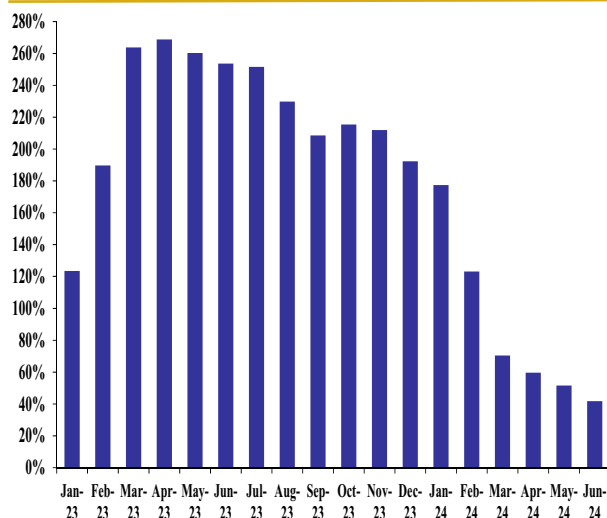
The Central Administration of Statistics' Consumer Price Index increased by 31.5% in June 2024 from August 2023 and registered its fifth double-digit increase since August 2023. The pace of inflation slowed down in June from August 2023 following a 70.4% year-on-year rise in March 2024, a 59.7% increase in April 2024 from the same month of 2023, a 51.6% growth annually in May 2024, and a 41.8% rise in June 2024 from June 2023. The slowdown of the inflation rate from triple-digit increases prior to August 2023 is due in large part to the stabilization of the exchange rate of the Lebanese pound against the US dollar since July 2023, which makes it possible to measure the change in CPI in dollar terms. Also, the deceleration in inflation is due to the widespread dollarization of consumer goods and services in the economy, However, the cumulative surge in the inflation rate is due in part to the repeated increase in customs tariffs, to the rise of telecommunications rates and electricity tariffs, and to the inability of the authorities to monitor and contain retail prices. It is also due to the impact of rising transportation costs and insurance rates on imported goods in the wake of the war in the Gaza Strip.

The cost of education surged by 6.9 times in June 2024 from August 2023, followed by the cost recreation & entertainment and the prices of miscellaneous goods & services (+1.4 times each), as well as imputed rent, the prices of clothing & footwear, and the cost of communication services (+1.3 times each). In addition, the rates at restaurants & hotels rose by 19.8% in June 2024 from August 2023, followed by actual rent (+19%), the prices of food and non-alcoholic beverages (+17.3%), the cost of alcoholic beverages & tobacco (+16%), transportation costs (+11%), the cost of water, electricity, gas & other fuels (+9.4%), the prices furnishings & household equipment (+0.5%), and healthcare costs (+0.2%). Also, the distribution of actual rent shows that new rent surged by 30.8% and old rent increased by 4.3% in June 2024 from August 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, 1.7% in each of April and March 2024, 1.1% in February, 2.9% in January, 0.02% in December 2023, 2.6% November, 17.2% in October, and 1.4% in September 2023. 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 36% in Beirut in June 2024 from August 2023, by 35.6% in Mount Lebanon, by 30.5% in the North, by 29.4% in the South, by 22.5% in the Bekaa, and by 14% in the Nabatieh in the covered period. In comparison, 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; while it 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 6% in June 2024 from August 2023, while the Education Price Index jumped by 518.3% in the covered period. Also, the Fuel Price Index declined by 4.5%, and the Education Price Index grew by 0.3% month-on-month in June 2024.

Annual Change in Consumer Price Index* (%)



*from the same month of the previous year

Source: Central Administration of Statistics, Byblos Research

Lebanon ranks 61st globally, seventh in Arab world in terms of liner shipping connectivity in second quarter of 2024

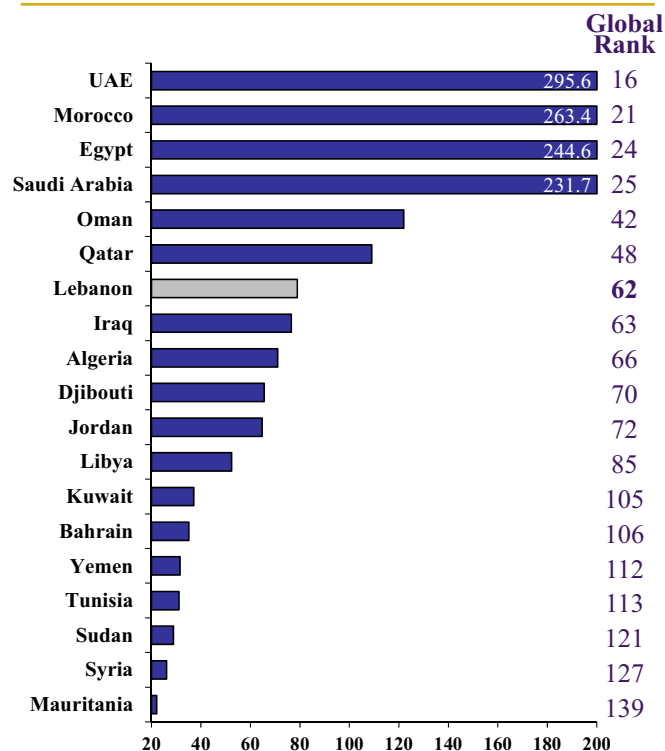
The United Nations Conference on Trade & Development's (UNCTAD) Liner Shipping Connectivity Index (LSCI) ranked Lebanon in 61st place among 180 countries and territories around the world and in seventh place among 19 Arab countries for the second quarter of 2024. In comparison, Lebanon came in 45th place among 179 countries and territories worldwide and in sixth place among 19 Arab countries for the first quarter of 2024. Also, Lebanon ranked in 53rd place among 177 countries and territories around the world and in seventh place among 19 Arab countries for the second quarter of 2023. Based on the same set of countries for the first and the second quarters of 2024, Lebanon's global rank deteriorated by 16 spots, while its Arab rank regressed by one notch from the preceding quarter. Also, Lebanon's global rank deteriorated by eight spots, while its regional rank was unchanged from the second quarter of 2023.

The LSCI assesses the level of a country's integration into global liner shipping networks. The index is a composite of six components that capture the deployment of container ships by liner shipping firms to a country's ports. The components are the number of scheduled ship calls per week in a country, the total deployed capacity offered by a country's fleet, the number of liner shipping firms that provide services from and to a country, the number of regular liner shipping services from and to a country, as well as the average size in Twenty-Foot-equivalent Units of the ships deployed by the scheduled service, and the number of direct shipping routes to and from a given country. A country's score is a composite of the six indicators, with a higher score reflecting a better performance on the index.

Globally, Lebanon has a higher level of connectivity to global shipping networks than Iraq, Slovenia, and Lithuania, and is less connected than Israel, Denmark, and the Bahamas. It also has a higher connectivity level to global shipping networks than Iraq, Algeria, Djibouti, Jordan, Libya, Kuwait, Bahrain, Yemen, Tunisia, Sudan, Syria, and Mauritania among Arab countries.

Further, Lebanon received a score of 79 points in the second quarter of 2024, constituting declines of 29.5% from 112 points in the first quarter of 2024 and of 18% from 96.4 points in the second quarter of 2023. Lebanon's score came lower than the global average score of 100.4 points and the Arab average of 99.4 points. Also, it was lower than the Gulf Cooperation Council (GCC) countries' average score of 138.4 points and the average score of non-GCC Arab countries of 81.3 points.

Liner Shipping Connectivity Index for Second Quarter Arab Countries' Scores & Rankings



Source: UNCTAD, Byblos Research

Stock market capitalization up 1% to \$18.6bn at end-July 2024

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 6.56 million shares in the first seven months of 2024, constituting a drop of 77.8% from 29.6 million shares traded in the same period of 2023; while aggregate turnover amounted to \$290.1m and increased by 9.8% from a turnover of \$264.2m in the first seven months of 2023.

Further, the market capitalization of the BSE stood at \$18.6bn at the end of July 2024, representing an increase of 1% from \$18.4bn a year earlier, and compared to \$16.5bn at the end of June 2024 and to \$20.5bn at end-December 2023. Real estate equities accounted for 72.4% of the market's capitalization at the end of July 2024, followed by banking stocks (19.6%), and industrial shares (8%). Also, the trading volume reached 921,760 shares in July 2024, as it surged by 93.2% from 477,018 shares traded in June 2024 and by 22.7% from 751,237 shares in July 2023. Further, aggregate turnover stood at \$46m in July 2024, constituting a jump of 151% from a turnover of \$18.3m in the preceding month and of 70.6% from \$27m in July 2023. The market liquidity ratio was 1.6% at the end of July 2024 compared to 1.4% a year earlier.

In addition, real estate equities accounted for 51.4% of the trading volume in the first seven months of 2024, followed by banking stocks (42.1%) and industrial shares (6.6%). Also, real estate equities accounted for 89% of the aggregate value of shares traded, followed by industrial shares (9%), and banking stocks (2%). The average daily traded volume for the first seven months of 2024 was 47,894 shares for an average daily amount of \$2.1m. The figures represent a drop of 78.2% in the average daily traded volume and a rise of 8.2% in the average daily value in the covered period.

In parallel, the price of Solidere 'A' shares decreased by 8% and the price of Solidere 'B' shares dropped by 10% in the first seven months of 2024, while the price of Holcim shares increased by 1.7% in the covered period. Further, the price of Solidere 'A' shares increased by 1.7% in January, while it decreased by 14.2% in February, by 6% in March 2024, by 1% in April 2024, by 3.2% in May, and by 1.4% in June 2024, and then increased by 18.7% in July 2024. Also, the price of Solidere 'B' shares improved by 1.3% in January and contracted by 18% in February, by 0.7% in March 2024, by 2.4% in April 2024, by 3.8% in May, and by 1% in June 2024, and then grew by 17.4% in July 2024. Further, the share price of Holcim regressed by 0.5% January and grew by 0.7% in February 2024, while it remained unchanged in March and April 2024, increased by 10.5% in May, and declined by 7.4% in June and by 0.8% in July 2024.

Import activity of top five shipping firms and freight forwarders down 9% in first four months 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 60,449 20-foot equivalent units (TEUs) in the first four months of 2024, constituting a decrease of 9.2% from 66,541 TEUs in the same period of 2023. The five shipping and freight forwarding firms accounted for 81.5% of imports to the Lebanese market in the first four months of 2024.

Merit Shipping handled 20,754 TEUs in the first four months 2024, equivalent to 28% of the total import freight market to Lebanon. Mediterranean Shipping Company (MSC) followed with 16,812 TEUs (22.7%), then MAERSK with 12,325 TEUs (16.6%), Gezairi Transport with 6,839 TEUs (9.2%), and Seanautics with 3,719 TEUs (5%). Seanautics registered a rise of 297.3% in its imports in the first four months of 2024 from the same period last year, the highest growth rate among the covered companies, while MSC posted a decrease of 12.5%, the steepest decline among the five firms in the covered period. Also, the import shipping operations of the top five firms through the port decreased by 29.2% in April 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 22,269 TEUs in the first four months of 2024, representing a decrease of 11% from 25,024 TEUs in the first four months of 2023. The five companies accounted for 91% of exported Lebanese cargo in the covered period.

Merit Shipping handled 12,461 TEUs of freight in the first four months of 2024, equivalent to 50.8% of the Lebanese cargo export market. MAERSK followed with 4,867 TEUs (20%), then MSC with 2,425 TEUs (10%), Gezairi Transport with 1,589 TEUs (6.5%), and Gharib Shipping & Trading with 927 TEUs (3.8%). Gezairi Transport posted a surge of 72.2% in exports in the first four months of 2024 from the same period of 2023, the highest growth rate among the covered companies, while MAERSK registered a decrease of 28.2%, the steepest decline among the five firms in the covered period. The export-shipping operations of the top five companies dropped by 29.5% in April 2024 from the previous month.



CMA CGM ratings affirmed, outlook 'stable'

Moody's Investors Service affirmed the corporate family rating of the Lebanese-owned and France-based container-shipping firm CMA CGM at 'Ba1', as well as its probability of default rating at 'Ba1-PD'. Also, it maintained the 'stable' outlook on the ratings. In addition, it revised the company's business profile sub-score from 'Ba' to 'Baa' due to its diversification strategy.

It attributed the ratings' affirmation to the firm's improved business profile as a result of the acquisition of Bolloré Logistics, which will lead to third-party-logistics generating almost 30% of the group's earnings before interest, taxes, depreciation and amortization (EBITDA). It indicated that CMA CGM has transitioned from a pure container shipping company to a diversified transport and logistics provider. It noted that the firm's asset base has more than doubled since the beginning of 2020, while its debt decreased given that it financed almost every one of its transaction through equity. It added that the company refrained from high dividend payouts and reinvested its profits in its own business.

Further, the agency raised its EBIT margin forecast to 9% from low single digits for 2024. It stressed that even if the Red Sea situation is not resolved during the remainder of 2024, the expected deliveries of new vessels will ultimately reduce freight rates during the second half of 2024 or in the first half of 2025. It noted that freight rates increased significantly as a result of the rerouting of vessels via the Cape of Good, following the increasing number of attacks on vessels transiting through the Red Sea.

In addition, it said that the ratings of CMA CGM are supported by the company's high asset ratios and strong liquidity position. However, it pointed out that the firm's orderbook of 97 vessels for a remaining capital commitment of almost \$10bn in the 2024-26 period will weigh on the company's free cash flow generation. Also, it considered that the rating of CMA CGM offers sufficient financial flexibility to accommodate these investments under the current rating category, even in a declining freight rates environment.

In parallel, it indicated that the 'stable' outlook reflects the firm's strong liquidity and robust balance sheet, which will more than offset the temporary headwinds the industry will face as overcapacity increases in the next 18 months.

Also, it noted that it could upgrade the ratings in case of higher EBIT margins, in case of a successful integration of recent acquisitions combined with sustained credit metrics, if the ratio of retained cash flow to net debt reaches nearly 30%, and/or if the company maintains a strong liquidity profile and a formal financial policy. In contrast, it pointed out that it could downgrade the ratings if the firm's liquidity profile deteriorates, if the ratio of debt to EBITDA exceeds three times, if the EBIT margin declines to less than 5%, if retained cash flow stands at below 20% of the firm's net debt, and/or if it posts negative free cash flow in several years.

CMA CGM is one of the largest container shipping companies in the world and operates a fleet with 620 vessels, with a capacity of 5 million TEUs that serves over 420 commercial ports and utilizes more than 257 shipping lines.



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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