

LEBANON THIS WEEK

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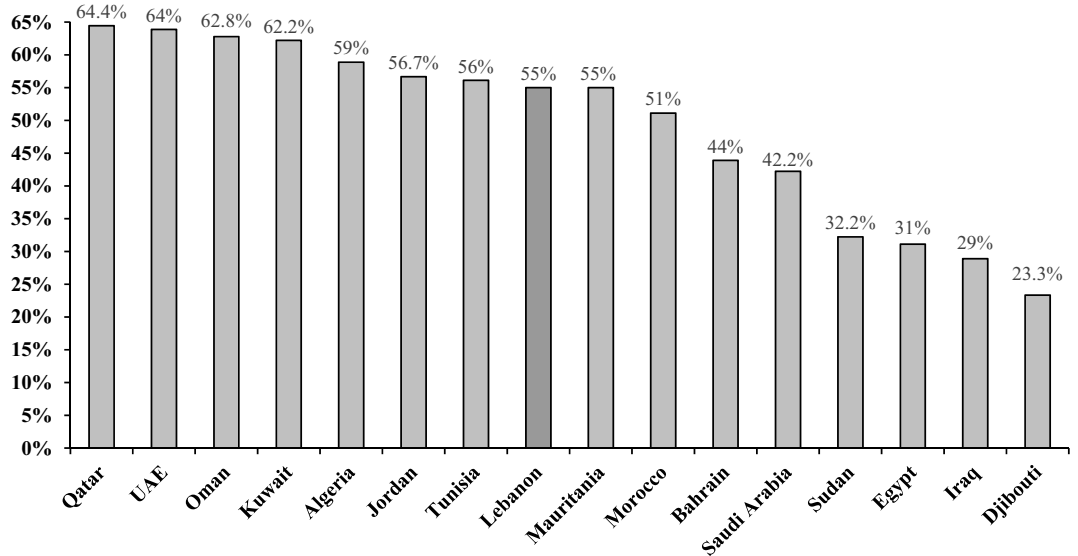
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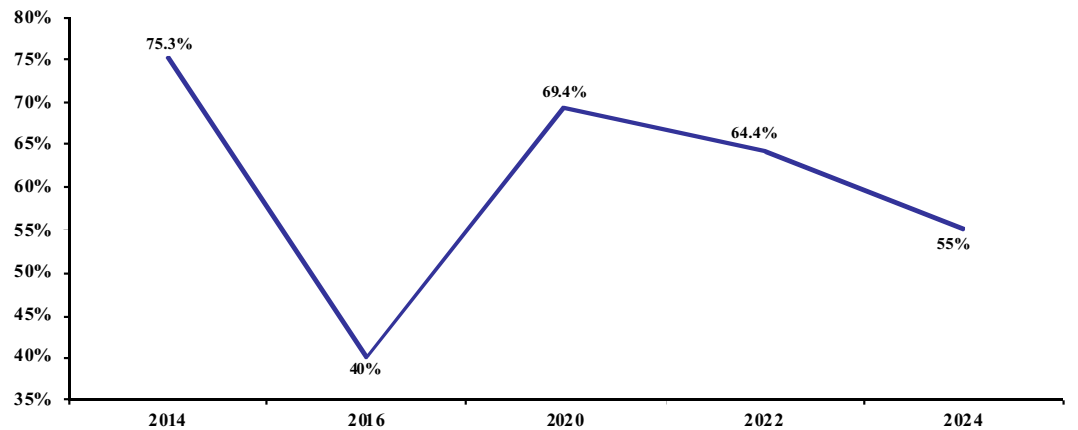
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Charts of the Week

Percentile Rankings of Arab countries in terms of Environmental Health for 2024*



Percentile Rankings of Lebanon in terms of Environmental Health



*The Environmental Performance Index defines Environmental Health as the risks of water and air pollution to human health, and measures how well countries protect public health from exposure to air pollution and other environmental risk factors

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

Quote to Note

"One public entity that could potentially be opened to privatization is Électricité du Liban, which has contributed over \$42bn in recent years to the national debt."

Research institute Bertelsmann Stiftung, on the solution to the fiscal and energy crisis in Lebanon

Number of the Week

27: 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"	75.05	(6.9)	263,895	42.6%	Nov 2024	6.25	6.25	6,666.67
Solidere "B"	76.70	(4.7)	18,625	28.3%	Jun 2025	6.25	6.25	861.50
BLOM GDR	3.03	(7.1)	5,200	1.3%	Nov 2026	6.60	6.25	166.49
Audi GDR	1.35	(3.6)	4,950	0.9%	Mar 2027	6.85	6.25	140.10
HOLCIM	60.50	0.0	-	6.7%	Nov 2028	6.65	6.25	77.73
Byblos Common	0.66	0.0	-	2.1%	Feb 2030	6.65	6.25	56.91
Audi Listed	1.55	0.0	-	5.2%	Apr 2031	7.00	6.25	46.04
Byblos Pref. 08	25.00	0.0	-	0.3%	May 2033	8.20	6.25	34.29
BLOM Listed	2.90	0.0	-	3.5%	Nov 2035	7.05	6.25	26.30
Byblos Pref. 09	29.99	0.0	-	0.3%	Mar 2037	7.25	6.25	23.24

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

Source: Refinitiv

	Aug 5-9	Jul 29 - Aug 2	% Change	July 2024	July 2023	% Change
Total shares traded	292,670	184,588	58.6	921,760	751,237	22.7
Total value traded	\$22,233,818	\$9,760,020	127.8	\$46,002,205	\$26,960,284	70.6
Market capitalization	\$17.60bn	\$18.43bn	(4.5)	\$18.59bn	\$18.40bn	1.0

Source: Beirut Stock Exchange (BSE)



Banque du Liban lifts banking secrecy on 96 cases suspected of money laundering and other crimes in 2023

The Special Investigation Commission (SIC) against money laundering and terrorism financing issued its annual report detailing its actions related to tracing money generated from illegal activities in Lebanon in 2023. Established by Banque du Liban as an independent legal entity, the SIC's mandate is to investigate suspected money-laundering and terrorism financing operations, as well as to monitor compliance with the rules and procedures of Law 318, the anti-money laundering law that the Lebanese Parliament enacted in April 2001 and that it modified to become Law 44 in November 2015.

The report indicated that the SIC received 527 suspected cases in 2023 compared to 469 suspected cases in 2022, 404 cases in 2021, 463 suspected cases in 2020, 637 suspected cases in 2019, 489 cases in 2018, 597 suspected cases in 2017, 470 cases in 2016, 432 suspected cases in 2015, 277 cases in 2014, 301 suspected cases in 2013, and 284 cases in 2012. It received 422 cases, or 80% of the total, from local sources, and 105 cases or 20% of the total from international sources in 2023. In turn, the SIC referred 411 suspected cases to the judicial authorities, while 32 cases are still pending and the remaining 84 cases did not fall within the framework of Law 44. Further, the authorities lifted the banking secrecy on 96 cases, with 15 of those cases referred from foreign governments and organizations and 81 cases from domestic sources. The remaining 315 cases were related to information requests in 2023. In comparison, the Lebanese authorities lifted the banking secrecy on 64 cases in 2022, on 36 cases in 2021, on 29 cases in 2020, on 55 cases in 2019, on 30 cases in 2018, on 48 cases in 2017, and on 42 cases in 2016.

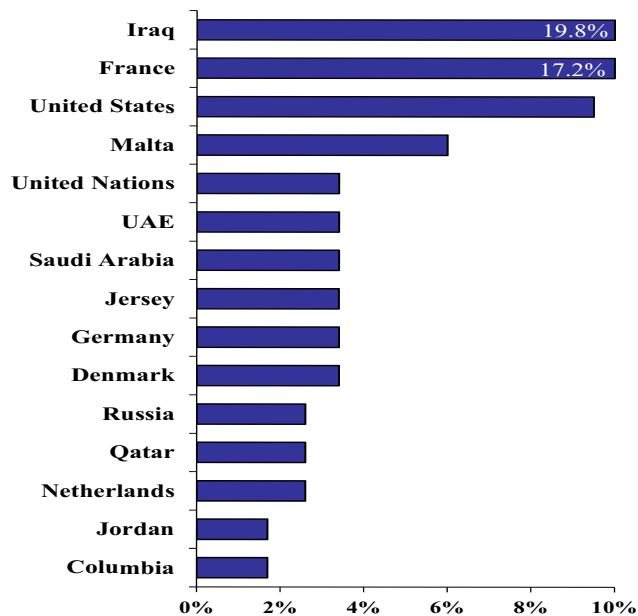
Overall, the SIC investigated 495 out of 527 suspected cases, or 94% of the total in 2023, relative to 92.3% of cases in 2022, 90.6% of cases in 2021, 83% of cases in 2020, 86.7% of cases in 2019, 85% of cases in 2018, 86% of cases in 2017, 85% of cases in 2016, 77.5% of cases in 2015, 73.6% of cases in 2014, 84.7% of cases in 2013 and 67.3% of cases in 2012. There were 89 cases related to narcotics trafficking that accounted for 21.5% of the suspected cases that the SIC received in 2023, followed by corruption with 49 cases (11.8%), forgery with 48 cases (11.6%), terrorism & terrorism financing with 39 cases (9.4%), fraud with 38 cases (9.2%), cybercrime with 35 cases (8.5%), tax evasion with 28 cases (6.8%), embezzlement of private funds with 20 cases (4.8%), smuggling with five cases (1.2%), sexual exploitation with three cases (0.7%), kidnapping with two cases (0.5%), and insider trading and human trafficking with one case each (0.2% each); while the remaining 56 suspected cases (13.5%) did not fall under a specific category.

In cases related to terrorism or terrorism financing, the SIC received 20 names (19 cases) from domestic sources and 126 names (20 cases) from foreign parties. The breakdown of local sources shows that money transfer operators supplied 16 names (16 cases), the police provided three names (two cases), and money dealers submitted one name (one case). The distribution of foreign sources reveals that foreign ministries and embassies delivered 91 names (eight cases), financial investigation units supplied 28 names (nine cases), and the United Nations Security Council provided seven names (three cases).

Further, the SIC received 166 suspicious transactions reports, 384 requests for assistance, three cross-border cash reports, and one case that was not categorized. Further, Lebanon received 116 foreign requests for assistance, with 44% of the requests coming from Europe, 32% from the Middle East & the Arabian Gulf countries, 9.5% from North America, 5.2% from Asia, 3.4% from Africa and from the United Nations each, 1.7% from South America, and 0.9% from Australia.

In parallel, the SIC's Compliance Unit examined a number of institutions in order to ensure their full compliance with Law 44. It covered 79 money dealers (26% of total money dealers), 19 banks (32% of banks in Lebanon), 14 insurance firms (30% of insurers), nine money transfer operators (100% of MTOs), six financial institutions (16% of total financial institutions), and four specialized lending entities or *comptoirs* (19% of *comptoirs*).

Sources of Request for Assistance*
(from Foreign Countries and Organizations)



*Percentage of total foreign requests

Source: Special Investigation Commission, Byblos Research

Net foreign assets of financial sector up \$363m in first half of 2024

Figures issued by Banque du Liban (BdL) show that the net foreign assets of the financial sector, which are a proxy for Lebanon's balance of payments, increased by \$362.9m in the first half of 2024, compared to an increase of \$1.14bn in the same period of 2023 and a decrease of \$2.6bn in the first half of 2022.

The cumulative surplus in the first six months of 2024 was caused by an increase of \$605.1m in the net foreign assets of BdL and a decrease of \$242.2m in those of banks and financial institutions. Further, the net foreign assets of the financial sector decreased by \$423.2m in June 2024 compared to an increase of \$201m in May 2024 and a contraction of \$88.2m in June 2023. The June decrease was caused by a decline of \$465.6m in the net foreign assets of banks and financial institutions and an uptick of \$42.4m in those of BdL.

The cumulative increase in BdL's net foreign assets is due in part to the increase in BdL's gold and foreign currency reserves during the covered period. The decrease in the banks' net foreign assets in the first half of 2024 is mostly due to a decline in their foreign liabilities. The decrease in foreign liabilities was driven mainly by a drop of \$229.5m in liabilities to the non-resident financial sector, a contraction of \$124.4m in non-resident customer deposits, and a dip of \$53.1m in claims on the non-resident financial sector.

Number of airport passengers down 8% in first seven months of 2024

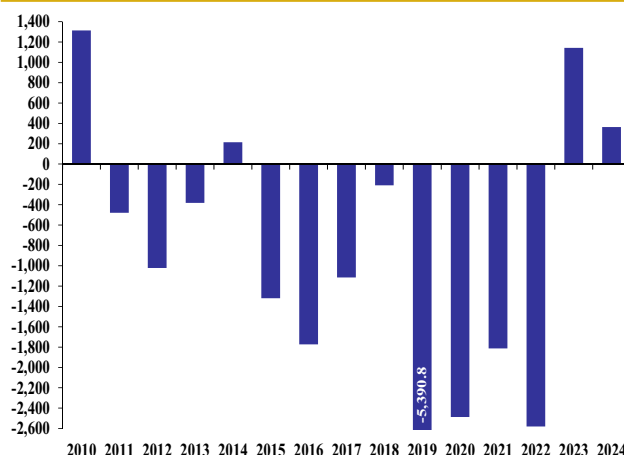
Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 3.75 million passengers utilized the airport (arrivals, departures and transit) in the first seven months of 2024, constituting a decrease of 8.4% from 4.1 million passengers in the same period of 2023 and an increase of 10.2% from 3.4 million passengers in the first seven months of 2022. Also, 750,788 passengers utilized the airport in July 2024, representing a rise of 6.1% from 707,570 in June 2024 and a decrease of 18.8% from 924,223 passengers in July 2023. The number of arriving passengers reached 1.96 million passengers in the first seven months of 2024, as they contracted by 8.4% from 2.14 million passengers in the same period of 2023 and grew by 11% from 1.76 million passengers in the first seven months of 2022. The number of arriving passengers stood at 410,985 in July, representing an increase of 1.1% from 406,596 passengers in June 2024 and a decrease of 18.4% from 503,887 in July 2023.

Also, the number of departing passengers totaled 1.79 million in the first seven months of 2024, constituting a decline of 8.2% from 1.95 million passengers in the same period last year and an increase of 10.5% from 1.62 million passengers in the first seven months of 2022. Further, the number of departing passengers reached 339,121 in July, representing increases of 13% from 300,362 in June 2024 and a decrease of 19.2% from 419,512 departing passengers in July 2023. The slide in the number of airport passengers in the covered period is due to the war in the Gaza Strip and to the related Israeli attacks along Lebanon's southern border.

In parallel, the airport's aircraft activity reached 30,474 take-offs and landings in the first seven months of 2024, representing a decrease of 8.6% from 33,337 takeoffs and landings in the same period last year. In comparison, aircraft activity rose by 16.6% in the first seven months of 2023 from the same period of the preceding year and by 44% in the first seven months of 2022 from the covered period in 2021. Also, the airport's aircraft activity stood at 5,659 take-offs and landings in July 2024, constituting an uptick of 2.7% from 5,509 take-offs and landings in June 2024 and a decrease of 13.6% from 6,552 takeoffs and landings in July 2023.

In addition, the HIA processed 39,159 metric tons of freight in the first seven months of 2024 that consisted of 25,521 tons of import freight and 13,639 tons of export freight. National flag carrier Middle East Airlines had 11,971 flights in the covered period and accounted for 39.3% of the HIA's total aircraft activity.

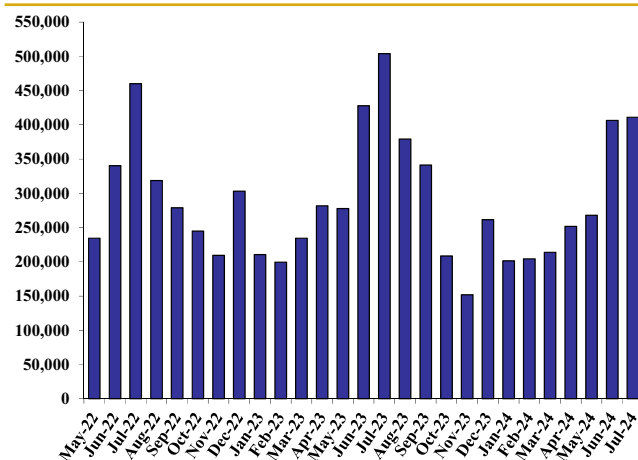
Change in Net Foreign Assets of Financial Sector (US\$m)*



*in first half of each year

Source: Banque du Liban, Byblos Research

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

Number of registered real estate transactions at 16,390 in first half of 2024

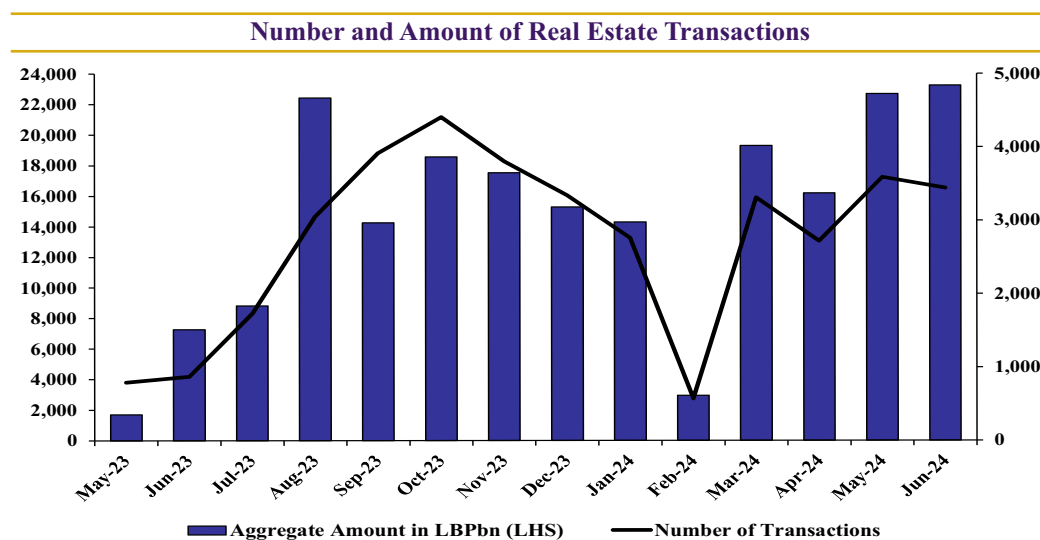
Figures released by the Ministry of Finance show that the ministry registered 16,390 real estate transactions in the first half of 2024 compared to 3,425 real estate transactions in the same period of 2023. In comparison, the ministry registered 39,921 real estate transactions in the first half of 2022 and 39,274 real estate deals in the same period of 2021. The surge in the number of registered transactions in the first half of 2024 is due mainly to the resumption of activity in the General Directorate of Land Registry and Cadastre, as repeated strikes by public sector employees delayed for long periods of time the registration of real estate transactions.

Further, the ministry registered 4,259 real estate transactions in the North in the first half of 2024, representing 26% of the total. The Bekaa/Baalbeck-Hermel region followed with 3,550 deals or 21.7% of the total, then the South governorate with 3,169 transactions (19.3%), Beirut with 1,855 deals (11.3%), the Nabatieh governorate with 1,827 transactions (11%), and the Keserwan/Jbeil region with 1023 deals (6.2%). Also, the ministry registered six transactions, or 0.04% of the total, in the Baabda/Aley/Chouf area, while it did not register any real estate transaction the Northern Metn district in the covered period due to the prevailing strikes of public sector employees in these regions. Also, real estate transactions totaled 3,440 in June 2024, and decreased by 4.2% from 3,589 real estate deals in May 2024.

In parallel, the aggregate amount of registered real estate transactions stood at LBP98,623.7bn in the first half of 2024 relative to LBP10.55bn in the same period last year. In comparison, the amount of real estate deals was LBP8,685.8bn in the first half of 2022 and LBP8,913.2bn in the same period of 2021. Further, the value of registered real estate transactions in Beirut was LBP43,258bn and accounted for 43.9% of the total in the first half of 2024. The South governorate followed with LBP16,906.7bn (17%), then the North region with LBP12,595.7bn (12.8%), the Keserwan/Jbeil region with LBP11,201.9bn (11.4%), the Bekaa/Baalbeck-Hermel region with LBP7,435.8bn (7.5%), the Nabatieh governorate with LBP5,772bn (5.9%), and the Baabda/Aley/Chouf area with LBP97.5m (0.0001%). In addition, the aggregate amount of real estate transactions reached LBP23,235.7bn in June 2024, constituting a decline of 2.5% from LBP22,678.2bn in May 2024.

In parallel, the average amount per registered real estate transaction was LBP6bn in the first half of 2024 and jumped by 95.4% from an average of LBP3.1m in the same period of 2023. Further, there were 372 real estate transactions executed by foreigners in the first half of 2024 compared to 79 deals in the same period of 2023, 420 transactions in the first six months of 2022, and to 583 deals in the same period of 2021. The number of real estate deals by foreigners accounted for 2.3% of the registered real estate transactions in the first half of 2024, unchanged from the same period of 2023 and relative to 1.1% in the first half of 2022 and to 1.5% in the same period of 2021.

Further, 26.6% of real estate transactions executed by foreigners in the first half of 2024 were in the North region, followed by the South governorate (26.3%), then Beirut (21.2%), the Bekaa/Baalbeck-Hermel region (17.7%), the Keserwan/Jbeil region (4.8%), and the Nabatieh governorate (3.2%). The latest available figures show that Syrian citizens accounted for 43.6% of the amount of real estate transactions executed by foreigners in May 2024, followed by Saudi nationals (9%), U.S. citizens (6%), citizens from Dominican Republic (4.6%), and Turkish citizens (4%), while the remaining 32.7% accounted for citizens from other countries.



Source: Ministry of Finance, Byblos Research

LCRP provides cash assistance to more than 468,000 Lebanese in 2023

The United Nations (UN) indicated that 468,490 vulnerable Lebanese individuals benefited in 2023 from cash assistance through the food security and agriculture component of the Lebanon Crisis Response Plan (LCRP), and that 383,655 poor Lebanese received in-kind food assistance. It noted that it provided training, technical assistance, and inputs to improve agricultural practices to 21,381 small-scale farming households and members in 2023, while it provided support to 6,081 Lebanese individuals in accessing labor and training in the agricultural sector last year.

The LCRP 2022-2023 is a joint initiative between the Lebanese government and international and national partners that aims to address challenges posed by the large presence of Syrian refugees in the country. The LCRP for 2023 included 118 partner organizations and aimed to reach 3.2 million crisis-affected persons in Lebanon who consist of 1.5 million displaced Syrians, 1.5 million vulnerable Lebanese citizens, 180,000 Palestinian refugees in Lebanon, and 31,400 Palestinian refugees from Syria. The plan came after the expiration of the LCRP for the 2015-2016 and the 2017-2021 periods.

Further, the UN said that the LCRP assisted 277,000 vulnerable Lebanese children to enroll in public schools in the 2022-23 school year. It added that it provided additional assistance through retention support or through summer programs to 128,000 boys and girls, who include 115,000 students who obtained cash for education during the 2022-23 school year or during the summer program of 2023, while 33,000 boys and girls received meals or snacks in public schools.

Also, it pointed out that 75,752 poor Lebanese households had access to regular, unrestricted and unconditional cash assistance through the National Poverty Targeting Program and non-governmental organizations in 2023. It added that the LCRP delivered in-kind assistance, such as blankets, mattresses, clothing kits and heaters to 19,373 vulnerable Lebanese individuals, while it provided social grants to 8,714 poor Lebanese persons last year.

In addition, it noted that the plan provided minor repairs and operational support to water establishments, which helped 2.25 million Lebanese individuals maintain consistent and reliable access to water; and that its rehabilitation and augmentation of water supply systems helped 680,000 Lebanese citizens have access to safe water for drinking and domestic use in 2023. It added that 390,000 vulnerable Lebanese benefited from the rehabilitation and maintenance of wastewater treatment plants and related infrastructure, while 41,916 Lebanese participated in a water, sanitation, and hygiene (WASH) session or activity in 2023.

In parallel, it stated that the LCRP provided subsidized health consultations to 1,662,669 vulnerable Lebanese citizens in 2023. It noted that 221,975 poor Lebanese citizens received chronic disease medication and that 67,197 obtained mental health consultations last year. It added that the LCRP partners are currently supporting 150 Primary Health Care Centers.

Moreover, it indicated that 218,015 Lebanese caregivers and females received education and awareness raising activities on breastfeeding, complementary feeding, childhood development and healthy nutrition in 2023. It pointed out that 184,173 Lebanese children under five years old and 26,396 Lebanese pregnant lactating women were screened for acute malnutrition at primary healthcare centers and community levels last year.

Also, it stated that the LCRP supported 8,243 vulnerable Lebanese citizens under the shelter sector, including cash-for-rent and shelter upgrades in 2023. It said that the program provided cash for rent support to 5,831 poor Lebanese individuals to mitigate eviction threats, while 1,139 Lebanese benefited from minor repairs of their shelters in 2023.

Further, it pointed out that 6,057 persons with disabilities and older individuals received specialized rehabilitation support and assistive devices in 2023.

In addition, it noted that the plan invested \$30m in municipal and community support projects in 2023. It said that it supported 180 municipalities in order to strengthen basic service provision and reduce resource pressure in high-risk communities, while it assisted 219 municipalities to implement or use integrated solid waste management systems and approaches last year. It added that 9,274 Lebanese citizens participated in 179 community events to reduce tensions at the local level in 2023.

In parallel, it indicated that the LCRP invested \$1.6m in labor-intensive public work projects last year. It noted that it supported 18,018 Lebanese micro-, small-, and medium sized enterprises with cash and in-kind grants in 2023. It added that it engaged 10,867 vulnerable Lebanese individuals in public works in 2023.

Lebanon ranks 127th globally, fifth in Arab region in terms of bribery risks

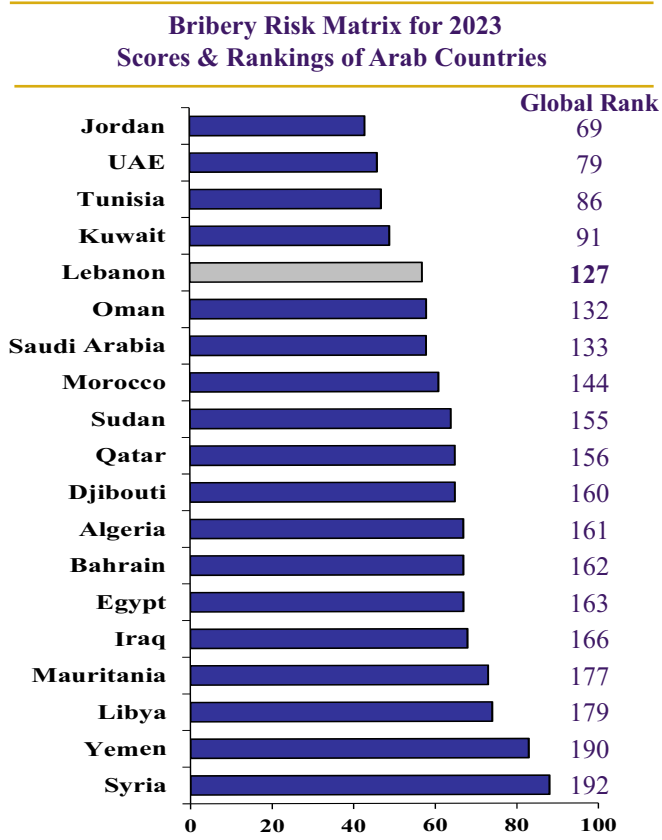
TRACE, a non-profit international business association that aims to assess the multidimensional nature of bribery, compliance and good governance, ranked Lebanon in 127th place among 194 countries, territories and autonomous regions around the world and in fifth place among 19 Arab countries on its Bribery Risk Matrix (BRM) for 2023. Lebanon ranked in the 35th percentile worldwide in 2023, which means that 65% of jurisdictions have a lower risk of bribery than Lebanon, while it ranked in the 74th percentile among Arab economies, which means that 26% of Arab countries have a lower risk of bribery than Lebanon. Also, Lebanon came in 24th place among 50 lower middle-income countries (LMICs) included in the matrix. In comparison, the survey ranked Lebanon in 130th place among 194 jurisdictions around the world, in sixth place among 19 Arab countries, and in 26th place among 53 LMICs in 2022. Based on the same set of countries included in the 2022 and 2023 BRM, Lebanon's global rank rose by three spots, its Arab rank improved by one notch and its LMIC rank deteriorated by one spot from 2022.

The BRM aims to quantify bribery risks in a given country and to help companies gauge the risks of encountering bribery practices in the public sector of jurisdictions where they aim to conduct business. It is a composite of 65 variables that are grouped in four risk categories that are Business Interactions with Government, Anti-Bribery Deterrence and Enforcement, Government and Civil Service Transparency, and Capacity for Civil Society Oversight. The rankings are based on scores that range from zero to 100 points, with a score of 100 points reflecting the highest risk of graft. The overall score of a country is the weighted average of the scores on each of the four categories. The first category carries a weight of 40%, the second has a weight of 15%, while the third and fourth categories carry weights of 22.5% each.

Globally, Lebanon had a higher risk of bribery than Kenya, Mexico and Vietnam, and a lower bribery risk level than El Salvador, Pakistan and Uzbekistan among economies with a GDP of \$10bn or more. Also, Lebanon had a higher risk of bribery than India, Kenya and Vietnam, and a lower risk level than Pakistan, Uzbekistan and the Kyrgyz Republic among LMICs; while it had a higher risk of bribery than only Jordan, the UAE, Tunisia, and Kuwait in the Arab world. Lebanon received a score of 57 points in the 2023 survey, improving from 58 points in the 2022 index. Lebanon's score came higher than the global average score of 49.2 points, but it was lower than the Arab region's average score of 63.2 points and the LMICs' average score of 57.6 points, which means that Lebanon's bribery risk level is higher than the global average, but lower than the LMICs and Arab levels. Further, it was lower than the Gulf Cooperation Council's (GCC) average score of 57.2 points and the non-GCC Arab countries' average score of 65.9 points, which means that Lebanon's bribery risk level is lower than in the GCC and non-GCC Arab economies on average. The survey classifies countries in five risk categories that are "very low", "low", "moderate", "high", and "very high", and indicated that Lebanon came in the "moderate" segment.

It noted that Lebanon has a low quality of anti-bribery dissuasion and of anti-bribery enforcement, a poor level of governmental transparency, a medium level of financial transparency, a medium level of media freedom and quality, and a medium degree of civil society engagement.

Further, Lebanon had a lower risk of bribery than Tanzania and Guinea, and a higher risk level than Botswana and Panama globally on the Business Interactions with Government category. This factor captures the immediate links between a company and public officials, and measures the frequency of interaction, the societal expectations surrounding bribery, and the rent-seeking leverage a public official may exercise. Lebanon had a lower risk level than Egypt, Morocco, Qatar, Bahrain, Yemen, Iraq, Algeria, Mauritania, Libya and Syria among Arab countries. The survey stated that the degree of business interactions with the government is low in Lebanon. It added that there is a high level of expectations of bribes and a medium degree of regulatory burden in the country.



Source: TRACE, Byblos Research

Components of the 2023 Bribery Risk Matrix for Lebanon

	Global Rank	LMICs Rank	Arab Rank	Lebanon Score	Global Avg Score	LMICs Avg Score	Arab Avg Score
Business Interactions with Government	107	15	8	55.0	51.8	59.8	58.5
Anti-Bribery Deterrence and Enforcement	172	45	14	78.0	53.0	61.3	72.9
Government and Civil Service Transparency	146	33	8	64.0	50.2	59.9	66.6
Capacity for Civil Society Oversight	96	12	2	38.0	40.8	48.6	61.7

Source: TRACE, Byblos Research

Currency in circulation down 22.4% in 12 months ending June 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 LBP93,860.5bn at the end of June 2024, constituting an increase of 9.8% from LBP85,449.6bn at the end of 2023 and a decline of 19% from LBP115,872.6bn at end-June 2023. Currency in circulation stood at LBP51,226.4bn at the end of June 2024, as it increased by 1.2% from LBP50,599.7bn at end-2023 and dropped by 22.4% from LBP65,989.7bn at end-June 2023.

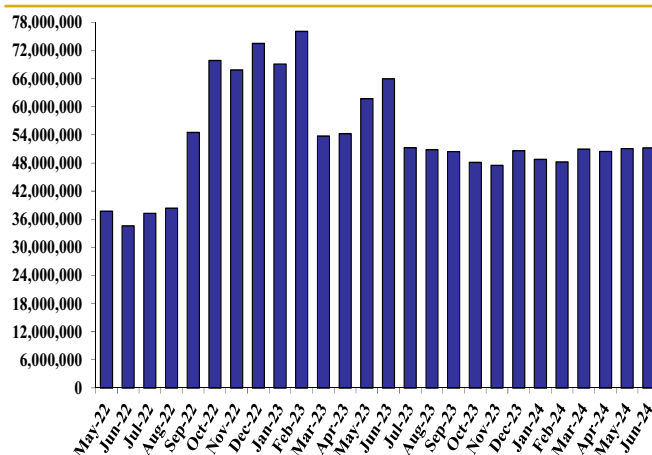
Also, demand deposits in local currency stood at LBP42,634bn at the end of June 2024 and increased by 22.3% in the first half of 2024, while they contracted by 14.5% from end-June 2023. Money supply M1 regressed by 4.4% in June from LBP89,933.5bn at end-May 2024, with currency in circulation growing by 0.3% and demand deposits in local currency increasing by 9.7% month-on-month.

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP114,935.7bn at the end of June 2024, constituting an increase of 14% from LBP100,787.3bn at end-2023 and a decline of 13% from LBP131,926.6bn a year earlier. Term deposits in Lebanese pounds stood at LBP21,075.3bn at the end of June 2024 and rose by 37.4% from LBP15,337.7bn at end-2023 and by 31.3% from LBP16,054bn at end-June 2023. Money supply M2 grew by 7% in June from LBP107,474.9bn at end-May 2024, while term deposits in local currency expanded by 20% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP6,369.6 trillion (tn) at the end of June 2024, with deposits in foreign currency totaling LBP6,222.6tn and debt securities of the banking sector amounting to LBP32,011bn at end-June 2024. In parallel, M3 increased by LBP5,203.4tn in the first half of 2024 due to a jump of LBP3,794.1tn in claims on the public sector, a rise of LBP1,492.6tn in the net foreign assets of deposit-taking institutions, and an increase of LBP483,476bn in claims on the private sector, which were offset by a decline of LBP566,753.1bn in other items. The surge in M3 is due to the impact of the new exchange rate of the Lebanese pound that went into effect on January 31, 2024. BdL indicated that the change in its net foreign assets during the covered period includes the net flow of the internationally traded net Lebanese Government's sovereign bonds in foreign currencies that BdL bought during the same year only.

BdL issued Basic Circular 167/13612 dated February 2, 2024 that asked banks and financial institutions to convert their assets and liabilities in foreign currencies to Lebanese pounds at the exchange rate of LBP89,500 per US dollar when preparing their financial positions. BdL requested banks and financial institutions, in line with the provisions of International Accounting Standard 21, to convert their foreign currency monetary assets and liabilities and non-monetary assets classified by fair value or by equity method at the exchange rate published on BdL's electronic platform at the date of the preparation of the financial statements. It added that the decision is applicable as of January 31, 2024. BdL had modified on February 1, 2023 the official exchange rate of the Lebanese pound against the US dollar from LBP1.507.5 per dollar to LBP15,000 per dollar, as part of the measures to unify the multiple exchange rates of the dollar that prevail in the Lebanese economy.

Currency in Circulation (LBP millions)



Source: Banque du Liban, Byblos Research

Number of internally displaced persons from South Lebanon exceeds 98,700

Figures compiled by the United Nations' Office for the Coordination of Humanitarian Affairs (OCHA) show that 98,750 persons have been displaced from South Lebanon as at July 23, 2024 due to the ongoing hostilities that erupted along Lebanon's border with Israel on October 8, 2023, constituting increases of 748 individuals from 98,002 as at July 9, 2024, and of 2% from 96,829 as at June 27, 3.7% from 95,228 as at June 11, of 30% from 76,018 as at January 2, of 32.6%% from 74,471 as at December 26, 2023, and of 113.2% from 46,325 displaced persons as at November 14, 2023.

It indicated that about 82% of displaced individuals are currently living with host families, 15% are renting houses, 2% have relocated to secondary residences, and around 1% are housed in 16 collective shelters. It added that the shelters are providing accommodation for 1,341 Internally Displaced Persons (IDPs), with six shelters located in Hasbaya, five in Tyre, four in Nabatieh, and one in Saida. It stated that 97% of IDPs originate from the Bint Jbeil, Marjayoun, and Tyre districts.

Further, it said that 72 schools in South Lebanon are partially or fully closed, which has impacted around 20,000 children, while six Primary Health Care Centers (PHCCs) in the Bint Jbeil and Marjayoun districts are currently closed. Moreover, it indicated that 13 water facilities have been partially or fully destroyed, which has affected more than 200,000 residents, and that 1,700 hectares of agricultural land have been damaged.

Also, the latest figures issued by the Ministry of Public Health show that a total of 515 persons have been killed and 1,641 wounded as at July 31, 2024 as a result of the hostilities along Lebanon's southern border with Israel. OCHA noted that the fatalities of civilians include 33 females, 12 children, 21 healthcare workers and three journalists.

According to OCHA, the food assistance distributed since the eruption of hostilities consisted of 588,000 meals and 55,500 food parcels, as well as micronutrient supplements to 9,165 children. It added that core relief included the distribution of 239,677 items in the Bekaa, the South and Nabatieh governorates. It noted that the one-time cash assistance consisted of cash disbursements to 18,640 Lebanese households registered with the Ministry of Social Affairs' social safety net databases, as well as to 16,500 Syrian refugees' households and 290 farmers in border areas. Further, hygiene support included 440,000 liters of bottled water, as well as 46,458 hygiene kits, which included 37,515 family hygiene kits, 4,155 dignity kits, 2,053 menstrual hygiene kits, and 1,781 kits for babies. It added that 28 PHCCs satellite units provided 87,310 health services, including 19,960 reproductive healthcare services.

Further, it indicated that 3,275 women and girls participated in targeted gender equality and empowerment activities, while 1,191 received awareness sessions on protection from sexual exploitation and abuse, and 1,322 females at risk of gender-based violence received individual case management and psychosocial support. Also, it pointed out that about 15,000 students have received daily nutritious in-school snacks schools, around 8,125 children obtained financial support to reduce barriers to education, and about 5,622 displaced children who are not registered in schools received non-formal education opportunities in learning centers.

Private sector deposits at \$90.8bn at end-June 2024 based on new exchange rate

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at LBP9,336.4 trillion (tn), or the equivalent of \$104.3bn at the end of June 2024 compared to LBP9,334.4tn (\$104.3bn) at end-May 2024. Loans extended to the private sector totaled LBP610.2tn at the end of June 2024, with loans to the resident private sector reaching LBP526.4tn and credit to the non-resident private sector amounting to LBP83.8tn at the end of the month. Loans extended to the private sector in Lebanese pounds reached LBP11.2tn, and decreased by 1.8% from LBP11.4tn at the end of 2023 and by 20.2% from LBP14tn at end-June 2023; while loans in foreign currency totaled \$6.7bn at the end of June 2024, and contracted by 11.5% from \$7.56bn at the end of 2023 and by 20% from \$8.37bn at end-June 2023. The figures reflect Banque du Liban's Basic Circular 167/13612 dated February 2, 2024 that asked banks and financial institutions to convert their assets and liabilities in foreign currencies to Lebanese pounds at the exchange rate of LBP89,500 per US dollar when preparing their financial positions starting on January 31, 2024.

In nominal terms, credit to the private sector in Lebanese pounds declined by LBP204bn in the first half of 2024 and by LBP2,829.6bn from a year earlier, while lending to the private sector in foreign currency dipped by \$868.6m in the first half of 2024 and by \$1.68bn from end-June 2023. Further, loans extended to the private sector in Lebanese pounds contracted by LBP16.4tn (-59.4%) and loans denominated in foreign currency dropped by \$34.4bn (-83.7%) since the start of 2019. The dollarization rate of private sector loans increased from 90% at the end of June 2023 to 98.2% at end-June 2024 due to the new exchange rate of LBP89,500 per dollar that went into effect on January 31, 2024. The average lending rate in Lebanese pounds was 4.89% in June 2024 compared to 4.24% a year earlier, while the same rate in US dollars was 1.68% relative to 2.02% in June 2023.

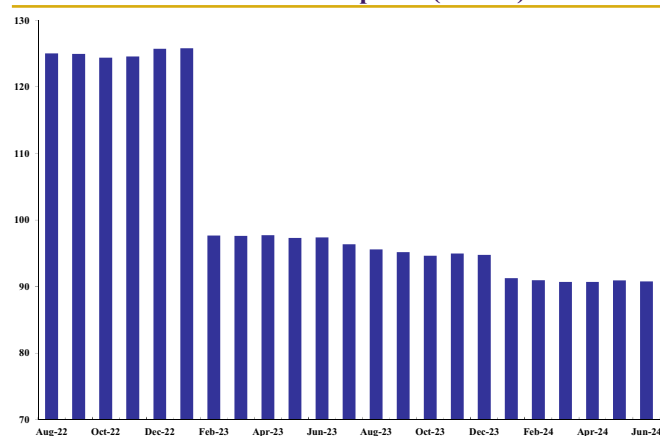
In addition, claims on non-resident financial institutions stood at \$4.41bn at the end of June 2024, constituting decreases of \$14.4m (-0.3%) from end-May 2024 and of \$53.1m (-1.2%) from the end of 2023, and an increase of \$35m (+0.8%) from a year earlier. Also, claims on non-resident financial institutions dropped by \$4.73bn (-51.8%) from the end of August 2019 and by \$7.58bn (-63.2%) since the start of 2019. Further, deposits at foreign central banks totaled \$851.6m, constituting an increase of \$114.6m (+15.5%) in the first half of 2024 and a decrease of \$20.5m (-2.4%) from a year earlier. Also, cash in vault totaled LBP9,013.1bn, or \$100.7m at end-June 2024 relative to LBP7,388.1bn (\$492.5m) at end-2023 and to LBP15,153.3bn (\$1bn) at end-June 2023. In addition, the banks' claims on the public sector totaled LBP214.6tn at end-June 2024, representing an uptick of 1.4% from end-May 2024. The banks' holdings of Lebanese Treasury bills stood at LBP10.24tn, while their holdings of Lebanese Eurobonds reached \$2.26bn net of provisions at end-June 2024 relative to \$2.79bn a year earlier. Further, the deposits of commercial banks at Banque du Liban (BdL) stood at LBP7,308.6tn at the end of June 2024, or \$81.7bn according to the new exchange rate.

In parallel, private sector deposits totaled LBP8,126tn at the end of June 2024, or \$90.8bn based on the new exchange rate. Deposits in Lebanese pounds reached LBP62.7tn at end-June 2024, as they increased by 20.5% from the end of 2023 and contracted by 7.2% from a year earlier; while deposits in foreign currency stood at \$90.1bn, and regressed by 1.3% in the first half of the year and by 3% from the end of June 2023. Resident deposits accounted for 76.9% and non-resident deposits represented 23.1% of total deposits at end-June 2024.

Private sector deposits in Lebanese pounds increased by LBP10,663.6bn and foreign currency deposits declined by \$1.2bn in the first half of 2024. Further, aggregate private sector deposits in Lebanese pounds shrank by LBP14.5tn (-18.8%) and foreign currency deposits dropped by \$33bn (-26.8%) since the start of 2019. The dollarization rate of private sector deposits changed from 95.4% at the end of June 2023 to 99.2% at the end of June 2024 due to the effect of the new exchange rate on the Lebanese pound component of the balance sheet.

Further, the liabilities of non-resident financial institutions reached \$2.66bn at the end of June 2024 and decreased by 8% from \$2.9bn at end-2023. Also, the average deposit rate in Lebanese pounds was 1.46% in June 2024 compared to 0.67% a year earlier, while the same rate in US dollars was 0.05%, unchanged from June 2023. In addition, the banks' aggregate capital base stood at LBP268.2tn at the end of June 2024, compared to LBP76.4tn at the end of 2023 and LBP102.3tn at end-June 2023. In dollar terms, the banks' capital was \$3bn at the end of June 2024 relative to \$5.1bn at end-2023 and to \$6.8bn at the end of June 2023.

Private Sector Deposits (US\$bn)



Source: Banque du Liban, Byblos Research

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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