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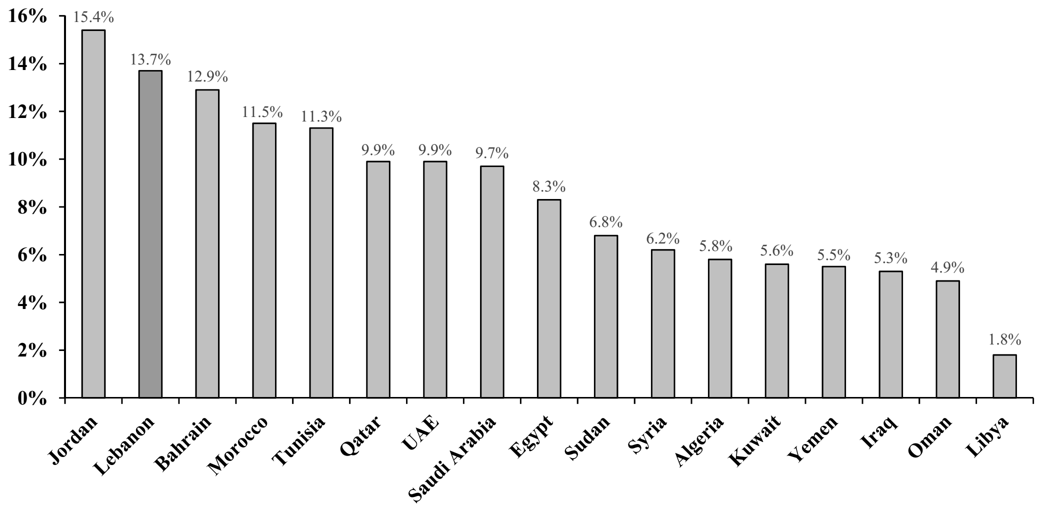
LEBANON THIS WEEK

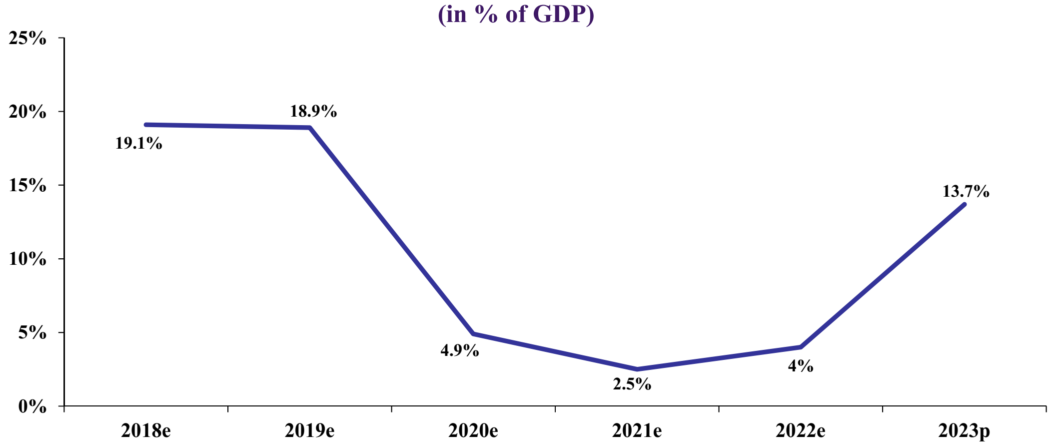
In This Issue

Charts of the Week

Projected Contribution of Travel & Tourism Sector to GDP in Arab Countries in 2023 (in % of GDP)



Contribution of Travel & Tourism Sector to GDP in Lebanon (in % of GDP)



Source: World Travel & Tourism Council, Byblos Bank

Quote to Note

"The presidential vacuum is undermining Lebanon's ability to address the country's multifaceted crisis by exacerbating the erosion of state institutions, while also prolonging Lebanon's return to recovery."

Ms. Joanna Wronecka, the United Nations Special Coordinator for Lebanon, on the impact of the presidential void on the Lebanese economy

Number of the Week

9: Number of months that Lebanon has been without a President

Lebanon in the News

$m *(unless otherwise mentioned)*	2020	2021	2022	% Change*	Dec-21	Nov-22	Dec-22
Exports	3,544	3,887	3,492	-10.2%	616	274	272
Imports	11,310	13,641	19,053	39.7%	1,269	1,584	1,251
Trade Balance	(7,765)	(9,754)	(15,562)	59.5%	(653)	(1,310)	(979)
Balance of Payments	(10,551)	(1,960)	(3,197)	63.1%	(384)	(354)	17
Checks Cleared in LBP	19,937	18,639	27,14	45.6%	1,738	3,003	3,686
Checks Cleared in FC	33,881	17,779	10,288	-42.1%	1,079	767	577
Total Checks Cleared	53,818	36,418	37,434	2.8%	2,818	3,770	4,263
Fiscal Deficit/Surplus**	(2,709)	1,457	-	-	-	-	-
Primary Balance**	(648)	3,323	-	-	-	-	-
Airport Passengers	2,501,944	4,334,231	6,360,564	46.8%	455,087	446,450	551,632
Consumer Price Index	84.9	154.8	171.2	1,645bps	224.4	142.4	122.0
$bn *(unless otherwise mentioned)*	**Dec-21**	**Aug-22**	**Sep-22**	**Oct-22**	**Nov-22**	**Dec-22**	**% Change***
BdL FX Reserves	13.65	10.63	10.78	10.60	10.40	10.40	(23.8)
In months of Imports	-	-	-	-	-	-	-
Public Debt	100.37	103.65	102.71	101.94	101.94	101.81	1.4
Bank Assets	174.82	168.75	167.01	164.64	165.05	169.06	(3.3)
Bank Deposits (Private Sector)	129.47	125.02	124.96	124.37	124.57	125.72	(2.9)
Bank Loans to Private Sector	27.72	22.82	22.28	21.93	21.29	20.05	(27.7)
Money Supply M2	52.41	50.87	62.15	72.31	71.40	77.34	47.6
Money Supply M3	133.38	127.71	138.46	148.13	147.09	152.29	14.2
LBP Lending Rate (%)	7.14	4.85	5.09	5.00	5.30	4.56	(258)
LBP Deposit Rate (%)	1.09	0.60	0.66	0.70	0.65	0.60	(49)
USD Lending Rate (%)	6.01	5.51	4.61	5.11	4.35	4.16	(185)
USD Deposit Rate (%)	0.19	0.10	0.09	0.10	0.07	0.06	(13)

**year-on-year*
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
Solidere "A"	79.95	7.0	83,943	43.6%
BLOM Listed	2.51	0.4	78,690	2.9%
Audi GDR	1.40	0.0	21,000	0.9%
Solidere "B"	80.00	7.8	18,949	28.4%
BLOM GDR	2.00	(9.9)	4,266	0.8%
Audi Listed	1.89	8.0	2,500	6.1%
Byblos Common	0.75	0.0	-	2.3%
Byblos Pref. 08	27.00	0.0	-	0.3%
Byblos Pref. 09	29.99	0.0	-	0.3%
HOLCIM	55.05	0.0	-	5.9%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Apr 2024	6.65	7.13	1,036.55
Jun 2025	6.25	7.13	206.24
Nov 2026	6.60	7.13	97.64
Mar 2027	6.85	7.13	87.36
Nov 2028	6.65	7.13	57.14
Feb 2030	6.65	7.13	44.54
Apr 2031	7.00	7.13	37.29
May 2033	8.20	7.13	28.87
Nov 2035	7.05	7.13	22.76
Mar 2037	7.25	7.13	20.33

Source: Refinitiv

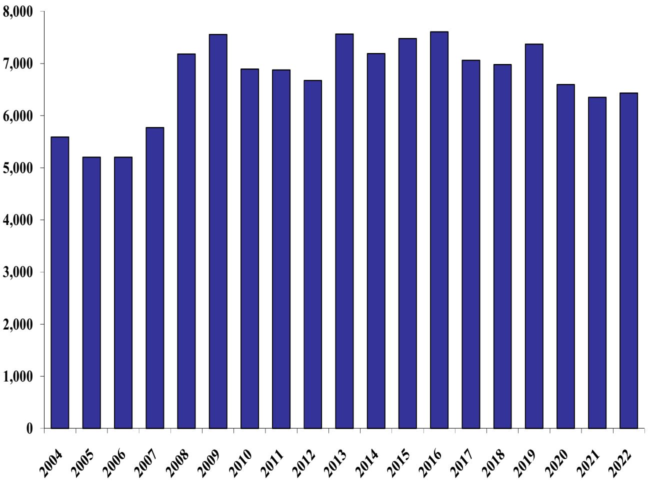
	Jul 24-28	Jul 17-21	% Change	June 2023	June 2022	% Change
Total shares traded	262,531	118,461	121.6	1,157,356	1,556,020	(25.6)
Total value traded	$8,345,188	$2,589,829	222.2	$63,989,737	$57,103,187	12.1
Market capitalization	$18.34bn	$17.36bn	5.6	$17.68bn	$14.35bn	23.2

Source: Beirut Stock Exchange (BSE)

Remittance inflows up 1.3% to $6.4bn in 2022

Figures released by Banque du Liban (BdL) show that the inflows of expatriates' remittances to Lebanon totaled $6.4bn in 2022, constituting an increase of 1.3% from $6.35bn in 2021. Remittance inflows to Lebanon reached $1.57bn in the first quarter, $1.6bn in the second quarter, $1.64bn in the third quarter, and $1.64bn in the fourth quarter $1.61bn of 2022. The figures represented declines of 2.5% in the first quarter of 2022 and by 0.6% in the second quarter last year from the same quarters of 2021, and increases of 5.2% in the third quarter and of 3.2% in the fourth quarter of 2022 from the corresponding periods of the previous year. The figures include workers' remittances and the compensation of employees, according to the World Bank's definition of remittances with workers' remittances accounting for 97.5% of the total. BdL's figures are the only official data on remittance flows to and from Lebanon.

Remittance Inflows to Lebanon (US$m)



Source: Banque du Liban, Byblos Research

In addition, remittance inflows in 2022 reached their third lowest level since 2008, with a high of $7.6bn in 2016. They averaged $6.4bn during the 2002-2022 period, with an average of $4.8bn during the 2002-07 period and an average of $7.1bn in the 2008-2021 period.

In parallel, remittance outflows from Lebanon reached $1.7bn in 2022, constituting a decline of 9.7% from $1.9bn in 2021. Remittance outflows from Lebanon totaled $424m in the first quarter, $431.5m in the second quarter, $434.2m in the third quarter, and $433.3m in the fourth quarter of 2022. The figures represent contractions of 16% in the first quarter of 12.7% in the second quarter, of 7.1% in the third quarter, and of 1.7% in the fourth quarter of 2022 from the corresponding quarters of 2021.

In addition, remittance outflows in 2022 reached their lowest level since 2002, as they peaked at $5.7bn in 2009. They averaged $3.9bn in the 2002-2022 period, with an average of $3.5bn during the 2002-07 period and an average of $4.2bn in the 2008-2021 period.

As such, net remittance inflows to Lebanon totaled $4.7bn in 2022, constituting an increase of 6% from $4.4bn in 2021. Net remittance inflows to Lebanon in 2022 reached their highest level since 2002. They averaged $2.5bn in the 2002-2022 period, relative to an average of $1.2bn during the 2002-07 period and to an average of $2.8bn in the 2008-2021 period.

Banque du Liban asks banks to liquidate excess foreign currency positions

Banque du Liban (BdL) issued Intermediate Circular 675/13566 dated July 24, 2023 addressed to banks and financial institutions that modified Basic Circular 32/6568 of April 24, 1997 about foreign exchange operations at banks and financial institutions.

First, the circular defines the open foreign currency position in each currency as the short and long positions that consist of the net open foreign currency position on the bank's balance sheet and the off-balance sheet net open foreign currency position. It said it includes the foreign currency assets minus the foreign currency liabilities that are affected by the fluctuation in the exchange rate, based on international financial reporting standards (IFRS), as well as the receivables less payables that result from operations on currency-related financial derivatives.

Second, it suspended temporarily the requests for forming new fixed or structural foreign currency positions, or increasing them or modifying their currency composition.

Third, the circular mandated banks that exceed the ceiling of 1% on their net positions to place at BdL reserves in Lebanese pounds equivalent to 10 times the amount that they exceed, based on the exchange rate of the Lebanese pound to the US dollar on the Sayrafa electronic exchange platform, for a one-month period for each day that the bank exceeds the set ceiling. It added that banks that exceed the ceiling of 40% for their general foreign currency position to place on the same day at BdL reserves in US dollars equivalent to 10 times the amount that they exceed, after deducting the exceeded amount on the net open foreign currency position, for a one-month period for each day that the bank exceeds the set ceiling. Further, it mandated financial institutions that exceed the ceiling of 100% on their net long positions, or the ceiling of 5% on their net short positions, to place at BdL reserves in Lebanese pounds equivalent to 10 times the amount that they exceed, based on the exchange rate of the Lebanese pound to the US dollar on the Sayrafa electronic exchange platform, for a one-month period for each day that the financial institution exceeds the set ceiling.

Fourth, it stipulated that banks have until the end of August 2023 to liquidate the excess in their open foreign currency positions based on the exchange rate of transactions between BdL and commercial banks as at the date of this circular. It added that banks that cannot meet the deadline have to revert to BdL's Central Council prior to the end of August. It noted that it exempted from this decision the foreign currency position from the revaluation of real estate assets based on articles 153 and 154 of the Code of Money and Credit, and the foreign currency-denominated participations and loans in related entities based on the equity method. It indicated that banks that do not abide by the terms of this decision will be referred to the Higher Banking Authority. It said that the circular goes into effect upon its publication and has to be implemented on the foreign currency positions as at June 30, 2023.

IMF assesses external and domestic risks to implementation of reforms

In its Article IV report on Lebanon, the International Monetary Fund (IMF) indicated that its Risk Assessment Matrix for the economic outlook under its baseline scenario, which assumes that authorities will implement structural and fiscal reforms in line with the Staff Level Agreement that the Lebanese government signed in April 2022, shows several sources of domestic and external risks that could materially affect the scenario.

First, it considered that there is a "high" risk that the authorities will procrastinate in implementing structural and fiscal reforms, and that the government will not carry out the much-needed reforms to decisively tackle the prevailing crisis. It anticipated this risk to have a "high" potential impact on the Lebanese economy, as it would increase uncertainties and lead to higher emigration rates, expand the informal sector and accelerate illicit flows, result in a faster depreciation of the exchange rate of the Lebanese pound to the US dollar and fuel inflationary pressures, as well as deplete foreign currency reserves at Banque du Liban (BdL) and depress the economy even further. It also expected fiscal contingent liabilities from the state-owned and money-losing Electricité du Liban, and from other state-owned enterprises, to start to materialize with additional pressure on public spending. Second, it stated that the risk of social discontent and political instability is "high", as it anticipated the worsening economic crisis, the lack of public trust, as well as the unresolved political vacuum, to amplify social unrest and political instability. It expected this risk to have a "medium" potential impact, as it could disrupt economic activity and further weaken confidence, amplify pressures on the exchange rate, and accelerate the decline in foreign currency reserves.

Third, the IMF considered that there is a "high" risk that regional conflicts could intensify, as it anticipated the escalation of Russia's war in Ukraine or other regional conflicts, and the consequent economic sanctions on Russia, to disrupt trade and remittance flows, increase refugee flows, as well as weigh on foreign direct investments, financial flows and payment systems worldwide. It expected this risk to have a "high" potential impact on the Lebanese economy, mainly through elevated global food and fuel prices that would result in even higher inflation rates, by negatively impacting the livelihoods of the most vulnerable segments of the population, and by weighing even further on BdL's already low foreign currency reserves.

Fourth, it estimated the risk of commodity price volatility as "medium", as it anticipated that a sustained period of supply disruptions and fluctuations in external demand to cause recurrent commodity price volatility, weigh on Lebanon's fiscal and external balances, as well as result in social and economic instability. It expected this risk to have a "high" potential impact, given that Lebanon is highly dependent on food and energy imports.

Fifth, the IMF considered that there is a "medium" risk of an abrupt slowdown or recession in the global economy, with adverse spillovers through trade, financial channels and market fragmentation on countries worldwide. It anticipated this risk to have a "medium" potential impact on the Lebanese economy, as it could lead to lower tourism activity and remittance inflows, which would result in higher pressures on the country's external balance and on the exchange rate. But it expected that the decline of some commodity prices could offset in part these adverse effects.

According to the IMF a "low" risk denotes that the probability of the risk materializing is less than 10%, while a "medium" risk level points to a probability of between 10% and 30%, and a "high" level of risk reflects a probability of 30% to 50% that the risk will materialize.

Banque du Liban prohibits dividend distribution for commons shares

Banque du Liban issued Intermediate Circular 676/13567 dated July 24, 2023 addressed to banks, financial institutions and auditors, which modified Basic Circular 34/6576 of April 24, 1997 about consolidated financial statements and Basic Circular 44/6939 dated March 25, 1998 about the regulatory framework of the capital adequacy of banks operating in Lebanon.

First, it said that, on an exceptional basis, and contrary to the terms of Basic Circular 140/12659 dated September 6, 2017 about implementing international financial reporting standards (IFRS), banks and financial institutions can classify the differences resulting from the periodic valuation of their foreign currency position under the "regularization and settlement" item on the assets side in case it is negative, or on the liabilities side in case it is positive, in both the financial position of the bank or financial institution or in the consolidated position. It added that, in case the difference from the revaluation is negative at the end of the year, the bank or financial institution has to take provisions equivalent to these differences and to classify them in the dedicated item on the annual balance sheet. Second, it prohibited banks and financial institutions from distributing dividends for common shares for the financial years 2019, 2020, 2021, 2022 and 2023.

South Korea contributes $4.4m in assistance in 2023

The Government of the Republic of Korea announced $4.4m in assistance to Lebanon for 2023. It said that the contribution aims to support vulnerable Lebanese individuals and refugees, as well as to provide capacity building for Lebanese local institutions and communities. Further, it noted that the aid includes medical and food assistance, livelihood empowerment, the implementation of renewable energy projects, solid waste management, street lighting, mine clearance, and capacity building. In parallel, the United Nations Human Settlements Program (UN-Habitat) and the Republic of Korea announced on November 7, 2022 a $500,000 project to supply and install renewable energy solutions for public facilities in the city of Zahlé. The project aims to facilitate access to social and basic services for the residents of Zahlé through the implementation of renewable energy measures and the installation of photovoltaic panels on the roofs of the Tel Chiha Hospital and the Water Pumping Station that the Beqaa Water Establishment runs.

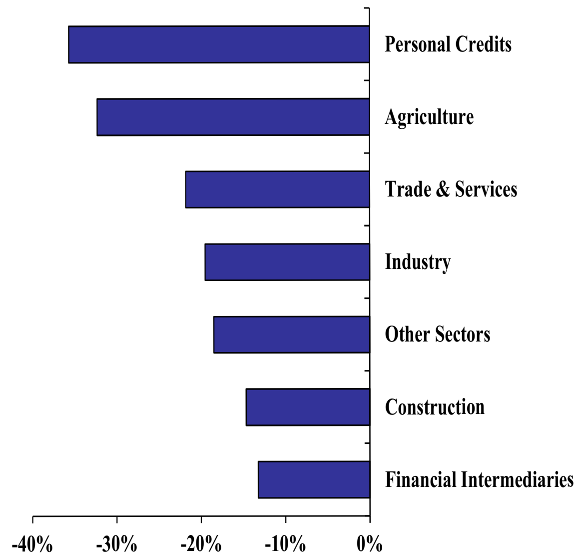
Utilized credits by private sector at $28.2bn at end-2022, advances against real estate at 41% of total

Figures issued by Banque du Liban show that utilized credits by the private sector totaled $28.16bn at the end of 2022, constituting a decline of $8.45bn, or of 24.4%, from $34.6bn at end-2021. The drop in lending is mostly due to clients' decision to settle their loans prior to their maturity, to limited demand for new loans amid political and economic uncertainties, as well as to the lack of liquidity and to the risk aversion of lenders amid the challenging conditions in the country. The dollar figures are converted at the official exchange rate of the Lebanese pound to the US dollar at the time.

Utilized credits for trade & services reached $8.7bn and accounted for 33.4% of the total at the end of 2022, followed by personal credits with $7bn (26.8%), credits for construction at $4.85bn (18.5%), industry at $3.04bn (11.6%), financial intermediaries at $1.3bn (5%), and agriculture at $359.1m (1.4%), while other sectors represented the remaining $861.6m (3.3%).

The distribution of utilized credits by type of collateral shows that advances against real estate totaled $10.7bn and accounted for 41% of the collateral for utilized credits at the end of 2022. Advances against personal guarantees followed with $3.38bn (13%), then advances against cash collateral or bank guarantees with $770.8m (3%), advances against financial values with $684m (2.6%) and advances against other real guarantees with $361.3m (1.4%), while overdrafts totaled $10.3bn or 39.2% of the total.

Change in Utilized Credits at end-2022* (%)



**from end-2021*
Source: Banque du Liban

Also, the distribution of utilized credits in trade & services shows that wholesale trade accounted for 42.6% of loans to trade & services at the end of 2022, followed by retail loans with 21%; real estate rent & employment services with 13.5%, transport & storage with 10%; hotels & restaurants with 7.3%; and educational services with 5.4%.

In addition, utilized credits for personal loans declined by 35.7%, and included mortgages that contracted by 40.7% in 2022. Also, utilized credits for agriculture contracted by 32.3% in the covered period, followed by utilized credits for trade & services (-21.8%), industry (-19.5%), construction (-14.7%), and financial intermediaries (-13.3%), while utilized credits for other sectors decreased by 18.5% from the end of 2021.

Also, personal loans beneficiaries represented 81% of total loan beneficiaries, followed by trade & services with 13% of beneficiaries, industry with 4%, construction with 1.7%, agriculture with 1.3% and financial intermediaries with 0.8%, while other sectors accounted for the remaining 4.6% of loan beneficiaries.

Further, there were 238,879 loan beneficiaries at the end of 2022 constituting a decline of 79,729 beneficiaries, or of 25%, from a year earlier. Also, 68.5% of beneficiaries had loans of less than LBP5m at the end of 2022, followed by those with loans that range from LBP100m to LBP500m (13.4%), beneficiaries with credits in the LBP25m to LBP100m range (8.8%), those with loans in the LBP5m-LBP25m bracket (7.4%), beneficiaries with credits between LBP500m and LBP1bn (0.8%), those with loans ranging from LBP1bn to LBP5bn (0.7%), beneficiaries with loans that exceed LBP10bn and those with credits in the LBP5bn to LBP10bn segment (0.2% each).

Beirut and its suburbs accounted for 77.12% of bank credits and for 56% of beneficiaries. Mount Lebanon followed with 11% of credits and 16.6% of beneficiaries, then North Lebanon with 4.7% of credits and 11.8% of beneficiaries, South Lebanon with 3.7% of credits and 8.6% of beneficiaries, and the Bekaa region with 3.5% of credits and 7.2% of beneficiaries.

In parallel, the off-balance sheet liabilities of banks and financial institutions totaled $52.2bn at the end of 2022, constituting a decline of 21.4% from the end of 2021. They included endorsement & guarantees of $49.5bn, or 94.8% of the total, followed by letters of undertaking with $1.47bn (2.8%), commitments on notes with $890m (1.7%), forward operations $190.8m (0.4%), and financing commitments with $118.2m (0.2%), while other commitments amounted to $21.2m (0.04%).

Energy Ministry signs Memorandum of Understanding on oil supply from Iraq

The Ministry of Energy & Water announced that it has signed a Memorandum of Understanding (MoU) with the Iraqi Ministry of Oil for the latter to supply Lebanon with oil derivatives. The ministry indicated that the MoU stipulates: First, the completion of the implementation of the current agreement and the delivery of all the remaining quantities of fuel oil by the end of September 2023. Second, the renewal of the fuel oil agreement for an additional year, with an increase in the annual quantities delivered to 1.5 million tons instead of the one million tons in the current agreement. Third, the conclusion of a new agreement to supply Lebanon with an annual quantity of two million tons of heavy fuel oil, which the ministry will exchange in accordance with the specifications of power production plants in Lebanon. In addition, the two ministries agreed to form a joint committee to discuss the details of these contracts in order to submit them to the relevant authorities in the two countries and approve them according to the prevailing laws.

In July 2021, the Lebanese authorities reached a deal for one year with their Iraqi counterparts that allows the Lebanese government to buy one million tons of heavy fuel oil from Iraq and to resell the oil through monthly spot tenders on behalf of the state-owned Electricité du Liban (EdL) in order to meet power production needs in the country. The ministry said that the Iraqi heavy fuel oil is unsuitable for Lebanon's power plants, so the Lebanese government has been exchanging the imports with refined fuel oil through tenders to swap the Iraqi heavy fuel oil with 'Grade B' fuel oil. As a result, the Emirates National Oil Company Limited (ENOC), a firm owned by the Emirate of Dubai, won on August 27, 2021 the tender to swap 84,000 tons of Iraqi "high sulphur black" heavy fuel oil for 30,000 tons of 'Grade B' fuel oil and 33,000 tons of gas oil. The quantities of heavy fuel oil that ENOC has been swapping each month range from 75,000 tons to 85,000 tons.

Further, the Iraqi government agreed on August 11, 2022 to extend the fuel oil agreement with Lebanese authorities for one year under the same conditions of the current arrangement. The deal stipulates that Lebanon will buy one million tons of heavy fuel oil for the benefit of EdL in exchange for medical and consulting services, and that Iraq will export two shipments per month to Lebanon. The volume is equivalent to one third of Lebanon's fuel oil needs for electricity production.

In addition, the ministry announced on May 16, 2023 that it has reached an agreement with the Iraqi Ministry of Oil to double the quantities of oil derivatives that Iraq has been supplying to Lebanon for the benefit of EdL. It indicated that the new quantity of fuel oil will increase the monthly supply of fuel to the country from 80,000 tons to 160,000 tons per month, or 1.92 million tons of fuel oil annually, which aims to increase the provision of eight to 10 hours of electricity per day, up from four to five hours per day at the time.

Institutional vacuum clouding economic outlook

Standard Chartered Bank expected the six-year economic recession in Lebanon to technically end in 2023, and projected real GDP growth to accelerate from 0% in 2023 to 3.5% in 2024 and 4% in 2025. It considered that the contraction in economic activity has bottomed out, but cautioned that this does not translate into the stabilization of the economy. It expected that the Purchasing Managers' Index for Lebanon, which is an indicator of economic activity in the private sector, to shift into expansionary mode in the next few months. It added that Banque du Liban's (BdL) coincident indicator, a proxy of economic activity in the country, appears to have reached a trough, and that construction permits, new car sales, cement deliveries and merchandise at ports are among the indicators that are signaling an improvement in economic activity.

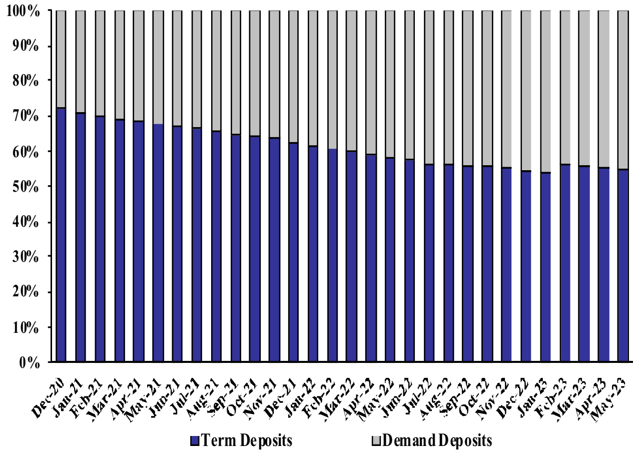
In parallel, it did not expect a near-term resolution to the presidential vacuum, and anticipated that the institutional void will be compounded by the end of the tenure of BdL's Governor Riad Salamé at the end of July 2023. It noted that BdL's foreign currency reserves, excluding gold and foreign securities, dropped from $28bn in 2020, when the government at the time decided to default on its country's external debt obligations, to about $10bn currently. It added that imports have returned in 2022 to their pre-crisis level, and that BdL's foreign currency reserves currently cover only six months of imports. It projected the current account deficit to widen from 15% of GDP in 2023 to 20% of GDP in each of 2024 and 2025, and considered that there are additional downside risks to foreign currency reserves in the second half 2023, given the lack of available backstops.

Further, it anticipated the exchange rate of the Lebanese pound to the US dollar to remain under pressure, given the decline in foreign currency reserves and unanchored expectations, until the authorities submit a viable financial and economic reforms plan that is supported by the majority of stakeholders. However, it expected the current institutional vacuum to hinder such a plan, and expressed concerns about the elevated uncertainties and the limited visibility regarding the political landscape and reforms timeline. Still, it projected the average inflation rate to decline from 200% in 2023 to 150% in 2024 and 100% in 2025 and for the exchange rate to reach LBP150,000 per US dollar by the end of 2023.

Term deposits account for 55.2% of customer deposits at end-May 2023

Figures issued by Banque du Liban about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at LBP1,527.2 trillion (tn) at the end of May 2023, or the equivalent of $101.8bn at end-May 2023 based on the new exchange rate of LBP15,000 per US dollar that went into effect at the start of February. Total deposits include private sector deposits that reached LBP1,459.6tn, deposits of non-resident financial institutions that amounted to LBP48.9tn, and public sector deposits that stood at LBP18.7tn at the end of May 2023.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban

Term deposits in all currencies reached LBP842.9tn at the end of May 2023 and declined by LBP8.1tn, or by 1%, from LBP851tn at end-April 2023; while they accounted for 55.2% of total deposits in Lebanese pounds and in foreign currency as at end-May 2023, relative to a share of 54.7% at the end of 2022 and of 58% at end-April 2022. The increase in the share of term deposits from end-2022 is due to the effect of the new exchange rate. Further, the foreign currency-denominated term deposits of the public sector dropped by 48.2% in the first five months of 2023, followed by a decrease of 28.5% in the term deposits of the non-resident financial sector, a contraction of 10% in the term deposits of non-residents, a downturn of 7.4% in the term deposits in Lebanese pounds of the resident private sector, and a retreat of 5% in foreign currency-denominated term deposits of the resident private sector from end-2022. This was partly offset by an increase of 31% in the term deposits in Lebanese pounds of the public sector. Aggregate term deposits declined by $110.3bn since the end of September 2019, based on the new exchange rate, due to cash withdrawals and to the migration of funds from term to demand deposits, amid the confidence crisis that started in September 2019.

In addition, the foreign currency-denominated term deposits of the resident private sector reached $39.1bn and accounted for 38.4% of aggregate deposits at the end of May 2023. Term deposits of non-residents followed with $13.3bn or 13% of the total, then term deposits of the non-resident financial sector with $2bn (2%), term deposits in Lebanese pounds of the resident private sector with LBP16.05tn (1.05%), term deposits of the public sector in Lebanese pounds with LBP5.7tn (0.4%), and term deposits of the public sector in foreign currency with $297.4m (0.3%).

In parallel, demand deposits in all currencies at commercial banks stood at LBP684.3tn at the end of May 2023, constituting an increase of LBP3.4tn (+0.5%), from LBP680.8tn at the end of April 2023. They accounted for 44.8% of aggregate deposits at end-May 2023 relative to a share of 45.3% at end of 2022 and of 42% at end-May 2022. The decrease in the share of demand deposits from end-2022 was mainly due to a decline of $455.1m in demand deposits of non-residents in the first five months of 2023, a decrease of $280m in foreign currency-denominated demand deposits of the resident private sector, a contraction of $246.5m in demand deposits of the non-resident financial sector, and a retreat of LBP17.5tn in demand deposits in Lebanese pounds of the resident private sector. This was partly offset by an increase of LBP1.26tn in demand deposits in Lebanese pounds of the public sector and a rise of $55.3m in demand deposits in foreign currency of the public sector.

Also, demand deposits in foreign currency of the resident private sector totaled $32.8bn and represented 32.2% of deposits at end-May 2023. Demand deposits of non-residents followed with $8.15bn (8%), then demand deposits in Lebanese pounds of the resident private sector with LBP42.5tn (2.8%), demand deposits of the non-resident financial sector with $1.24bn (1.2%), demand deposits in foreign currency of the public sector with $394.2m (0.4%), and demand deposits in Lebanese pounds of the public sector with LBP2.6tn (0.2%).

Based on the latest available figures, Beirut and its suburbs accounted for 66.8% of private-sector deposits and for 50.7% of the number of depositors at the end of 2022. Mount Lebanon followed with 14.5% of deposits and 18% of beneficiaries, then South Lebanon with 7.2% of deposits and 11% of depositors, North Lebanon with 6.6% of deposits and 12% of beneficiaries, and the Bekaa with 4.9% of deposits and 8% of depositors.

Corporate Highlights

CMA CGM posts net profits of $1.3bn in second quarter of 2023

The Lebanese-owned and France-based container-shipping firm CMA CGM declared consolidated net profits of $1.3bn in the second quarter of 2023 compared to profits of $7.6bn in the same period of 2022, while its revenues totaled $12.3bn in the covered period and decreased by 37% from $19.5bn in the second quarter of 2022. Further, the company's earnings before interest, taxes, depreciation and amortization (EBITDA) stood at $2.6bn in the second quarter of 2023, constituting a drop of 73% from $9.6bn in the same period last year.

The distribution of revenues show that, first, the consolidated revenues from maritime shipping operations amounted to $8.35bn in the second quarter of 2023 and decreased by 48% from $16bn in the same quarter last year, while the EBITDA of shipping activity stood at $2.2bn in the covered period and decreased by 76% from $9.1bn in the second quarter of 2022. Further, the average revenue per twenty-foot equivalent unit (TEU) reached $1,491, down by 10.3% from $1,337.4 in the second quarter of 2022. The firm said that it transported 5.6 million TEUs in the second quarter of the year, constituting a slight decrease of 0.3% from 5.62 million TEUs in the same quarter of 2022. It attributed the decrease in volume to the decline in the consumption of goods by households in Asia, Europe and North America, as well as to inventory drawdowns.

Second, it pointed out that revenues from logistics operations totaled $3.8bn in the second quarter of 2023, unchanged from the same quarter of 2022, while the EBITDA of logistics operations stood at $356m and increased by 4.7% from $340m in the same quarter last year. It added that, during the second quarter of 2023, it submitted an offer to acquire Bolloré Group's freight forwarding and logistics operations, which will strengthen CMA CGM's logistics expertise in a wide range of high value-added sectors.

Third, it indicated that revenues from other activities, which include port terminals, CMA CGM Air Cargo and the media, reached $474m in the second quarter this year, representing a contraction of 5.3% from $500m in the same quarter of 2022. It noted that the EBITDA of other activities stood at $50m and declined by 62% from $132m in the second quarter of 2022 due to lower volumes in port terminals and a less resilient air transport market.

CMA CGM is one of the largest container shipping companies in the world and operates a fleet with 593 vessels, with a capacity of 5 million TEUs that serves over 420 commercial ports and utilizes more than 257 shipping lines.

On June 2, 2023, Moody's Investors Service upgraded the corporate family rating of CMA CGM from 'Ba2' to 'Ba1', as well as its probability of default rating from 'Ba2-PD' to 'Ba1-PD'. Also, it revised the outlook on the ratings from 'positive' to 'stable'. It attributed its decision to the company's diversified business profile, given that CMA CGM reinvested its cash flow into the business and expanded its footprint in logistics and container terminals, as well as purchased more energy efficient vessels.

Ciments Blancs posts net income of LBP32.4bn in 2022

Société Libanaise des Ciments Blancs sal, an affiliate of Holcim (Liban) sal, declared audited net profits of LBP32.4bn in 2022, constituting a surge of 174.8% from net earnings of LBP11.8bn in 2021, while profits before income tax stood at LBP39bn at end-2022 relative to LBP14.2bn at end-2021. Also, the company generated sales of LBP151.6bn in 2022 compared to LBP42.2bn in 2021, and its cost of goods sold reached LBP109.2bnin 2022 relative to LBP22.2bn in 2021; resulting in gross profits of LBP42.4bn in 2022 compared to LBP20bn in 2021. As such, the firm's gross profit margin was 28% in 2022 relative to 47.5% in 2021.

Further, the firm's assets totaled LBP183bn at the end of 2022 and jumped by 171.8% from LBP67.3bn at end-2021. Also, the firm's current ratio, which is a measure of the company's ability to meet its short-term obligations, was 1.3x at the end of 2022 compared to 1.7x at the end of 2021.

In addition, the company's total equity reached LBP74.5bn at the end of 2022, constituting an increase of 75.8% from LBP42.4bn at the end of 2021, while its debt-to-equity ratio was 145.7% at the end of 2022 relative to 59% a year earlier. The price of Ciments Blancs' nominal shares closed at $22.05 on July 28, 2023, up by 91.7% from $11.5 at end-2022.

In parallel, the firm's external auditors indicated that "the accompanying financial statements do not present fairly the financial position of the company as at December 31, 2022, and its financial performance and its cash flows for the year that ended in accordance with International Financial Reporting Standards", since the financial statements do not take into account the impact of hyperinflation on the revenues stream. It said that "the company did not use an appropriate exchange rate for the translation of foreign currency transactions and did not translate all monetary and assets and liabilities stated in foreign currencies at the appropriate exchange rate at the reporting date."

Corporate Highlights

New car sales up 5% in first five months of 2023

Figures released by Rasamny Younis Motor Co. sal (RYMCO) show that car dealers in Lebanon sold 2,594 new passenger cars in the first five months of 2023, constituting an increase of 5.2% from 2,465 automobiles sold in the same period of 2022. Also, it indicated that dealers sold 1,125 vehicles in May 2023 relative to 763 cars in May 2022.

Further, it noted that Japanese cars accounted for 45% of total car sales in May 2023, followed by European vehicles with 31%, and Korean automobiles with 24%. In addition, it noted that the three most sold car brands in the Lebanese market in May 2023 were Toyota with 219 passenger vehicles, followed by Kia with 132 new cars sold, and Hyundai with 94 new vehicles.

In parallel, the most recent figures released by the Association of Automobile Importers (AIA) in Lebanon showed that dealers sold 2,800 new passenger cars in the first half of 2022, constituting a drop of 84% from 17,208 automobiles sold in the same period of 2018, the most recent year of normal economic activity in the country. In comparison, dealers sold 13,176 vehicles in the first half of 2019, and a total of 6,034 automobiles in the first six months of 2020 and 2021 combined.

The AIA attributed at the time the drop in the sales of new cars in part to the closing of the Vehicle Registration Center since April 2022, which has prevented buyers of new cars to register them. It noted that this led to a significant drop in revenues to the Treasury that originate from mechanical and registration taxes and fees. Further, the market for new passenger cars in Lebanon has been facing increasing challenges in the past few years, including the contraction in economic activity, job insecurity and, more recently, the shortage of foreign currency liquidity in the local market, the emergence of a parallel exchange rate market, the reduced purchasing power of consumers, and a very low level of household confidence. In addition, the government's decision to modify the exchange rate at customs, starting towards the end of 2022, has led to a sharp increase in customs and in car registration fees, which will add to the challenges facing the sector.

Import activity of top five shipping firms and freight forwarders down 8% in first four months of 2023

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 reached 66,541 20-foot equivalent units (TEUs) in the first four months of 2023, constituting a decrease of 7.7% from 72,085 TEUs in the same period of 2022. The five shipping and freight forwarding firms accounted for 84.8% of imports to the Lebanese market in the covered period. Merit Shipping handled 22,627 TEUs in the first four months of 2023, equivalent to 19.3% of the total import freight market to Lebanon. Mediterranean Shipping Company (MSC) followed with 19,221 TEUs (16.4%), then MAERSK with 12,407 TEUs (10.6%), Sealine Group with 7,137 TEUs (6.1%), and Gezairi Transport with 5,149 TEUs (4.4%). Sealine Group registered a surge of 85% in imports in the first four months of 2023, the highest growth rate among the covered companies, while MSC posted a decline of 22%, 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 11.7% in April 2023 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 25,140 TEUs in the first four months of 2023, constituting an increase of 1.8% from 24,686 TEUs in the same period of 2022. The five shipping companies and freight forwarders accounted for 93.3% of exported Lebanese cargo in the covered quarter. Merit Shipping handled 13,889 TEUs of freight in the first four months of the year, equivalent to 51.6% of the Lebanese cargo export market. MAERSK followed with 6,780 TEUs (25.2%), then Sealine Group with 1,864 TEUs (6.9%), MSC with 1,568 TEUs (5.8%), and Gezairi Transport with 923 TEUs (3.4%). MAERSK posted a rise of 44.7% in exports in the first four months of 2023, the highest growth rate among the covered companies, while MSC registered a decrease of 30%, the steepest decline among the five firms in the covered period. The export-shipping operations of the top five companies increased by 13.4% in April 2023 from the previous month.

Ratio Highlights

(in % unless specified)	2019	2020	2021	Change*
Nominal GDP ($bn)	53.2	24.7	23.4	(1.3)
Public Debt in Foreign Currency / GDP	63.4	56.8	26.2	(30.6)
Public Debt in Local Currency / GDP	108.8	93.8	42.1	(51.7)
Gross Public Debt / GDP	172.3	150.6	68.3	(82.2)
Trade Balance / GDP	(29.2)	(12.2)	(6.6)	5.6
Exports / Imports	19.4	31.3	28.5	(2.8)
Fiscal Revenues / GDP	20.8	16.0	8.5	(7.5)
Fiscal Expenditures / GDP	31.8	20.3	9.8	(10.5)
Fiscal Balance / GDP	(11.0)	(4.3)	(1.3)	2.9
Primary Balance / GDP	(0.5)	(1.0)	(0.1)	1.0
Gross Foreign Currency Reserves / M2	70.2	41.5	26.0	(15.5)
M3 / GDP	252.9	209.0	90.8	(118.2)
Commercial Banks Assets / GDP	407.5	296.2	119.1	(177.1)
Private Sector Deposits / GDP	298.6	219.2	88.2	(131.0)
Private Sector Loans / GDP	93.6	57.0	18.9	(38.1)
Private Sector Deposits Dollarization Rate	76.0	80.4	79.4	(1.0)
Private Sector Lending Dollarization Rate	68.7	59.6	56.3	(3.3)

**change in percentage points 21/20;*
Source: Banque du Liban, Ministry of Finance, Central Administration of Statistics, Institute of International Finance, 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	212.6	426.8
Nominal GDP (US$ bn)	24.7	22.6	26.8
Real GDP growth, % change	-25.9	-9.9	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	9.6	8.9
Imports of goods and services	-33.4	3.9	2.0
Consumer prices, %, average	84.9	154.8	97.7
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	26,070*
Weighted average exchange rate LBP/US$	3,878	9,452	23,679

**Average year-to-July 22, 2022*
Source: Central Administration of Statistics, Institute of International Finance- June 2022

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Investors Service	C	NP	-	C		-
Fitch Ratings	RD	C	-	CC	C	-
S&P Global Ratings	SD	SD	-	CC	C	Negative

Source: Rating agencies

Banking Sector Ratings	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service

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