

LEBANON THIS WEEK

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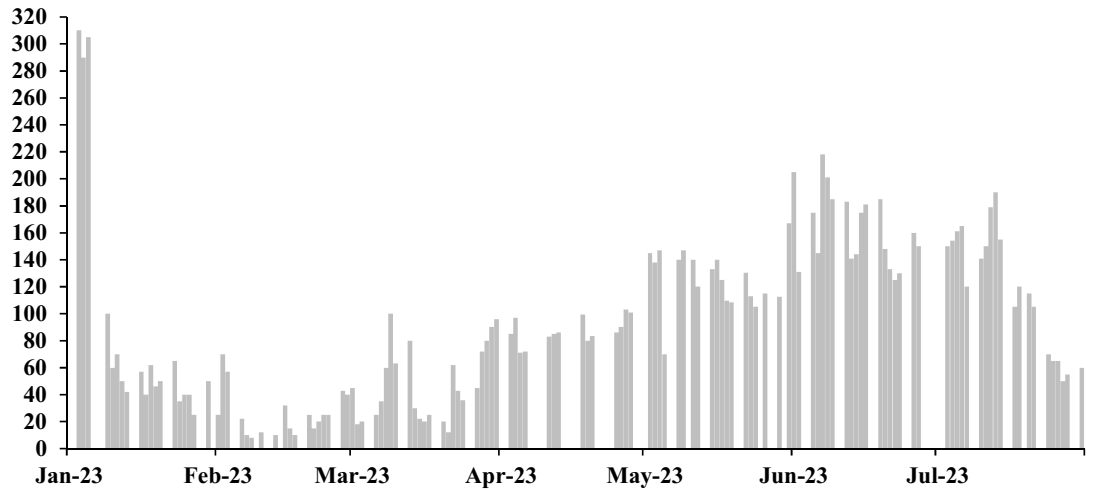
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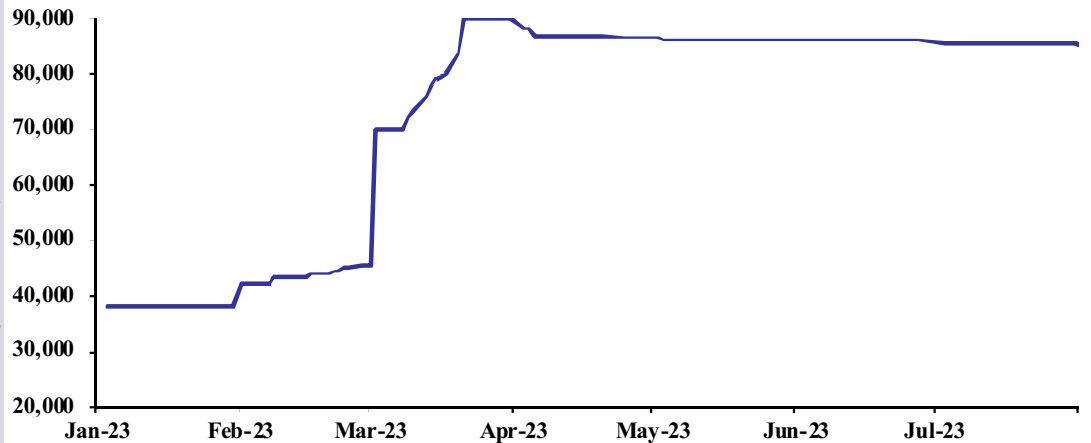
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Charts of the Week

Daily Volume of Transactions on Banque du Liban's Sayrafa Platform in First Seven Months of 2023 (US\$ million)



Daily Exchange Rate of the Lebanese pound against the US dollar on the Sayrafa Platform (in First Seven Months of 2023)



Source: Banque du Liban, Byblos Bank

Quote to Note

"The members of the ISG call on the Lebanese Parliament to accelerate the adoption of necessary legislation to strengthen the independence of the judiciary in line with international standards."

The International Support Group for Lebanon, on the need to safeguard the independence, impartiality and integrity of the Lebanese judiciary

Number of the Week

372,700: Projected number of jobs in the travel and tourism industry in Lebanon in 2023, according to the World Travel & Tourism Council

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	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Audi Listed	1.92	1.6	61,000	6.1%	Apr 2024	6.65	7.75	1,025.01
Byblos Common	0.76	1.3	55,000	2.3%	Jun 2025	6.25	7.75	200.06
Solidere "A"	79.75	(0.3)	50,523	43.3%	Nov 2026	6.60	7.75	94.56
BLOM GDR	2.50	25.0	30,350	1.0%	Mar 2027	6.85	7.75	84.60
Solidere "B"	80.50	0.6	7,887	28.4%	Nov 2028	6.65	7.75	55.32
Audi GDR	1.40	0.0	7,000	0.9%	Feb 2030	6.65	7.75	43.12
BLOM Listed	2.51	0.0	-	2.9%	Apr 2031	7.00	7.75	36.10
Byblos Pref. 08	27.00	0.0	-	0.3%	May 2033	8.20	7.75	27.95
Byblos Pref. 09	29.99	0.0	-	0.3%	Nov 2035	7.05	7.75	22.04
HOLCIM	55.05	0.0	-	5.8%	Mar 2037	7.25	7.75	19.68

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

Source: Refinitiv

	Jul 31 - Aug 3	Jul 24-28	% Change	July 2023	July 2022	% Change
Total shares traded	211,860	262,531	(19.3)	751,237	1,320,045	(43.1)
Total value traded	\$4,929,538	\$8,345,188	(40.9)	\$26,960,284	\$50,138,832	(46.2)
Market capitalization	\$18.41bn	\$18.34bn	0.4	\$18.40bn	\$14.21bn	29.5

Source: Beirut Stock Exchange (BSE)



Banque du Liban's roadmap is opportunity for change

Bank of America (BofA) considered that the comprehensive roadmap that the four Vice Governors of Banque du Liban (BdL) proposed, in light of the end of BdL Governor Riad Salamé's term, is a positive step in the prevailing circumstances. It said that the roadmap aims to unlock long-awaited reforms, bring to light the responsibilities of the political class, and obtain political cover for BdL's future decisions. However, it cautioned that the political class is likely to allow only limited reforms in its attempt to preserve the status quo, and noted that the initial enthusiasm of market participants may be misplaced in case the authorities miss this opportunity for "controlled" change, which would raise the likelihood of "uncontrolled" change if BdL's foreign currency reserves eventually run out.

It indicated that the roadmap aims to unify the prevailing multiple exchange rates onto an internationally recognized platform, and usher in a managed float exchange rate regime over a six-month transition period. It added that the liberalization of the exchange rate would be accompanied by fiscal and financial reforms, as well as by measures to support demand for the Lebanese pound. Further, it said that BdL would request the explicit approval of Parliament through legislation to use up to \$1.2bn in foreign currency reserves for a loan to the government to cover the latter's current expenditures. It noted that this would represent a continued use of the commercial banks' mandatory reserves at BdL.

Further, BofA considered that the political class could exploit BdL's limited leverage in support of its vested interests. It noted that the initial BdL discussions with Parliament in late July did not result in an agreement, while political pressure could force the BdL Central Council to maintain the status quo, which would allow the monetization of the fiscal deficit to continue after August, even without the adoption of BdL's roadmap.

It noted that, in the absence of reforms, the unification of the multiple exchange rates is unlikely to prevent the depreciation of the currency, but noted that it may help narrow the current account deficit that it estimates at \$6.8bn or 31.6% of GDP in 2022. It pointed out that BdL's quasi-fiscal operations, which it puts at about 3.5% of GDP in 2022 through the sale of foreign currency at below market rates, as well as the government's non-payment of interest on the central bank's holding of Lebanese pounds-denominated debt, could further undermine BdL's capital position. It added that terms of the proposed loan would be key, as Lebanon reported \$39.6m in arrears to bilateral and multilateral creditors at the end of 2022, in addition to the previous government's decision to default in March 2020 on Lebanon's Eurobonds obligations.

In parallel, it pointed out potential catalysts that could lead to mixed implications. First, it said that the standoff between the political class and BdL could be resolved in one direction or the other in August, given the one-month deadline that BdL proposed for some reforms in its roadmap. Second, it noted that a solution to the presidential vacuum could restore the full functions of Parliament and the Cabinet, and that the profile of the next President and his reform credentials, or lack thereof, would be key to monitor. It added that the return of the French envoy to Beirut in September suggests renewed efforts to resolve the political standoff, which could potentially facilitate the election of a compromise candidate.

Third, it stated that offshore drilling in Block 9 of Lebanon's territorial waters is due to start in August, and that positive results from offshore gas exploration could help secure bids for the remaining eight blocks in the second licensing round for oil and gas exploration. It added that Parliament's Budget and Finance Committee approved in late July a draft law to establish a Sovereign Wealth Fund. Fourth, it indicated that the High Administrative Court suspended in June 2023 the implementation of the May 2022 Cabinet decision approving the government's financial restructuring plan. It noted that this follows an appeal by the Association of Banks in Lebanon to cancel the measure to write-off BdL's foreign currency liabilities to commercial banks, which would imply a bail-in by depositors. It considered that a final decision by the Court could derail the International Monetary Fund's program, given the IMF's focus on this measure for the recapitalization of BdL.

EU-funded MED-GEM to support Lebanon develop national hydrogen strategy

The Lebanese Center for Energy Conservation (LCEC) indicated that the European Union (EU) will support Lebanon to develop a national hydrogen strategy through the Mediterranean Green Electrons and Molecules' development (MED-GEM) project. The EU-funded project aims to support the energy transition in the Southern Mediterranean countries by accelerating the deployment of renewable power generation and the elaboration and implementation of policies for the production and trade of renewable hydrogen and its derivatives. It added that the project will support Lebanon in opening the debate towards the identification of core actions that could form the backbone of a national hydrogen strategy for the country.

Last January, the EU launched the MED-GEM project with a budget of €3m for a duration of 30 months. The project's objective is to create and operate a MED-GEM network in the Southern Neighborhood region by convening dialogue and collaborative activities between key energy stakeholders, in order to facilitate and promote the growth of the GEM industry at a regional level. Specifically, the project aims to accelerate the deployment of renewable power generation, support the elaboration and implementation of policies for the production and trade of hydrogen and derivatives, and assess and exploit the potential for biogas, bio-methane and other forms of renewable gas. In addition, the project aims to raise public awareness, including through civil society organizations, about the need for an accelerated clean energy transition.



Tourist arrivals up 32% in first half of 2023

Figures compiled by the Ministry of Tourism indicate that the number of incoming visitors to Lebanon totaled 751,190 tourists in the first half of 2023, constituting an increase of 31.6% from 570,738 tourists in the first half of 2022 and a surge of 157.6% from 291,570 visitors in the first half of 2021.

The number of incoming visitors reached 88,378 in January, 85,682 in February, 100,727 in March, 123,399 in April, 143,208 in May, and 209,796 in June 2023. In comparison, they totaled 62,340 visitors in January, 67,800 in February, 82,810 in March, 87,579 in April, 115,469 in May, and 154,740 in June 2022. This constituted increases of 41.8% in January, 26.4% in February, 21.6% in March, 40.9% in April, 24% in May, and 35.6% in June 2023 from the corresponding months of the previous year.

In addition, tourist arrivals stood at 274,787 visitors in the first quarter and at 476,403 in the second quarter of 2023, relative to 212,950 visitors in the first quarter and 357,788 in the second quarter of 2022. This represented increases of 29% in the first quarter and of 33.2% in the second quarter of 2023 from the corresponding quarters of the previous year. The figures exclude Lebanese, Syrian and Palestinian arrivals.

Visitors from European countries totaled 301,587 tourists and accounted for 40% of incoming visitors the first half of 2023, followed by those from Arab countries with 196,115 visitors (26%), the Americas with 156,449 tourists (20.8%), Asia with 39,613 visitors (5.3%), Oceania with 29,510 visitors (3.9%), and Africa with 27,857 tourists (3.7%). Further, the number of visitors from Asia surged by 56% in the first half of 2023 from the same period last year, followed by those from Europe (+38.8%), Oceania (+30.5%), the Americas (+29.3%), the Arab countries (+22.4%), and Africa (+15.7%).

On a country basis, tourists from Iraq accounted for 12.8% of visitors in the first half of 2023, followed by visitors from the United States (11%), France (8.4%), Germany (7.5%), Canada (6.9%), Egypt (4.5%), Jordan (4.3%), Sweden (4.1%), England (3.3%), Türkiye (2.5%), Kuwait and Italy (1.7%), Brazil (1.4%), Venezuela (0.5%), Saudi Arabia (0.3%), and the UAE (0.06%); while other countries accounted for the remaining 29%.

The increase in the number of visitor arrivals in the first half of 2023 is due to the resumption of normal activity following the lifting of lockdown and social distancing measures in the country that the authorities imposed to contain the spread of the coronavirus, to the relaxation of travel restrictions in the main country sources of visitors to Lebanon, as well as to promotion campaigns by the Ministry of Tourism and to the competitive advantages that Lebanon presents in terms of the combination of attractiveness and pricing.

UN disburses \$53m in basic assistance in first quarter of 2023

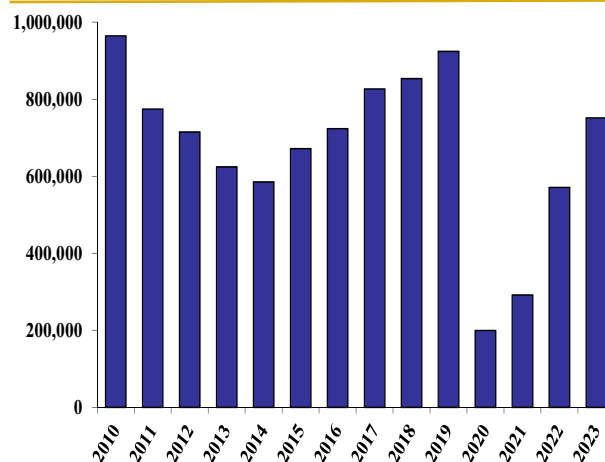
The United Nations indicated that international contributions for the basic assistance track of the Lebanon Crisis Response Plan (LCRP) reached \$25.9m in the first quarter of 2023 compared to \$25m in the same quarter of 2022. They represented 4.25% of the \$494m that the LCPR appealed for to assist affected Lebanese and non-Lebanese individuals in the country in the first quarter of the year. It also noted that \$27.1m were carried over from funding received in 2022, which is equivalent to 5.5% of the total appealed funds, which resulted in total funding of \$53m in the covered quarter. As such, it said that international contributions covered 9.75% of the funds appealed in the first quarter of 2023, resulting in a funding gap of 90.25% in the covered quarter.

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 includes 118 partner organizations and aims 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 comes after the expiration of the LCRP for the 2015-2016 and the 2017-2021 periods.

Also, the UN indicated that it distributed the LCRP assistance to 1,473,626 individuals across Lebanon in the first quarter of 2023 who consist of 1,079,925 displaced Syrians, or 73.3% of the total, followed by 356,578 vulnerable Lebanese citizens (24.2%), 30,238 Palestinian refugees from Syria (2.1%), and 6,885 Palestinian refugees in Lebanon (0.5%). Further, it said that the LCRP support resulted in the injection of \$44.2m in the Lebanese economy in the form of cash assistance in the covered period. It disbursed \$21.55m as regular cash transfers to cover the basic needs of vulnerable households and children, and \$22.7m in seasonal cash assistance to families to help them meet their additional seasonal needs.

Further, it noted that it provided cash grants to 83,985 individuals under the child-focused social assistance programs in the first quarter of 2023 who consist of 51,904 displaced Syrians, or 61.8% of the total, followed by 24,703 Lebanese children (29.4%), 6,821 Palestinian refugees from Syria (8%), and 557 Palestinian refugees in Lebanon (0.7%).

Number of Tourist Arrivals to Lebanon*



*in first half of each year

Source: Ministry of Tourism, Byblos Research

Fitch downgrades local currency sovereign ratings to Restricted Default

Fitch Ratings downgraded Lebanon's long- and short-term local currency Issuer Default Ratings (IDRs) from 'CC' and 'C', respectively, to 'Restricted Default'. It attributed the downgrades to the fact that the government has not been paying interest on Banque du Liban's (BdL) holdings of Lebanese pounds-denominated debt. The agency noted that, in its last rating review in August 2022, it viewed the government's accumulation of arrears to BdL, as part of the complex relationship and financial engineering between the government and BdL, to be consistent with affirming the long- and short-term local currency IDRs at 'CC' and 'C', respectively. But it pointed out that, given the subsequent prolonged accumulation of arrears, it now considers this as an event of default. It added that the government continues to pay interest to private creditors on its Lebanese pounds-denominated debt, but that significant uncertainties remain about a potential restructuring of the debt in local currency.

In parallel, Fitch Ratings affirmed Lebanon's long-term foreign IDR at 'Restricted Default', and upgraded the Country Ceiling from 'CCC' to 'CCC+'. It indicated that Lebanon remains in 'Restricted Default' on its foreign currency-denominated debt, following the previous government's decision to suspend payments of the principal and interest on the Eurobond that matured in March 2020 and to stop payments on its outstanding stock of Eurobonds pending a restructuring of the public debt. Further, it attributed the revision of the Country Ceiling to its updated criteria of July 2023. It noted that the Country Ceiling floor has become 'CCC+' under its revised criteria, which it applies when transfer and convertibility risks have materialized. It noted that, in the case of Lebanon, capital and/or exchange controls have been imposed, which are preventing the private sector from converting local currency into foreign currency and transferring the proceeds to non-resident creditors to service debt payments. It added that these controls are impacting the vast majority of economic sectors and asset classes in the country.

In parallel, the agency indicated that would upgrade the local currency IDRs if the government resumes interest payments on BdL's holdings of local-currency debt and continues to service local-currency debt to other creditors. It added that it would upgrade the foreign currency IDRs in case Lebanon reaches an agreement with bondholders on restructuring its long-term foreign-currency debt and completes the restructuring process. Also, it said that, once the authorities reach an agreement with bondholders on restructuring the foreign-currency debt and complete the process, it will assign ratings to Lebanon based on the agency's analysis of the sovereign's willingness and capacity to honor its new foreign-currency debt obligations.

Further, it indicated that political divisions and vested interests have stymied reforms, in part reflecting rifts between regional powers and their influence on Lebanon. It added that Parliament has not been able to elect a new president since the end of the former president's term in October 2022, and the government has been in a caretaker capacity since the May 2022 parliamentary elections, which is complicating the policy-making process. It said that the economic conditions in Lebanon in 2024 and beyond will depend on the election of a new president, the formation of a new Cabinet, the implementation of reforms, and the restructuring of the public debt. It added that the forecasts of Lebanon's public debt level highly depend on the evolution of the exchange rate amid the existence of multiple exchange rates and elevated inflation rates.

Number of new construction permits down 51% in first half of 2023

Figures issued by the Orders of Engineers & Architects of Beirut and of Tripoli show that the two orders issued 5,647 new construction permits in the first half of 2023, constituting a drop of 51.3% from 11,607 permits in the first half of 2022. Also, the orders of engineers issued 905 permits in June 2023, representing a decrease of 11.8% from 1,026 permits in May 2023 and a decline of 42.5% from 1,575 permits in June 2022. Mount Lebanon accounted for 34.8% of the number of newly-issued construction permits in the first half of 2023, followed by the South with 25.2%, the Nabatieh area with 16.7%, the North with 10.6%, the Bekaa region with 8%, and Beirut with 2.7%. The remaining 2% were permits issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon. The number of new construction permits issued for regions located in the North dropped by 73.8% in the first half of 2023 from the same period last year, followed by permits in regions outside northern Lebanon (-37.9%), in the Bekaa region (-48.8%), in Mount Lebanon (-47.3%), in the South and in the Nabatieh area (-45.3% each), and in Beirut (-10.1%).

Further, the surface area of granted construction permits reached 2.26 million square meters (sqm) in the first half of 2023, constituting a decline of 66.7% from 6.78 sqm in the same period of 2022. Also, the surface area of granted construction permits reached 348,094 sqm in June 2023, decreasing by 22% from 446,240 sqm in May 2023 and declining by 43.6% from 617,141 sqm in June 2022. Mount Lebanon accounted for 769,815 sqm, or for 34% of the total surface area of granted construction permits in the first half of 2023. The South followed with 590,530 sqm (26%), then the Nabatieh area with 318,414 sqm (14%), the Bekaa region with 240,050 sqm (10.6%), the North with 225,465 sqm (10%), and Beirut with 64,014sqm (2.8%). The remaining 51,323 sqm, or 2.3% of the total, represent the surface area of permits that the Order of Engineers & Architects of Tripoli issued for regions located outside northern Lebanon. Further, the surface area of new construction permits issued in the North dropped by 87.4% in the first half of 2023 from the same period last year, followed by surface areas in regions located outside northern Lebanon (-82.6%), then Mount Lebanon (-64%), Beirut (-62.8%), the Bekaa region (-63.5%), the Nabatieh area (-49.9%), and the South (-46.3%). In parallel, the latest available figures show that cement deliveries totaled 2.12 million tons in 2022, constituting an increase of 9% from 1.95 million tons in 2021.



Banque du Liban's foreign assets at \$13.8bn, gold reserves at \$18bn at end-July 2023

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP1,546.4 trillion (tn), or the equivalent of \$103.1bn, on July 31, 2023, constituting decreases of 2.2% from LBP1,581.1tn (\$105.4bn) at mid-July 2023 and of 1.3% from LBP1,567.1tn (\$104.5bn) at end-June 2023. Assets in foreign currency reached \$13.78bn at end-July 2023, representing a decline of \$1.39bn, or of 9.2% in the first seven months of the year and a drop of \$1.38bn (-9.1%) from \$15.17bn at end-July 2022. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds, unchanged from a year earlier. The dollar figures up until the end of January 2023 are based on the official exchange rate of the Lebanese pound to the US dollar of LBP1,507.5 per dollar at the time, while the dollar figures starting in February 2023 are based on the new exchange rate of LBP15,000 per dollar.

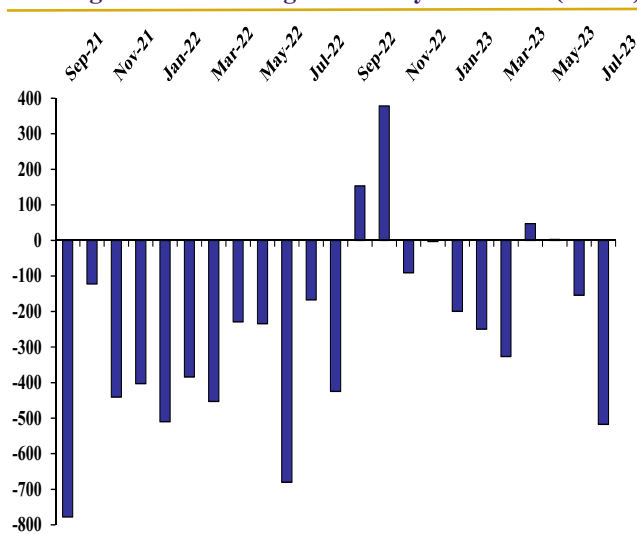
BdL's gross foreign currency reserves, which consist of its assets in foreign currency excluding Lebanese Eurobonds, stood at \$8.76bn at end-July, 2023, constituting a decrease of \$608.4m (-6.5%) from \$9.36bn at mid-July 2023 and a decrease of \$517.3 (-5.6%) from \$9.27bn end-June 2023. They dropped by \$1.39bn (-13.7%) from the end of 2022 and by \$1.38bn (-13.6%) from \$10.14bn at end-July 2022. The cumulative decline of BdL's gross foreign-currency reserves in the past 12 months is largely due to the financing of imports, such as wheat, medicine, medical equipment, and raw materials for agriculture and industry, as well as to the implementation of BdL circulars that allowed depositors to withdraw US dollar banknotes from their accounts or to buy dollar banknotes from BdL through commercial banks. It is also due to the steep drop in capital flows to Lebanon since September 2019, and to the near halt of inflows after the government decided to default on its Eurobonds obligations in March 2020. However, the decline in BdL's assets foreign currency was offset in part by the allocation of about \$1.13bn in Special Drawing Rights that the IMF transferred to BdL's account on September 16, 2021.

Further, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP61,963.4bn at the end of July 2023, representing a decrease of 22.7% from LBP80,171.3bn at the end of 2022 and a surge of 48.8% from LBP41,636.6bn at end-July 2022. Also, the item "Other Assets" on BdL's balance sheet reached LBP100,194.3bn, or \$6.7bn at end-July 2023, and decreased by 2.3% from LBP102,576bn a month earlier.

In parallel, the value of BdL's gold reserves reached \$18.04bn at end-July 2023, constituting a rise of \$1.4bn (+8.3%) from the end of 2022 and an increase of \$1.77bn (+10.9%) from \$16.2bn at end-July 2022. The value of gold reserves reached a peak \$18.7bn at mid-April 2023. Also, the securities portfolio of BdL totaled LBP68,664.6bn, or \$4.5bn, at end-July 2023. In addition, loans to the local financial sector stood at LBP15,737.8bn, or \$1.05bn; while the deposits of the financial sector reached LBP1,338.7tn, or \$89.2bn, at end-July, 2023. In addition, public sector deposits at BdL stood at LBP115,652.3bn at end-July 2023 and surged by LBP99,219.8bn from a year earlier.

Moreover, the balance sheet shows that BdL's loans to the public sector totaled LBP249,331.8bn, equivalent to \$16.62bn, as at end-July 2023. BdL indicated that it started in 2019 to make payments on behalf of the Lebanese government from its own foreign currency reserves, either against cash collateral in Lebanese pounds at the existing official exchange rate of LBP1,507.5 per dollar, which consists of public sector deposits, or in exchange for a pledge by the government to repay the amounts in the same foreign currency at a later stage. It said that the public sector's deposits valued in local currency exceeded the net cumulative balance for the payments it made on behalf of the government in foreign currency, which allowed BdL to maintain a net credit balance for public sector deposits. It noted that, after the modification of the exchange rate from LBP1,507.5 per dollar to LBP15,000 a dollar at the start of February 2023, the countervalue of the net cumulative balance of assets in foreign currencies exceeded the value of the cash collateral in Lebanese pounds, which resulted in a net debit balance in favor of BdL and required the presentation of \$16.63bn in loans to the public sector on the "assets" side.

Change in Gross Foreign Currency Reserves* (US\$m)



*month-on-month change

Source: Banque du Liban, Byblos Research

Number of airport passengers up 20% in first seven months of 2023

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 4.09 million passengers utilized the airport (arrivals, departures and transit) in the first seven months of 2023, constituting increases of 20.3% from 3.4 million passengers in the same period of 2022, and of 98% from 2.06 million passengers in the first seven months of 2021. The number of arriving passengers reached 2.1 million passengers in the first seven months of 2023, and grew by 21% from 1.76 million passengers in the same period of 2022 and by 96.5% from 1.08 million passengers in the first seven months of 2021. Also, the number of departing passengers totaled 1.95 million in the first seven months of 2023, and increased by 20.3% from 1.62 million passengers in the same period of last year and by 106.4% from 944,385 passengers in the first seven months of 2021. The rise in the number of airport passengers in the covered period is due in part to the rolling back of most travel restrictions around the world in light of the receding threat of the coronavirus pandemic, and the subsequent increase in mobility amid the resumption of normal activity.

In parallel, the airport's aircraft activity totaled 33,337 take-offs and landings in the first seven months of 2023, representing an increase of 16.6% from 28,589 takeoffs and landings in the same period last year. In comparison, aircraft activity rose by 44% in the first seven months of 2022 and by 36.2% in the same period of 2021.

In addition, the HIA processed 32,813 metric tons of freight in the first seven months of 2023 that consisted of 18,450 tons of import freight and 14,363 tons of export freight. Middle East Airlines had 14,360 flights in the covered period and accounted for 43% of HIA's total aircraft activity.

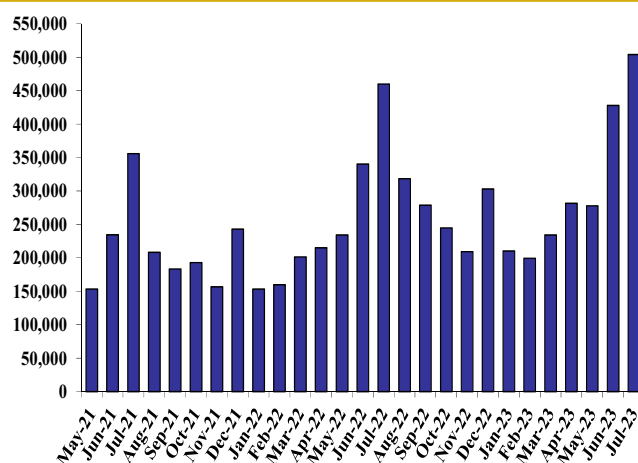
Nearly 64% of Treasury securities in Lebanese pounds have seven-year maturities or longer as at end-June 2023

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds reached LBP87,848bn at the end of June 2023 compared to LBP91,695bn at end-June 2022. The outstanding Treasury securities denominated in Lebanese pounds were equivalent to \$5.86bn at the end of June 2023 based on the new official exchange rate of LBP15,000 per US dollar, but they become equivalent to \$1.02bn based on the Sayrafa exchange rate of LBP86,200 per dollar at the end of June. The weighted interest rate on Lebanese Treasury securities denominated in Lebanese pounds was 6.31% in June 2023 compared to 6.5% in June 2022.

The distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP 33,520bn and accounted for 38.2% of aggregate securities denominated in Lebanese pounds at the end of June 2023, followed by seven-year Treasury bills with LBP18,002bn (20.5%), five-year Treasury securities with LBP15,253bn (17.4%), two-year Treasury bonds with LBP5,412bn (6.2%), three-year Treasury bonds with LBP4,982bn (5.7%), one-year Treasury securities with LBP4,624bn (5.3%), 12-year T-bills with LBP3,076bn (3.5%), 15-year Treasury securities with LBP1,417bn (1.6%), six-month T-bills with LBP1,261bn (1.4%), and three-month Treasury bonds with LBP301bn (0.3%). As such, 63.8% of outstanding Treasury securities have seven-year maturities or longer and 81% have five-year maturities or more.

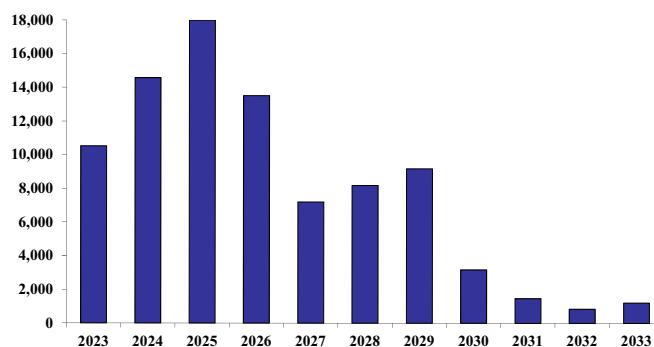
In parallel, LBP1,878bn in outstanding Treasury securities denominated in Lebanese pounds matured in June 2023, of which 35.5% consisted of 10-year Treasury bonds, 20% were two-year Treasury bonds, 16% were seven-year Treasury bills, 11.7% were three-year T-bills, 7.8% consisted of three-months Treasury bills, 5.3% were five-years Treasury securities, 3.4% consisted of six-months Treasury bills, and 0.3% were one-year T-bills. According to ABL, LBP10,527bn in outstanding Treasury bonds in Lebanese pounds will mature in the rest of 2023.

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

Projected Maturities of Treasury Securities in LBP* (LBP billions)



*as at end-June 2023

Source: Association of Banks in Lebanon, Byblos Research

Port of Beirut's ranking up 37 spots on container port performance index

The World Bank ranked the Port of Beirut in 320th place among 348 ports globally and in 102nd place among 108 ports in Europe and North Africa (ENA) region on its Container Port Performance Index (CPPI) for 2022. In comparison, the Port of Beirut ranked in 357th place among 370 ports worldwide and in 119th place among 119 ports in the ENA region in the 2021 index. Lebanon's global rank advanced by 37 spots and its regional rank increased by 17 notches from the 2021 survey. The World Bank collaborated with S&P Global Market Intelligence to produce the index.

The index ranks 348 global container ports according to their efficiency, which it measures by the time that a ship spends at a port from its arrival to its departure from the berth after completing its cargo exchange. The index aims to identify the gaps and opportunities at ports for stakeholders in global trade, including governments, shipping lines, port and terminal operators, logistics companies, and consumers. It includes in the survey ports that had a minimum of 24 valid port calls, where ships stop for supplies, repairs or the transshipment of cargo within the 12-month period of the study. The CPPI is composed of the Administrative Sub-Index and the Statistical Sub-Index. As such, the ranking of each port reflects the aggregate scores of the two sub-indices. It said that the scores range from negative to positive, as a positive value for a port means that it is performing better than the average performance of all ports, while a negative value means it is performing worse than the average performance of ports. It added the score of a port becomes negative when a ship uses more time at the port than the average time of ships at all ports.

Globally, the Port of Beirut had a better performance than the Port of Thessaloniki in Greece, and Napier Port and the Port of Auckland in New Zealand, while it had an inferior performance than the Port of Freeport in the Bahamas, the Port of Lome in Togo, and the Grand port maritime du Havre in France. Also, the Port of Beirut preceded the Port of Thessaloniki, the Port of Hamburg in Germany, and the Port of La Spezia in Italy, while it trailed the Grand Port Maritime de Dunkerque in France, the Port of Genoa in Italy, and the Grand port maritime du Havre among ports in the ENA region.

Further, the Port of Beirut ranked in 318th place globally, up from 357th place in the 2021 index, on the Administrative Sub-Index, which measures the performance of the port relative to the average performance of all ports in terms of the number of calls and vessel size. It also captures the arrival of vessels and berth hours at the ports. The Port of Beirut had a score of -106.6 points on the 2022 index, up from -183.4 points in the 2021 index. The Port of Beirut ranked ahead of the ports of Lome, Thessaloniki, and Genoa, and came behind the Port Autonome de Pointe-Noire in the Republic of the Congo, the Port of Dar es Salaam in Tanzania, and the Port of Freeport on this category.

In addition, the Port of Beirut ranked in 323rd place globally, up from 356th place in the 2021 index on the Statistical Sub-Index, which uses a statistical method to measure the average time container ships spend at a port during a port call, as well as examines a large data set and determines the impact of a series of measured variables on a hidden variable, such as efficiency that cannot be measured directly with a single variable. The Port of Beirut had a score of -54.8 points on the 2022 index, up from -73.2 points on the 2021 index. Globally, The Port of Beirut preceded the port of Eau Profonde de Kribi in Cameroon, and the ports of Hamburg and Auckland, and trailed the Grand Port Maritime de Dunkerque, and the ports of Thessaloniki and Napier on this category.

The World Bank indicated that 181 ships that have a capacity of between 1,501 20-foot equivalent units (TEUs) and 5,000 TEUs docked at the Port of Beirut in 2022, followed by 178 vessels with a capacity of 5,001 TEUs to 8,500 TEUs, 162 ships with a capacity of less than 1,500 TEUs, 114 vessels with a capacity of 8,501 TEUs to 13,500 TEUs, and 93 ships with a capacity of more than 13,500 TEUs.

In parallel, it ranked the Port of Tripoli in 219th place globally and in 67th place among 108 ports in the ENA region in 2022. Further, it ranked the Port of Tripoli in 205th place worldwide on the Administrative Sub-Index and in 233rd place globally on the Statistical Sub-Index in 2022. It said that 135 ships that have a capacity of 8,501 TEUs to 13,500 TEUs docked at the Port of Tripoli in 2022, followed by 60 vessels with a capacity of less than 1,500 TEUs, and 33 ships with a capacity between 1,501 TEUs and 5,000 TEUs.

It pointed out that 156,813 distinct port calls took place at the ranked 348 ports in 2022, with the Port of Beirut receiving 382 calls and the Port of Tripoli 91 calls last year. Also, it classified the size of the Port of Beirut as "medium", given that the port can handle a capacity of between 0.5 million TEUs and 4 million TEUs per year, while it classifies the size of the Port of Tripoli as "small", given that the port can handle a capacity of less than 0.5 million TEUs per year.

Stock market capitalization up 30% to \$18.4bn at end-July 2023

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 29.6 million shares in the first seven months of 2023, constituting a jump of 191.7% from 10.15 million shares traded in the same period of 2022; while aggregate turnover amounted to \$264.2m and increased by 8.2% from a turnover of \$244.1m in the first seven months of 2022. Further, the market capitalization of the BSE stood at \$18.4bn at the end of July 2023, representing an increase of 29.5% from \$14.2bn a year earlier, with real estate equities accounting for 71.8% of the total, followed by banking stocks (21.3%), and industrial shares (6.9%). The market liquidity ratio was 1.4% at the end of July 2023 compared to 1.7% a year earlier.

Banking stocks accounted for 89.4% of the trading volume in the first seven months of 2023, followed by real estate equities (10.5%) and industrial shares (0.1%). Also, real estate equities accounted for 89.8% of the aggregate value of shares traded, followed by banking stocks (10%), and industrial shares (0.3%). The average daily traded volume for the first seven months of 2023 was 219,346 shares for an average daily amount of \$1.96m. The figures represent a surge of 194% of the average daily traded volume and an increase of 9% of the average daily value in the covered period.

In parallel, the Capital Markets Authority's (CMA) Market Value-Weighted Index for stocks traded on the BSE increased by 73.6% in the first seven months of 2023, while the CMA's Banks Market Value-Weighted Index regressed by 1.3% from the end of 2022. The increase in the Market Value-Weighted Index is mainly due to the rise in the prices of Solidere 'A' and Solidere 'B' shares by 31.5% and 32.6%, respectively, in the first seven months of 2023, given that the shares had market weights of 43.5% and 28.3%, respectively, on the last trading day in July 2023, the highest among listed companies on the BSE. The rise in the prices of Solidere shares has been mainly driven by the increase in demand for the shares from several bank depositors, given that they consider it a way to channel their deposits out of the banking sector in light of the government's economic rescue plan that stipulates the conversion of deposits into bank shares as part of the restructuring of the banking sector.



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	-	RD	RD	-
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



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

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BYBLOS BANK GROUP

LEBANON

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

IRAQ

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

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

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

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

ARMENIA

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

NIGERIA

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

BELGIUM

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

UNITED KINGDOM

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

FRANCE

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

ADIR INSURANCE

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