

LEBANON THIS WEEK

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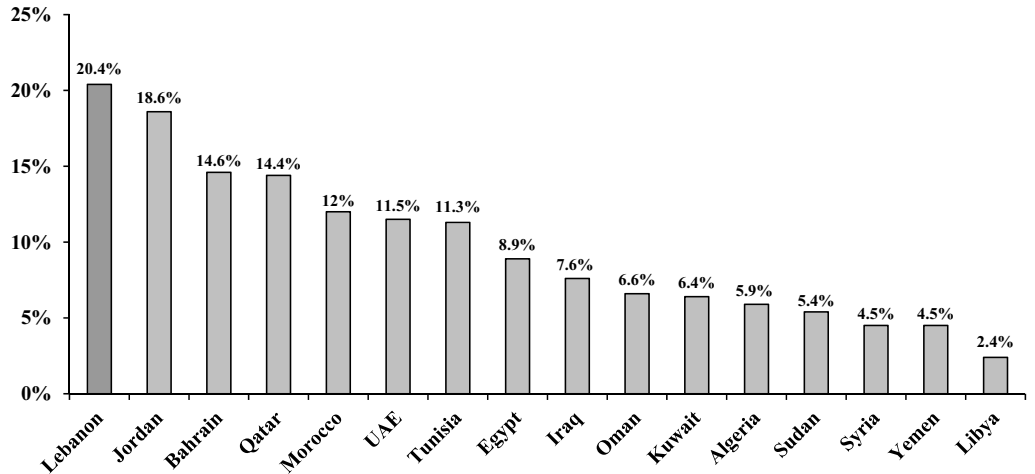
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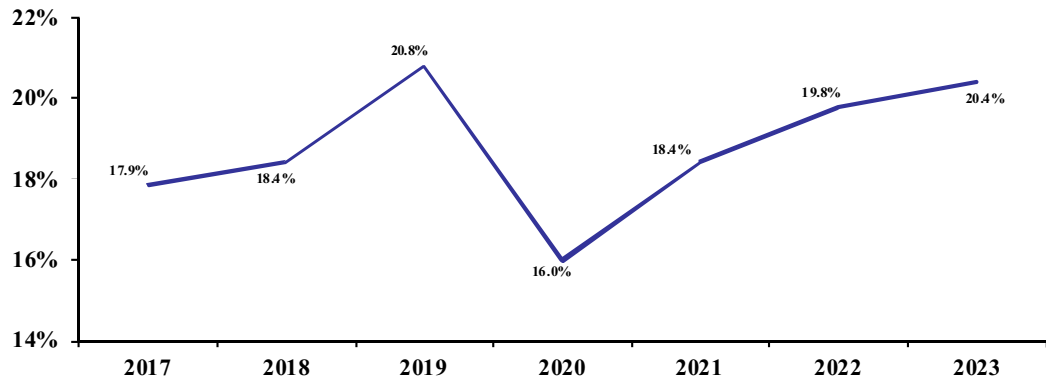
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Charts of the Week

Jobs in the Tourism and Travel Industry in Select Arab Countries in 2023
 (% of total jobs)



Jobs in the Tourism and Travel Industry in Lebanon
 (% of total jobs)



Source: World Travel & Tourism Council, Byblos Bank

Quote to Note

"The profile of the next President and his reforms credentials, or lack thereof, would be key to monitor."

Bank of America, on the importance for the Lebanese Parliament to elect a reforms-minded President

Number of the Week

\$11.88bn: Aggregate amount of transactions on Banque du Liban's Sayrafa electronic exchange platform in the first seven months of 2023

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 GDR	1.40	0.0	135,000	0.9%	Apr 2024	6.65	7.63	1,178.32
BLOM Listed	3.00	4.2	52,500	3.5%	Jun 2025	6.25	7.63	207.91
Solidere "A"	79.40	(2.9)	42,969	42.7%	Nov 2026	6.60	7.63	96.66
Solidere "B"	79.10	(1.1)	13,823	27.6%	Mar 2027	6.85	7.63	86.34
Audi Listed	2.18	9.0	5,000	6.9%	Nov 2028	6.65	7.63	56.19
Byblos Common	0.75	(9.6)	1,500	2.3%	Feb 2030	6.65	7.63	43.71
HOLCIM	58.60	0.9	16	6.1%	Apr 2031	7.00	7.63	36.55
BLOM GDR	2.40	0.0	-	1.0%	May 2033	8.20	7.63	28.26
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	7.63	22.26
Byblos Pref. 09	29.99	0.0	-	0.3%	Mar 2037	7.25	7.63	19.87

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

Source: Refinitiv

	Aug 14-18	Aug 7-11	% Change	July 2023	July 2022	% Change
Total shares traded	250,858	514,583	(51.3)	751,237	1,320,045	(43.1)
Total value traded	\$4,869,311	\$15,002,756	(67.5)	\$26,960,284	\$50,138,832	(46.2)
Market capitalization	\$18.61bn	\$18.80bn	(1.0)	\$18.40bn	\$14.21bn	29.5

Source: Beirut Stock Exchange (BSE)



Political deadlock continues to delay reforms

Goldman Sachs considered that Lebanon's path to economic recovery requires progress on a number of issues, starting with the election of a President, the formation of a new Cabinet, and the subsequent agreement of all political factions on a reforms agenda in line with the recommendations of the International Monetary Fund (IMF). It added that these steps would clear the path for an IMF-supported program and would unlock concessional lending and grants from Lebanon's partners, including from multilateral agencies, the Gulf Cooperation Council countries and Europe, as well as lead to the resolution of the previous government's default on the sovereign Eurobonds. However, it did not expect this scenario to materialize in the coming 12 months, as it noted that the political environment has prevented progress on the list of prior actions that are part of the Staff-Level Agreement (SLA) that Lebanon signed with the IMF in April 2022.

In parallel, it indicated that Banque du Liban's (BdL) four Vice Governors proposed last month a plan of action to lift Lebanon out of the ongoing economic crisis. It pointed out that the plan includes the approval of the 2023 Budget by end-August 2023 and of the 2024 Budget by the end of November of this year, the enactment of a Capital Controls Law by end-August 2023, the approval of the Bank Restructuring and Resolution Law to address the losses in the banking system by the end of September of this year, the move to a floating exchange rate managed on an internationally-recognized platform by end-September 2023, as well as Parliament enacting a law that authorizes BdL to lend the government up to \$1.2bn over a six-month period. It said that these measures are in line with the prior actions that the IMF requested from the Lebanese authorities for the approval of the \$3bn Extended Fund Facility as part of the SLA. But it expressed skepticism about progress on many of the prior actions, given their politically sensitive nature, until the election of a President and the formation of a new Cabinet.

Further, Goldman Sachs noted the urgent need to enact a Bank Restructuring and Resolution Law to address the financial losses in the banking system. It said that the losses are estimated at \$65bn to \$70bn, which is equivalent to nearly three times the existing capital of commercial banks and four times Lebanon's GDP. It expected a bail-in by depositors in order to restore the viability of the banking sector, given that the government does not have the appetite to help recapitalize the banks. It added that there is significant disagreement about the distribution of the losses between the government, the banks' shareholders and depositors, and that several proposals for the resolution of this issue have been submitted to Parliament, but that none of them received support across the political spectrum.

In addition, it said that, despite the improvement in regional prospects after the restoration of diplomatic ties between Saudi Arabia and Iran, the political impasse in Lebanon continues to delay already lagging efforts on reforms, and considered that the end of the term of BdL's Governor Riad Salamé is not likely to accelerate the resolution of the economic crisis. It noted that many of the required measures are beyond the authority and domain of BdL. It added that it did not expect authorities to form a functioning government before several months and expressed doubts about the ability of a new Cabinet to push through Parliament the necessary laws to secure an IMF deal.

It indicated that the authorities did not appoint a replacement to Mr. Salamé, given the lack of consensus within the government on a candidate. Still, it considered that the transition of BdL's First Vice Governor to the position of Interim Governor will provide some positive momentum to the management of the foreign exchange market. It expected that BdL's efforts to move towards a "managed float" exchange rate regime will help safeguard its foreign currency reserves and reduce the distortions in the market, given the prevailing multiple exchange rates domestically.

Banque du Liban's foreign currency liquidity at \$8.6bn at end-July 2023

Banque du Liban (BdL) indicated that its foreign currency liquidity stood at \$8.573bn at the end of July 2023, in addition to \$287m that consist of the market value of its portfolio of Lebanese Eurobonds. It noted that the figures exclude BdL's holdings of gold. It added that its obligations in foreign currency totaled \$1.27bn at end-July, which consist of payments that it has to disburse when they are due from its foreign currency liquidity.

The distribution of BdL's foreign currency liquidity shows that term deposits stood at \$3.71bn and accounted for 43.3% of the total, followed by current accounts at \$3.11bn (36.3%), cash in vault at \$1.53bn (17.9%), and international securities at \$218m (2.5%). It noted that the accounts consist of foreign currencies, mostly in US dollars and in Euros, at the exchange rates that prevailed as at July 31, 2023. It added that the nominal value of BdL's Eurobonds portfolio was \$5.21bn as at July 31, 2023.

In parallel, the distribution of BdL's foreign currency obligations shows that loans to Arab parties stood at \$660m and accounted for 52% of the total, followed by public sector deposits in "fresh dollars" at \$275m (21.7%), Special Drawing Rights available for use at \$125m (9.8%), deposits of Arab parties at \$106m (8.4%), letters of credits opened by BdL at \$96m (7.6%), and commercial banks' accounts in "fresh dollars" at \$8m (0.6%). It noted that loans to and deposits of Arab parties consist of long-term obligations that carry interest payments.

In addition, BdL's Central Council reiterated its pledge that it will not use the reserve requirements that commercial banks placed at BdL, except to meet its foreign currency obligations and to disburse BdL's part of the requirements of Basic Circular 158/13335 dated June 8, 2021 about exceptional measures related to the gradual disbursement of deposits in foreign currency from accounts that clients opened prior to October 31, 2019.



S&P affirms sovereign ratings at Selective Default

S&P Global Ratings affirmed Lebanon's long- and short-term foreign currency sovereign credit ratings at 'Selective Default' (SD), which is 12 notches below investment grade. It also affirmed the country's long- and short-term local currency ratings at 'CC' and 'C', respectively, and maintained its 'negative' outlook on the local currency's long-term ratings. It added that it maintained its Transfer and Convertibility assessment on Lebanon at 'CC'.

It indicated that the foreign currency credit ratings reflect the previous government's decision to default on Lebanon's foreign currency debt obligations, as authorities announced in March 2020 that Lebanon would stop paying its obligations on its sovereign Eurobonds. It added that the local currency ratings reflect the agency's view that the government will likely decide to restructure its Lebanese-pounds denominated debt as part of a broader restructuring program, in order to place the public debt on a sustainable path. It noted that the government stopped coupon payments to Banque Du Liban (BdL) on its Lebanese pound-denominated debt in 2021, but is still making principal payments on the debt. It stated that, given that BdL is a non-commercial creditor, it does not consider the non-payment to be a default under its methodology. It added that the government remains current on principal and interest payments on its local currency debt to commercial creditors.

The agency considered that the authorities' implementation of the prior actions that the International Monetary Fund (IMF) requested for its approval of the 46-month \$3bn Extended Fund Facility (EFF) is essential to kick start Lebanon's economic recovery and to avoid a sovereign default on the country's local currency obligations. It said that, under the Staff-Level Agreement reached with the IMF on April 7, 2022, Lebanon must implement a set of measures as a prerequisite for the IMF board to approve the EFF. However, it indicated that the fragmented political environment and persistent political deadlock have resulted in the authorities' limited progress on the most significant and contentious reforms, as well as on enacting legislation and delaying the appointment of key officials, including the election of a new President and the selection of a permanent governor for BdL.

In addition, it indicated that the restructuring of the banking sector remains difficult due to a lack of consensus among different stakeholders on the nature and size of the financial losses in the sector and the allocation of these losses in the restructuring process. It noted that the audit of BdL's foreign assets and Parliament's enactment of the 2022 budget, which are two of the prior actions, were concluded last year, and pointed out that the IMF considers that the Capital Controls Law and Banking Secrecy Law are likely to require more revisions to effectively support the restructuring of the banking sector. It added that the government devalued the official exchange rate of the national currency from LBP1,507.5 per US dollar to LBP15,000 per dollar effective February 1, 2023, in an attempt to realign the official exchange rate with market levels, but considered that this move falls short of the unification of the multiple exchange rates in the economy that the IMF expects.

In parallel, the agency indicated that it could downgrade Lebanon's local currency ratings in case of a broader debt restructuring program includes haircuts or maturity extensions on the Lebanese pound-denominated debt, and/or if the government misses local currency principal or interest payments to a commercial creditor. But it noted that it could revise the outlook on the local currency ratings to 'stable' or upgrade the ratings in case the restructuring of foreign currency-denominated debt is sufficient to place the public debt stock on a sustainable path, which would reduce the likelihood of a restructuring of the Lebanese pound-denominated commercial debt. Also, it said that it would upgrade Lebanon's long-term foreign currency sovereign issuer credit rating from 'SD' in case the government completes the restructuring of its foreign debt. It noted that the upgrade would reflect Lebanon's post-restructuring creditworthiness, and would take into consideration the resulting debt burden and macroeconomic policy prospects. It added that its post-restructuring ratings tend to be in the 'CCC' or low 'B' categories, depending on the sovereign's new debt structure and its capacity to service its debt.

Syria to reduce transit fees on Lebanese agricultural products

The Ministry of Agriculture & Agrarian Reform of Syria announced on July 25, 2023 that the Syrian government agreed to reduce by 50% the transit fees that it imposes on Lebanese agricultural products that Lebanese producers export through the Syrian territory to Jordan, Iraq, and to Gulf Cooperation Council (GCC) countries.

In September 2018, Syria decided to raise transit fees on Lebanese products, which undermined expectations of improved prospects for Lebanon's farmers and exporters from the potential boost to Lebanese exports to Jordan through Syria, following the reopening on October 15, 2018 of the Jaber-Naseeb border crossing point between Jordan and Syria after nearly three years of closure due to the prevailing conflict in Syria. The closure in April 2015 of the Jaber-Naseeb crossing point on the Syrian-Jordanian border, which was the only remaining open land route at the time for the transport of goods from Lebanon and Syria to Jordan, Iraq and GCC countries, negatively affected Lebanese exports, including agricultural products. The reopening of the Jaber-Naseeb crossing point in October 2018 had a limited impact on agricultural exports, mostly due to the increase by five-fold of the transit tariffs at the crossing point.

Lebanon's total exports reached \$3.5bn in 2022, constituting a decline of 10.2% from \$3.9bn in 2021. Lebanese exports to GCC countries stood at \$1bn in 2022, down by 22.4% from \$1.3bn in 2021. Exports to Iraq reached \$159.6m in 2022, and represented 4.6% of total Lebanese exports last year relative to 3.2% of exports in 2021; while exports to Jordan stood at \$95.7m, and accounted for 2.7% of the total in 2022, up from 2.2% in 2021.

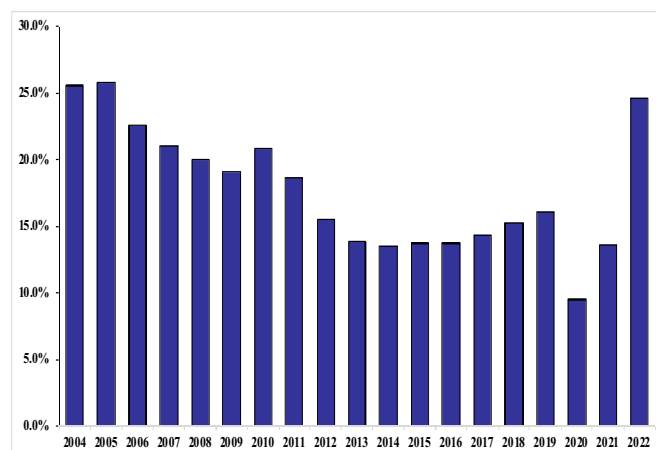


Tourism receipts up 70% to \$5.3bn in 2022

Figures released by Banque du Liban (BdL) show that revenues generated from tourism activity in Lebanon, defined by BdL as "Travel Services", totaled \$5.3bn in 2022, constituting a surge of 69.7% from \$3.1bn in 2021. Tourism revenues reached \$968.7m in the first quarter, \$1.2bn in the second quarter, \$1.7bn in the third quarter, and \$1.4bn in the fourth quarter of 2022. They surged by 112.5% in the first three months of 2022, by 68.8% in the second quarter, by 69% in the third quarter, and by 49.6% in the fourth quarter of the year from the corresponding quarters of 2021. BdL's figures are the only official data on receipts from tourism activity in Lebanon and on tourism spending abroad by Lebanese citizens.

Tourism receipts in Lebanon averaged \$6.2bn in the 2002-2022 period, with receipts in 2022 reaching their sixth lowest level after of \$2.3bn in 2020, \$3.1bn in 2021, \$4.2bn in 2002, \$4.9bn in 2006, and \$5.2bn in 2007. They reached a peak of \$8.6bn in 2019. Tourism receipts were equivalent to 24.7% of GDP in 2022 relative to 13.6% of GDP in 2021.

Tourism Receipts (in % GDP)



Source: Banque du Liban, Central Administration of Statistics, World Bank, Byblos Research

The increase in tourism revenues in the covered period mirrors the recovery in tourism activity, following the gradual lifting of the lockdown and social distancing measures in the country that the authorities imposed to contain the spread of the coronavirus, as well to the relaxation of travel restrictions in the main country sources of visitors to Lebanon. In addition, the rise in tourism expenditures reflects the marketing and promotion campaigns of the Ministry of Tourism, as well as the massive influx of Lebanese expatriates during the summer season and other holiday periods.

In parallel, outbound tourism spending from Lebanon reached \$3.2bn in 2022, constituting a rise of 75.7% from \$1.8bn in 2021. It totaled \$596.5m in the first quarter, \$692.8m in the second quarter, \$1.03bn in the third quarter, and \$866.1m in the fourth quarter of 2022. Also, outbound tourism expenditures surged by 119.3% in the first three months of 2022, by 90% in the second quarter, by 68.2% in the third quarter, and by 53.5% in the fourth quarter of the year from the corresponding quarters of 2021. The increase in outbound tourist spending is due to the improvement in the income and purchasing power of a portion of the Lebanese population, following the adjustment to the impact of the crisis on the economy.

Outbound tourism spending averaged \$3.94bn during the 2002-2022 period, with expenditures in 2022 reaching their ninth lowest level after \$1.67bn in 2020, \$1.8bn in 2021, \$2.7bn in 2002, \$2.9bn in 2005, \$2.94bn in 2003, \$3bn in 2006, \$3.1bn in 2007, and \$3.2bn in 2004. They reached a peak of \$6.33bn in 2019. Outbound tourism expenditures were equivalent to 14.8% of GDP last year compared to 7.8% of GDP in 2021.

As such, net tourism receipts totaled \$2.13bn in 2022 and increased by 61.4% from \$1.3bn in 2021. They reached \$372.2m in the first quarter, \$503.2m in the second quarter, \$691.6m in the third quarter and \$555.6m in the fourth quarter of 2023. Also, net tourism receipts surged by 102.4% in the first quarter, 46.2% in the second quarter, 70.5% in the third quarter and 44% in the fourth quarter from the corresponding quarters of 2021.

Net tourism receipts averaged \$2.2bn in the 2002-22 period, with net tourism receipts in 2022 reaching their 12th lowest level after \$682.2m in 2020, \$1.3bn in 2021, \$1.5bn in 2014, \$1.6bn in 2002, \$1.9bn in 2006, \$2bn in 2016, \$2.02bn in 2017, \$2.1bn in 2007 and 2013, \$2.11bn in 2015, and \$2.14bn in 2018. They reached a peak of \$3.43bn in 2003. They were equivalent to 9.9% of GDP in 2022, relative to 5.7% of GDP in 2021.

Offshore drilling rig arrives in Block 9

TotalEnergies EP Block 9 (TotalEnergies), which is the operator of the consortium that won bids for the exploration of oil and gas in Block 9 of Lebanon's territorial waters, announced on August 16, 2023 the arrival of the drilling rig Transocean Barents to Block 9 at about 120 kilometers off the coast of Beirut. It also said that the first helicopter, which was contracted by TotalEnergies and operated by the Qatar-based Gulf Helicopters, arrived at the Beirut-Rafic Hariri International Airport and will transport teams to and from the drilling rig. It added that it expects to begin drilling and exploration for gas in Block 9 towards the end of August 2023.

Last April, TotalEnergies announced that it has signed a contract with the offshore drilling firm Transocean Ltd. to lease the rig from the company. Transocean Barents is a self-propelled platform that has been operating in the North Sea. The agreement with Transocean Ltd. includes 67 days of operations, the cost of sailing the rig to the drilling site in Block 9, as well as the cost of the rig's return to the North Sea.

In parallel, TotalEnergies EP Liban sal announced on January 29, 2023 that it will start offshore drilling in Block 9 of Lebanon's territorial waters in the third quarter of this year, following the U.S.-brokered maritime agreement to delineate the maritime border between Lebanon and Israel that was sealed last October. It also said that it has placed pre-orders with suppliers for the equipment it needs to begin the exploration of oil and gas, and pointed out that it will finalize the environmental studies' phase of the project by the end of June 2023. Earlier this year, the specialized French company Créocéan conducted an Environmental Baseline Survey (EBS) in Block 9 as part of the Environmental Impact Assessment ahead of the planned offshore activities. The EBS aims to confirm the acceptability of the gas exploration project and will identify mitigation measures according to the sensitivity of the environment. Further, the company announced that it is seeking expressions of interest for potential participation in the upcoming calls for tender covering logistics services to conduct petroleum activities in Block 9, such as Logistics Base Services, Marine Gas Oil Supply, Vessel Support Services, and Helicopter Services.

The Right Holders in Block 9 are the operator TotalEnergies EP Block 9 that holds a 35% stake, as well as the non-operators Eni Lebanon BV that has a 35% interest and QatarEnergy International Investments (2) LLC that holds a share of 30%.

In parallel, TotalEnergies EP Liban, which holds the rights to explore for oil and gas in Bloc 4 of Lebanon's territorial waters, announced in April 2020 that the results of the drilling of Lebanon's first exploration well of oil and gas in Block 4 were "negative". It indicated that it found evidence of traces of gas in the well, which confirms the presence of a hydrocarbon system in Lebanon's territorial waters. However, it said that it did not find reservoirs in the Tamar formation, which was the main target of the exploration well that is located 30 kilometers offshore of Beirut. It pointed out that despite the "negative" results, the exploration has provided valuable information that will be incorporated in future complementary studies about the exploration potential of Lebanon's offshore Exclusive Economic Zone.

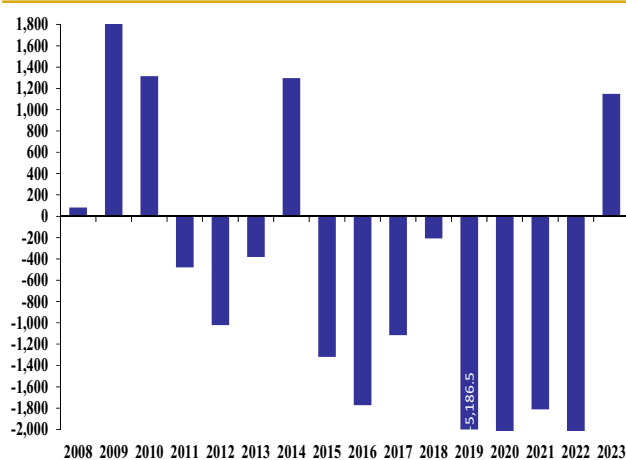
Net foreign assets of financial sector up \$1.14bn in first half of 2023

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 \$1.14bn in the first half of 2023, compared to decreases of \$2.58bn in the same period of 2022 and of \$1.8bn in the first half of 2021.

The cumulative surplus in the first half of 2023 was caused by an increase of \$2.07bn in the net foreign assets of banks and financial institutions, which was partly offset by a drop of \$934.2m in those of BdL. Further, the net foreign assets of the financial sector declined by \$88.2m in June 2023 compared to decreases of \$5.6m in May 2023 and of \$474.1m in June 2022. The June decrease was caused by a decline of \$156m in the net foreign assets of BdL, which was partly offset by an increase of \$67.8m in those of banks and financial institutions.

The cumulative increase in the banks' net foreign assets is mostly due to a decline in their foreign liabilities. The decrease in foreign liabilities was driven mainly by the contraction in liabilities to the non-resident financial sector and in non-resident customer deposits. In parallel, the decline in BdL's net foreign assets was due in part to the financing of the imports of 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.

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



*in first half of each year

Source: Banque du Liban, Byblos Research

Telecommunications Ministry increases tariffs for fixed telephone and Internet services by seven times

The Ministry of Telecommunications announced that it has increased the tariffs for fixed telephone and Internet services that state-owned telecommunications services provider Ogero offers. It indicated that the new monthly rates will be seven times higher than the previous tariffs for landline calls and Internet services that Ogero provides, and the cost of the access package to the services will range between LBP420,000 and LBP7 million per month. It added that the new rates will come into effect on September 1, 2023.

It said that it priced the monthly fixed Internet packages it provides as follows: LBP420,000 for 80 Gigabits (GB) of bandwidth, LBP630,000 for a 100 GB package, LBP1 million for 160 GB of bandwidth, LBP1.25 million for a 200 GB package, LBP1.75 million for 300 GB of bandwidth, LBP2.1 million for a 400 GB package, LBP 2.45 million for 500 GB of bandwidth, LBP2.8 million for a 800 GB package, LBP3.5 million for 1,000 GB of bandwidth, LBP5.25 million for a 1,500 GB package, LBP6.3 million for 2,000 GB of bandwidth, as well as LBP1.75 million for a 300 GB HDSL package.

Also, it noted that it modified the monthly unlimited Internet packages as follows: LBP2.25 million for an unlimited package of up to 50 MB, LBP1.25 million for an unlimited package up to 6 MB, LBP1.75 million for an unlimited package up to 8 MB; while unlimited fixed-speed packages (Nx2Mbps) and unlimited fixed-speed package (Nx2Mbps Premium) will be priced at LBP4 million and LBP7 million, respectively, per month. It added that it raised the rate for landline calls by seven times to LBP 200,000, which is a flat rate for 1,000 minutes of phone calls.

The ministry noted that the exchange rate that it adopted for Ogero's new tariffs will now be close to LBP25,500 per US dollar, compared to the rate of LBP3,750 per dollar that has been in usage for nearly a year. It claimed that it adjusted the prices based on Ogero's costs, and considered that the new tariffs will be 25% to 27% lower than their pre-crisis levels, when the former exchange rate of LBP1507.5 per US dollar was in place. It added that it will not modify the tariffs on mobile phone, which have been fluctuating since July 1, 2022 based on the exchange rate of the US dollar on Banque du Liban's Sayrafa electronic exchange platform.

According to statistics provided by Ogero, 60% of the supplier's 280,000 subscribers are signed up to basic Internet packages of 80 GB and 100 GB that it will price at LL420,000 and LL630,000, respectively under the new tariffs; while only 12 customers are currently subscribed to the more expensive Internet packages of 1,500 GB and 2,000 GB, which it will price at LBP5.3 million and LBP6.3 million, respectively.

United Nations disburses \$28m for educational assistance in first quarter of 2023

The United Nations indicated that international contributions for the education segment of the Lebanon Crisis Response Plan (LCRP) reached \$28m in the first quarter of 2023 compared to \$85.8m in the same quarter of 2022. They represented 8% of the \$362.7m 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 \$78.8m were carried over from funding received in 2022, which is equivalent to 22% of the total appealed funds. As such, it said that international contributions covered 30% of the funds appealed in the first quarter of 2023, resulting in a funding gap of 70% in the covered quarter.

Also, it pointed out that it distributed the education assistance to 525,490 individuals across Lebanon in the first quarter of 2023 who consist of 262,468 vulnerable Lebanese citizens, or 49.9% of the total, followed by 223,040 displaced Syrians (42.4%), 35,395 Palestinian refugees in Lebanon (6.7%), and 4,587 Palestinian refugees from Syria (0.9%).

In parallel, the UN said that international contributions for the shelter segment of the LCRP reached \$5.6m in the first quarter of 2023 compared to \$8.1m in the same quarter of 2022. They represented 5% of the \$115m 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 \$0.2m were carried over from funding received in 2022, which is equivalent to 0.2% of the total appealed funds. As such, it indicated that international contributions covered 5.2% of the funds appealed in the first quarter of 2023, resulting in a funding gap of 94.8% in the covered quarter.

It pointed out that it supported 17,528 vulnerable Lebanese under the shelter sector, including cash-for-rent and shelter upgrades across Lebanon in the first quarter of 2023 who consist of 14,885 displaced Syrians, or 84.9% of the total, followed by 2,308 vulnerable Lebanese citizens (13.2%), 327 Palestinian refugees in Lebanon (1.9%), and eight Palestinian refugees from Syria (0.05%). It added that it helped provide minor repairs to the shelters of 887 vulnerable individuals.

Consumer Price Index up 252% year-on-year in July 2023

The Central Administration of Statistics' Consumer Price Index increased by 233.6% in the first seven months of 2023 from the same period of 2022. In comparison, it grew by 205% and by 128.2% in the first seven months of 2022 and 2021, respectively.

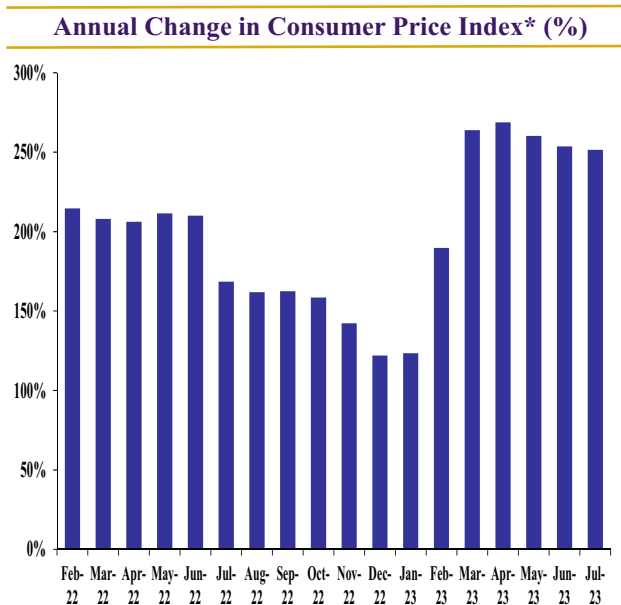
The CPI rose by 251.5% in July 2023 from the same month of 2022, and registered its 37th consecutive triple-digit increase since July 2020. The cumulative surge in the inflation rate is due in part to the repeated increase in customs tariffs, to the rise of telecommunications rates and electricity tariffs, and to the inability of authorities to monitor and contain retail prices. It is also due to the fluctuation of the Lebanese pound's exchange rate on the parallel market and to the lifting of subsidies on hydrocarbons and on a range of basic products in 2021 and 2022, which have encouraged opportunistic wholesalers and retailers to raise the prices of consumer goods disproportionately. In addition, the smuggling of subsidized imported goods has resulted in shortages of these products locally, which contributed to the rise in prices.

Communication costs surged by 5.8 times in July 2023 from the same month of 2022, followed by the cost of alcoholic beverages & tobacco (+4.8 times), imputed rent (4.2 times), rates at restaurants & hotels (+4 times), the prices of food & non-alcoholic beverages (+3.8 times), the prices of furnishings & household equipment, and clothing & footwear (+3.7 times each), healthcare costs (+3.6 times), transportation cost (+3.2 times), the prices of miscellaneous goods & services, and actual rent (+3 times). In addition, the cost of education rose by 192% year-on-year in July 2023, followed by the cost of recreation & entertainment (+167.7%), and the prices of water, electricity, gas & other fuels (+161.2%). Also, the distribution of actual rent shows that new rent surged by 399% and old rent increased by 50.6% in July from the same month of 2022.

In parallel, the CPI increased by 6.8% in July 2023 from the previous month, compared to a month-on-month rise of 7.2% in June 2023 and to a surge of 5.3% in May 2023.

Healthcare costs surged by 44.4% in July 2023 from June 2023, followed by imputed rent (+11.7%), actual rent (+8%), the prices of miscellaneous goods & services (+6%), the prices of food & non-alcoholic beverages (+5.5%), the prices of water, electricity, gas and other fuels (+5%), transportation costs (2%), rates at restaurants & hotels (+1.8%), the prices of alcoholic beverages & tobacco (+0.6%), the prices of clothing & footwear (+0.4%), and the cost of recreation & entertainment and the prices of furnishings & household equipment (+0.2% each). In contrast, communication costs regressed by 0.9% month-on-month in July 2023, while the cost of education was unchanged. Also, the distribution of actual rent shows that new rent grew by 12.2% and old rent expanded by 2.6% in July 2023 from the previous month.

Further, the CPI increased by 7.5% in Mount Lebanon, by 7.1% in the Bekaa, by 6.8% in the North, by 6.4% in Beirut and in the South, and by 1.5% in the Nabatieh area during July 2023 from the previous month. In parallel, the Fuel Price Index increased by 0.4% and the Education Price Index was unchanged in July 2023.



*from the same month of the previous year
Source: Central Administration of Statistics, Byblos Research

Private sector deposits at \$97.4bn at end-June 2023 based on new exchange rate

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at LBP1,746.5 trillion (tn), or the equivalent of \$116.4bn at the end of June 2023, constituting an increase of 1.1% from LBP1,728.2tn (\$115.2bn) at end-May 2023. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar of LBP1,507.5 per dollar until the end of January 2023 and of LBP15,000 per dollar starting in February 2023.

Loans extended to the private sector totaled LBP139.6tn at the end of June 2023, constituting a decrease of 2.3% from LBP142.9tn at end-May 2023. Loans to the resident private sector reached LBP122.9tn at end-June 2023 and contracted by 2.7% from LBP126.3bn a month earlier, while credit to the non-resident private sector amounted to LBP16.64tn at the end of June 2023 and grew by 0.5% from LBP16.55tn at end-May 2023. Loans extended to the private sector in Lebanese pounds reached LBP14tn at the end of June 2023, constituting decreases of 3.4% from LBP14.5tn at end-May 2023, of 6% from end-2022, and of 15.7% from end-June 2022; while loans in foreign currency totaled \$8.37bn at the end of June 2023 and contracted by 2.2% from the previous month, by 17.7% in the first half of the year, and by 35.4% from end-June 2022.

In nominal terms, credit to the private sector in Lebanese pounds decreased by LBP891.5bn in the first half of 2023 compared to a decline of LBP1.66tn in the same period of 2022, while lending to the private sector in foreign currency dropped by \$1.8bn in the first half of 2023 relative to a contraction of \$2.6bn in the same period of 2022. Further, loans extended to the private sector in Lebanese pounds shrank by LBP13.55tn (-49.2%) and loans denominated in foreign currency decreased by \$32.7bn (-79.6%) since the start of 2019. The dollarization rate of private sector loans changed from 54% at end-June 2022 to 90% at the end of June 2023 due to the new exchange rate of LBP15,000 per dollar that went into effect on February 1, 2023. The average lending rate in Lebanese pounds was 4.24% in June 2023 compared to 5.36% a year earlier, while the same rate in US dollars was 2.02% relative to 5.28% in June 2022.

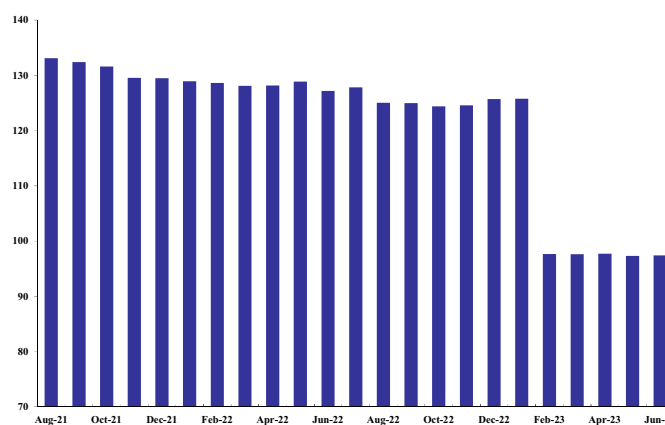
In addition, claims on non-resident financial institutions reached \$4.37bn at the end of June 2023, constituting increases of \$148.1m (+3.5%) from end-May 2022, of \$171.4m (+4.1%) from end-2022, and of \$500.7m (+13%) from a year earlier. Also, claims on non-resident financial institutions dropped by \$4.76bn (-52.1%) from the end of August 2019 and by \$7.6bn (-63.5%) since the start of 2019. Further, deposits at foreign central banks totaled \$872.2m at the end of June, constituting a decrease of \$23.2m (-2.6%) from end-May 2023, an increase of \$67.7m (+8.4%) in the first half of 2023, and a decline of \$331.9m (-27.6%) from end-June 2022. In addition, the banks' claims on the public sector reached LBP54tn at end-June 2023 based on the new exchange rate, up from LBP53.9tn at end-May 2023. The banks' holdings of Lebanese Treasury bills stood at LBP11.6tn, while their holdings of Lebanese Eurobonds reached \$2.78bn at end-June 2023 relative to \$4bn a year earlier. Further, the deposits of commercial banks at Banque du Liban amounted to LBP1,278.6tn (\$85.2bn) at the end of June 2023, representing a rise of 0.7% from LBP1,270.25tn (\$84.7bn) at end-May 2023.

In parallel, private sector deposits totaled LBP1,461tn at the end of June 2023, or \$97.4bn based on the new exchange rate, nearly unchanged from LBP1,459.6tn the end of May 2023. Deposits in Lebanese pounds reached LBP67.6tn at end-June 2023, as they increased by 9.6% from the previous month, by 49% from the end of 2022, and by 57.4% from a year earlier; while deposits in foreign currency stood at \$92.9bn and regressed by 0.3% from end-May 2023, by 3% in the first half of the year, and by 6% from the end of June 2022. Resident deposits accounted for 77.9% and non-resident deposits represented 22.1% of total deposits at end-June 2023.

In nominal terms, private sector deposits in Lebanese pounds increased by LBP5.9tn from end-May 2023 and by LBP22.2tn in the first half of the year, while foreign currency deposits regressed by \$303.3m from end-May 2023 and by \$2.7bn from end-2022. In addition, private sector deposits dropped by \$15.4bn in 2019, by \$19.7bn in 2020, by \$9.7bn in 2021, and by \$3.75bn in 2022, including a decrease of \$13.7bn between September and December 2019. Further, aggregate private sector deposits in Lebanese pounds shrank by LBP9.6tn (-12.5%) and foreign currency deposits declined by \$30.2bn (-24.5%) since the start of 2019. The dollarization rate of private sector deposits changed from 77.6% at end-June 2022 and 76.1% at the end of 2022 to 95.4% at end-June 2023 due to the effects of the new exchange rate on the Lebanese pound component of the balance sheet.

In addition, the liabilities of non-resident financial institutions reached \$3.3bn at the end of June 2023 and increased by 0.7% from \$3.26bn at end-May 2023, while they decreased by 24.8% from \$4.37bn at end 2022 and by 26% from \$4.4bn at the end of June 2022. Also, the average deposit rate in Lebanese pounds was 0.67% in June 2023 compared to 0.74% a year earlier, while the same rate in US dollars was 0.05% relative to 0.09% in June 2022. Further, the banks' aggregate capital base stood at LBP102.3tn (\$6.8bn) at the end of June 2023, up by LBP23.9tn from LBP78.4tn at end-May 2023.

Private Sector Deposits (US\$bn)



Source: Banque du Liban, Byblos Research

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



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