750 ISSUES+
Issue 791 | October 9-14, 2023

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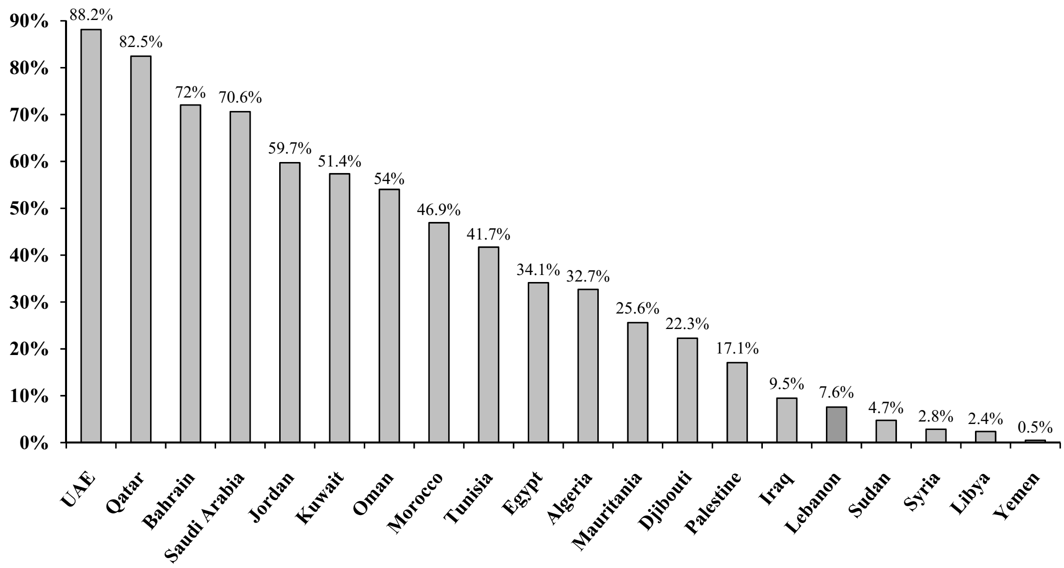
LEBANON THIS WEEK

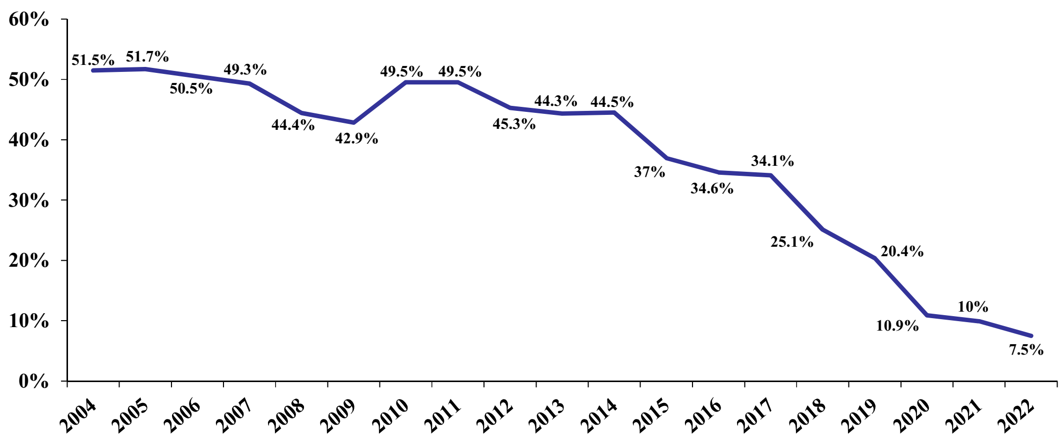
In This Issue

Charts of the Week

Percentile Rank of Arab Countries on the Government Effectiveness Indicator in 2022 (%)



Percentile Rank of Lebanon on the Government Effectiveness Indicator (%)



Source: World Bank Governance Indicators for 2022, Byblos Bank

Quote to Note

"Prospects for debt restructuring in the short term are dim."

Fitch Ratings, on the fact that negotiations with Eurobond holders on the restructuring of the external debt have yet to begin, 3.5 years after the previous government's decision to default on its foreign obligations

Number of the Week

LBP149,000bn: Public sector deposits at Banque du Liban at end-September 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
Solidere "B"	76.60	(0.6)	116,823	27.3%
Solidere "A"	75.05	(2.5)	61,972	41.1%
BLOM GDR	2.49	(0.4)	60,000	1.0%
Byblos Common	0.80	5.3	5,000	2.5%
BLOM Listed	3.20	0.0	4,000	3.8%
Audi GDR	1.36	17.2	1,000	0.9%
HOLCIM	66.00	0.0	5	7.1%
Byblos Pref. 08	27.00	0.0	-	0.3%
Byblos Pref. 09	29.99	0.0	-	0.3%
Audi Listed	2.20	0.0	-	7.1%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Apr 2024	6.65	6.63	2,605.33
Jun 2025	6.25	6.63	254.62
Nov 2026	6.60	6.63	109.37
Mar 2027	6.85	6.63	96.96
Nov 2028	6.65	6.63	61.74
Feb 2030	6.65	6.63	47.59
Apr 2031	7.00	6.63	39.59
May 2033	8.20	6.63	30.43
Nov 2035	7.05	6.63	23.86
Mar 2037	7.25	6.63	21.26

Source: Refinitiv

	Oct 9-13	Oct 2-6	% Change	September 2023	September 2022	% Change
Total shares traded	251,906	249,633	0.9	1,102,733	4,715,731	(76.6)
Total value traded	$13,446,256	$15,271,333	(12.0)	$75,415,078	$34,022,646	121.7
Market capitalization	$18.24bn	$18.43bn	(1.0)	$18.26bn	$12.81bn	42.6

Source: Beirut Stock Exchange (BSE)

IMF estimates size of economy at $21.8bn in 2022, fiscal deficit at 5% of GDP

The International Monetary Fund estimated Lebanon's real GDP growth rate at zero percent in 2022 relative to a contraction of 10% in 2021, to a decline of 25.9% in 2020, and to an average growth rate of 2.8% in the 2000-19 period. In comparison, it calculated the real GDP growth in the Arab world at 6% in 2022, in the Middle East & North Africa (MENA) region at 5.6%, in the region's oil-importing economies at 4.5%, in emerging & developing economies at 4.1%, and in the global economy at 3.5% last year. Lebanon was the only country with no growth in the MENA region last year. Further, the IMF calculated Lebanon's nominal GDP at $21.8bn in 2022 compared to $20.5bn in 2021 and to $24.5bn in 2020; Lebanon's GDP per capita at $3,283.4 in 2022 relative to $3,044.8 in 2021 and to $3,588.7 in 2020. In parallel, it estimated the average inflation rate in the country at 171.2% in 2022, compared to average inflation rates of 8.9% in the Arab world, of 14.4% in the MENA region, and of 17.9% in the region's oil-importers last year. According to the IMF, Lebanon's estimated average inflation rate was the third highest globally in 2022, after Zimbabwe (+193.4%) and Venezuela (+186.5%). The IMF indicated that it did not provide any projections for Lebanon's economic indicators for the 2023-24 period due to an unusually high degree of uncertainty in the country.

Further, according to the IMF, Lebanon's fiscal balance shifted from a surplus of 0.6% of GDP in 2021 to a deficit of 4.9% of GDP in 2022, relative to a deficit of 3.5% of GDP in 2020. In comparison, the fiscal balance posted surpluses of 3.7% of GDP in the Arab world and of 3% of GDP in the MENA region, and a deficit of 5.3% of GDP in the region's oil-importing economies last year. Also, it estimated the public debt level in Lebanon to have regressed from 350% of GDP at the end of 2021 to 283.2% of GDP at the end of 2022. In addition, it estimated the exports of goods and services from Lebanon at $12.6bn in 2022 and the imports of goods and services to Lebanon at $24.1bn last year, compared to exports of $10.3bn and imports of $17.6bn in 2021. Also, it estimated that the current account deficit widened from 17.3% of GDP in 2021 to 28.8% of GDP in 2022, relative to surpluses of 10.8% of GDP for the Arab world, of 10.2% for the MENA region, and to a deficit of 6% for oil-importing economies, last year. Moreover, it noted that Lebanon's official foreign currency reserves stood at $10.6bn at the end of 2022, which covered 5.2 months of imports, relative to $13.6bn or 6.8 months of imports at the end of 2021, excluding gold and encumbered assets.

In parallel, the IMF indicated that it signed with Lebanon a staff-level agreement (SLA) on April 7, 2022, almost one year and a half ago. It considered that the SLA included three prior actions that are needed not only for the broader reforms program, but for the emergency of the situation and the stabilization of the Lebanese economy and financial system. It said the three measures are to enact a capital controls law as a prerequisite to overhaul the financial sector; to enact the banking resolution framework law, which is also necessary before the overall reforms package; and voting the budgets for 2022 and 2023. It noted that these were the minimum requirements that Lebanon had to implement in order to start reforming the system, especially that the situation deteriorated since the outbreak of the crisis in 2019. It added that Lebanon needed to implement these measures with or without the SLA with the IMF program, in order for the country to start addressing the economic and financial imbalances, triple digit inflation rates, and an economy that was shrinking in the last few years.

Telecommunications Ministry launches campaign to end illegal Internet

The Ministry of Telecommunications launched a campaign to organize the illegal Internet network in Lebanon. It said that it aims to regulate the illicit operations of Internet service providers (ISPs) in the country, which are causing substantial losses to the public Treasury, given that 60% of Internet users rely on illegal Internet services.

The ministry indicated that it started implementing its plan at the start of October 2023 within the framework of Decree 9458 that the Council of Ministers issued. It estimated that about 600,000 persons currently subscribe to illegal ISPs in Lebanon, and stressed that the ministry will not disconnect the cables of illegal ISPs and leave subscribers without Internet service. It pointed out that the plan aims to regulate and organize the network of illegal providers, which will connect the "neighborhood providers" to the official national network. It added that, once it achieves this step, the regional monopolies will cease to exist and subscribers will be able to select the distributor that will provide them with the service of their choice at adequate rates. It said the plan aims to identify the illegal ISPs in order to differentiate them from the legal providers, and then will connect the networks of unlicensed companies to the national network. It noted that the plan allows those who established illegal ISPs to sign a contract with the ministry for the maintenance of the network once its ownership reverts back to the Lebanese State. It noted that it allowed the illegal ISPs to continue to function by buying Internet for a three-year period directly from the ministry via Ogero, the State provider of Internet and telephony services. It noted that the contract with "neighborhood providers" stipulates that the network will be transferred to the State and that the providers will be in charge of the maintenance of the networks. It added that the illegal distributors will have to submit to the ministry the details of their distribution networks in order to be linked to the national network.

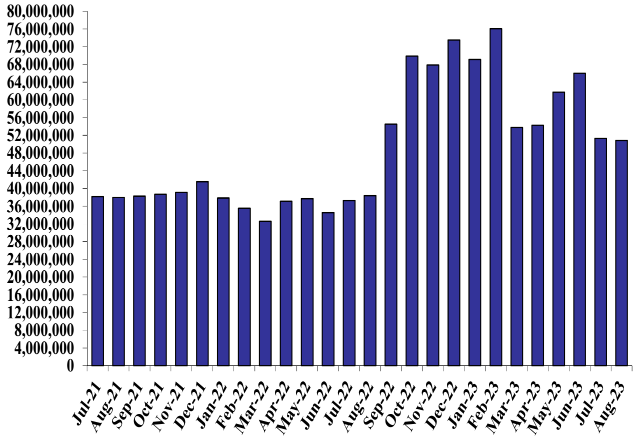
In parallel, the ministry noted that, once the network falls under its control, the Justice Ministry will take over the case, as it does not have the authority to decide if the illegal ISPs have to be penalized or compensated. It added that these Internet distribution networks have been established without license and in breach of the rules, but that they have been recovered by the Lebanese State via the ministry.

Further, it pointed out that it started to implement the plan in the regions of Ashrafieh and Ras Beirut, as the government's network is already in place in 90% of these areas. It said that it took control of the illegal network in these areas and asked the owners of the ISPs to submit to the Telecommunications Ministry the necessary documents and to abide by the ministry's rules and regulations. It added that subscribers to illegal Internet services must apply to the state provider Ogero, or to one of the 107 suppliers that are duly authorized by the ministry, or to the two mobile telephone operators, or to the illegal ISPs, in order to avoid any service interruption. It indicated that licensed firms buy Internet from Ogero and resell it to individuals or to businesses, but that illegal ones buy the Internet services from

Currency in circulation down 31% in first eight months of 2023

Figures released by Banque du Liban show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP83,910.8bn at the end of August 2023, constituting a decrease of 15% from LBP98,780.4bn at the end of 2022 and an increase of 45.7% from LBP58,782.7bn at end-August 2022. Currency in circulation stood at LBP50,800.3bn at the end of August 2023, as it decreased by 31% from LBP73,514bn at end-2022 and grew by 32.4% from LBP38,367.1bn at end-August 2022. Also, demand deposits in local currency stood at LBP33,110.5bn at the end of August 2023, as it surged by 31% from the end of 2022 and by 62.2% from end-August 2022. Money supply M1 declined by 6% in August from LBP89,337.8bn at end-July 2023, with currency in circulation decreasing by 1% and demand deposits in local currency declining by 13% month-on-month.

Currency in Circulation (LBP millions)



Source: Banque du Liban, Byblos Research

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP99,552bn at the end of August 2023, constituting a decrease of 14.6% from LBP116,582.5bn at the end of 2022 and a rise of 29.8% from LBP76,680.6bn a year earlier. Term deposits in Lebanese pounds totaled LBP15,641.1bn at the end of August 2023, and declined by 12% from LBP17,802.2bn at end-2022 and by 12.6% from LBP17,897.8bn at end-August 2022. Money supply M2 declined by 5.4% in August from LBP105,203.3bn at end-July 2023, while term deposits in local currency regressed by 1.4% month-on-month.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP1,175.7 trillion (tn) at the end of August 2023, with deposits in foreign currency totaling LBP1,072.2tn and debt securities of the banking sector amounting to LBP3,923.5bn at end-August 2023. Also, money supply M3 regressed by 1% from LBP1,186.4tn at the end of July 2023, with deposits in foreign currency regressing by 0.5% and debt securities issued by the banking sector rising by 0.4% month-on-month. In parallel, M3 surged by LBP946,079.3bn in the first eight months of 2023 due to a jump of LBP803,806.3bn in net claims on the public sector, a rise of LBP198,212.5bn in the net foreign assets of deposit-taking institutions, and an increase of LBP100,532.5bn in the claims on the private sector, which were offset in part by a decline of LBP156,472bn in other items.

Opened letters of credit at LBP1,190.5bn for imports and LBP251.6bn for exports in first half of 2023

Figures released by Banque du Liban show that the amount of letters of credit (LCs) opened to finance imports to Lebanon totaled LBP1,190.5bn in the first half of 2023, or the equivalent of $98.8m, compared to LBP223.5bn ($148.3m) in the same quarter of 2022. Opened LCs for imports stood at LBP529.2bn ($54.7m) in the first quarter and at LBP661.3bn ($44.1bn) in the second quarter of 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 staring in February 2023.

Further, utilized credits for imports reached LBP1,206.6bn ($93m) in the covered period, and increased from LBP164.4bn ($109.1m) in the first half of 2022. They were equivalent to 101.4% of opened LCs for imports in the covered period. Also, outstanding import credits stood at LBP4,987bn ($396m) at the end of June 2023 compared to LBP506.4bn ($335.9m) at end-June 2022. In addition, the aggregate amount of inward bills for collection reached LBP1,233.4bn ($100.8m) in the first half of 2023 relative to LBP157.6bn ($104.5m) in the same period of 2022. The outstanding amount of inward bills for collection was LBP1,675.6bn ($147m) at the end of June 2023, while it was LBP421.9bn ($279.9m) at end-June 2022.

In parallel, the amount of documentary LCs opened to finance exports from Lebanon totaled LBP251.6bn ($17.4m) in the first half of 2023 compared to LBP57.2bn ($38m) in the same quarter of 2022. Opened LCs for exports stood at LBP60.8bn ($4.7m) in the first quarter and at LBP190.8bn ($12.7m) in the second quarter of 2023.

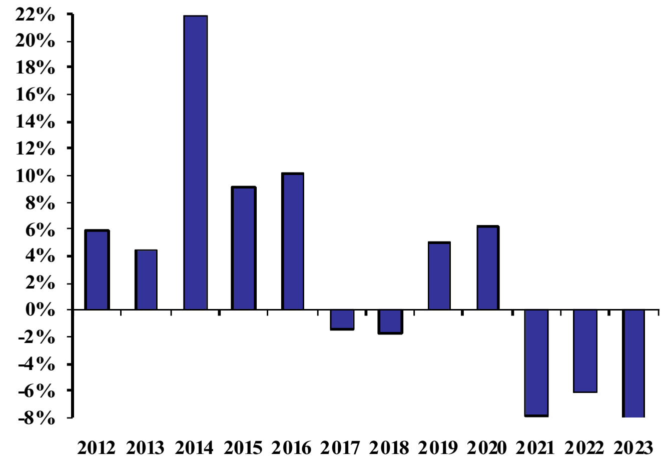
Further, utilized credits for exports reached LBP234.2bn ($23.7m) in the covered period relative to LBP67.7bn ($44.9m) in utilized credits in the first half of 2022. They were equivalent to 93.1% of opened LCs for exports in the covered period. Also, outstanding export credits stood at LBP6,996bn ($551.1m) at the end of June 2023 compared to LBP830.6bn ($551m) a year earlier. In addition, the aggregate amount of outward bills for collection amounted to LBP823.5bn ($61m) in the first half of 2023 relative to LBP142bn ($94.2m) in the same period last year. The outstanding amount of outward bills for collection reached LBP10,838.5bn ($870m) at the end of June 2023, while it was LBP1,637.2bn ($1.1bn) at end-June 2022.

Payment cards at 2.21 million at end-March 2023, ATMs total 1,412

Figures released by Banque du Liban show that the number of payment cards issued in Lebanon reached 2,212,235 cards at the end of March 2023, constituting a decline of 166,972 cards (-7%) from 2,379,207 cards at the end of 2022 and a decrease of 373,194 cards (-14.4%) from 2,585,429 at end-March 2022.

Payment cards held by residents accounted for 97.3% of total cards issued in Lebanon at the end of March 2023. The distribution of payment cards by type shows that debit cards with residents reached 1,450,276 and accounted for 65.6% of the total, followed by prepaid cards with residents at 518,528 (23.4%), credit cards with residents at 118,365 (5.4%), charge cards with residents at 64,928 (2.9%), debit cards held by non-residents at 48,891 (2.2%), credit cards with non-residents at 4,992 (0.23%), charge cards held by non-residents at 3,460 (0.2%), and prepaid cards with non-residents at 2,795 (0.1%)

Change in Number of Payment Cards (%)*



**year-on-year change, at end-March of each year*
Source: Banque du Liban, Byblos Research

The number of prepaid cards with non-residents grew by 759 cards (+37.3%) in the first quarter of 2023; while the number of prepaid cards with residents dropped by 95,608 cards (-15.6%), debit cards with residents decreased by 51,410 cards (-3.4%), the number of credit cards with residents declined by 17,408 cards (-12.8%), the number of debit cards held by non-residents regressed by 2,372 cards (-4.6%), credit cards held with non-residents contracted by 424 cards (-7.8%), the number of charge cards with residents dipped by 339 cards (-0.5%), and charge cards with non-residents retreated by 170 cards (-4.7%).

In parallel, the number of prepaid cards with non-residents rose by 1,231 cards (+78.7%) in the 12-months ending March 2023. In contrast, the number of resident debit cards dropped by 210,872 cards (-12.7%) in the covered period, prepaid cards with residents decreased by 77,568 cards (-13%), credit cards with residents contracted by 68,991 cards (-36.8%), non-resident debit cards decreased by 10,112 cards (-17%), resident charge cards shrank by 4,103 cards (-6%), credit cards with non-residents declined by 2,281 cards (-31.4%), and non-resident charge cards retreated by 498 cards (-12.6%). The decline in debit and credit cards held by residents and non-residents since 2020 is due in part to the banks' tighter controls on credit card issuance and renewal.

Further, the aggregate number of points-of-sales (PoS) accepting payment cards reached 40,820 at the end of March 2023, constituting a decrease of 562 (-1.4%) from 41,382 PoS at end-2022 and a drop of 2,654 (-6.1%) from 43,474 PoS at end-March 2022. There were 3.9 PoS per square kilometer (km²) in Lebanon at the end of March 2022 compared to 3.96 PoS per km² at the end of 2022 and to 4.16 PoS per km² at the end of March 2022.

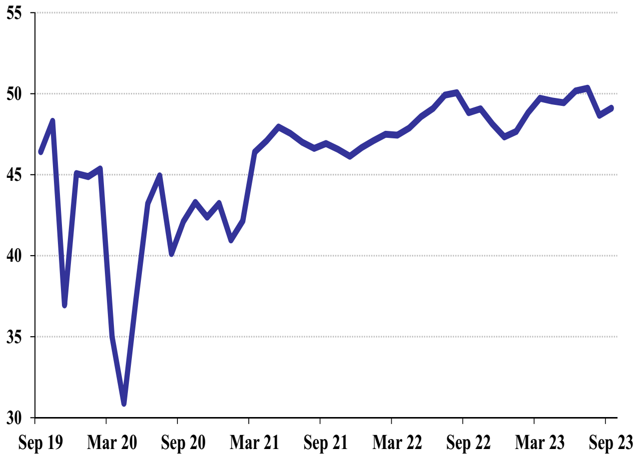
In parallel, there were 1,412 automated teller machines (ATMs) across Lebanon at the end of March 2023, constituting a decline of 103 ATMs in the first quarter of the year and a decrease of 267 ATMs from a year earlier. The Mount Lebanon area had 506 ATMs at the end of March 2023, equivalent to 35.8% of the total, followed by the Greater Beirut area with 488 ATMs (34.6%), the North with 156 ATMs (11%), the Bekaa with 116 ATMs (8.2%), the South region with 115 ATMs (8.1%), and the Nabatieh area with 31 ATMs (2.2%). As such, there were 135 ATMs per 1,000 km² in Lebanon at the end of March 2023 compared to 145 ATMs per 1000 km² at the end of 2022 and to 161 ATMs per 1000 km² at the end of March 2022.

Purchasing Managers' Index improves in September 2023

The BLOM Lebanon Purchasing Managers' Index (PMI), an indicator of operating conditions in Lebanon's private sector, stood at 49.1 in September 2023 relative to 48.7 in August and 48.8 in September 2022, and came higher than the PMI's trend average of 46.5 since the index's inception in May 2013. Further, the PMI averaged 49.3 in the first nine months of 2023 compared to 48.5 in the same period last year. The index has remained below the 50 mark from September 2022 until June 2023. A score that exceeds 50 signals positive business activity, while a score that is lower than 50 shows a deterioration in activity.

The survey's results show that the New Orders Index stood at 47.9 in September 2023 compared to 47.7 in August 2023. The survey's respondents indicated that demand for new business declined in September at a slower rate than in the previous month. In addition, the New Export Orders Index reached 49 in September of this year relative to 48.6 the previous month, which reflects the new business received from non-domestic customers and marked the second consecutive monthly contraction in sales, but at a slower pace, to international clients since March 2023.

BLOM Lebanon Purchasing Managers' Index



Source: BLOM Bank, S&P Global Market Intelligence

Further, the survey indicated that the Output Index stood at 48.4 in September 2023 compared to 47.6 in August 2023. Businesses attributed the drop in output to the financial, economic and political challenges facing the country, but noted that the pace of the decline in the covered month was slower than in August 2023. In addition, the Employment Index reached 50.1 in September 2023 relative to 50 in the preceding month, as the majority of respondents reported that their staffing capacity in the covered month was unchanged. Also, the results show that the Backlogs of Work Index recovered from 49.1 in August 2023 to 50.8 in September 2023 due to a renewed rise in backlogs at private sector companies in Lebanon.

In parallel, the survey indicated that the Suppliers' Delivery Times Index reached 50.1 in September 2023 relative to 50.7 in the previous month, following marginal monthly improvements between June and August 2023. Also, the Stocks of Purchases Index stood at 50.8 in the covered month compared to 50.7 in August 2023, as private-sector companies in Lebanon continued to increase their stocks for the seventh consecutive month this year. But it noted that the rate of accumulation of stocks slowed down from August 2023.

The PMI is a weighted average of five individual sub-components that are New Orders with a weight of 30%, Output (25%), Employment (20%), Suppliers' Delivery Times (15%), and Stocks of Purchases (10%). The calculation of the PMI is based on data compiled from responses to questionnaires sent to purchasing executives at about 400 private sector companies in Lebanon across the manufacturing, services, construction and retail sectors. The sample selection is based on each sector's contribution to GDP. The survey is compiled monthly by S&P Global Market Intelligence.

Components of BLOM Lebanon Purchasing Managers' Index

	Output	New Orders	New Export Orders	Future Output	Employment
April 2023	48.6	48.6	50.3	13.0	50.2
May 2023	48.9	48.8	50.4	7.4	49.7
June 2023	50.4	50.3	50.2	0.8	50.2
July 2023	50.1	50.2	50.0	15.3	50.8
August 2023	47.6	47.7	48.6	26.2	50.0
September 2023	48.4	47.9	49.0	22.9	50.1

Source: BLOM Bank, S&P Global Market Intelligence, Byblos Research

Court of Audits maintains its decision to reject results of postal service tender

The Court of Audits announced that it has declined the request of the Minister of Telecommunications dated September 29, 2023 to reconsider the court's decision of August 23, 2023 that rejected the results of the tender to operate the postal service in Lebanon.

Last July, the ministry announced that the consortium Colis Privé France and Merit Invest sal won the bid to manage the postal service in Lebanon and will replace LibanPost, which has been managing the country's postal service since 1998. It added that four companies that consist of Trust, C Holding, Ghana Post, and Colis Privé France-Merit Invest, retrieved the tender documents, but that the latter was the only party to submit a bid within the preset deadline. The France-based container-shipping firm CMA CGM owns Colis Privé France and Merit Invest sal, with the latter constituting the Lebanese holding firm of the Saadé family who owns CMA CGM.

The Court of Audit attributed its decision to keep its original ruling to the fact that the minister's request did not include any new or convincing arguments, and reiterated the reasons behind its original decision to reject the tender's results. First, it said that the Telecommunications Ministry did not abide by the content of the first clause of the Public Procurement Law, and considered the clause to be part of the public order and that the tender's administrator cannot violate it under any circumstance. Second, it deemed that the tender documents have not been prepared in a clear, transparent, detailed and objective way, as they are ambiguous and contain legal and material errors, in addition to several discretionary standards that are not applicable.

Third, it said that there are ambiguities about the deal to award the contract to operate the postal service in Lebanon after the changes to the qualifications required from participants in the tender, without taking into consideration that these modifications have resulted in the failure of the tender and did not meet its objectives. It added that these modifications have allowed parties with a license to transport packages or postal packages to participate in the tender, which is not compatible with the original objectives of the tender of properly managing the postal service in Lebanon and of achieving a number of strategic benefits.

Fourth, it noted that the role of the Court of Audits is to oversee public funds and to ensure that awarding the management of public sectors should yield the highest returns. Also, it stressed the importance of not compromising the outsourcing of the management of economic sectors to companies that cannot improve or modernize these sectors at all levels, especially at the financial and service-delivery levels. Fifth, it asked the ministry to launch a new tender as soon as possible after drafting an analytical report on the entire sector, and to prepare tender documents that are clear and transparent, in order attract applicants with the proper credentials.

The ministry launched on June 1, 2023 a new tender to manage the postal service in Lebanon to replace the postal service organization LibanPost. The ministry indicated that the Build, Operate and Transfer contract of LibanPost expired at the end of 2019, but that it has asked the firm to continue managing the postal service since then. It said that the government approved the launch of a tender for the public contract for postal services in May 2022 and that it initiated the first bidding process on October 18, 2022 with a submission deadline of January 24, 2023, and then extended the deadline to February 16, 2023 due to the lack of bidders. It noted that the government launched a second call for tender under the same conditions and set the deadline for March 29, 2023 for submitting the bids.

The ministry declared on March 31, 2023 that Colis Privé France and Merit Invest sal won the bid to manage the postal service in Lebanon starting in June of this year, but the Court of Audits rescinded its results due to inconsistencies in the terms of reference. It also posted the new tender documents on the website of the Public Procurement Authority from June 7 until July 12, 2023. The French group was the only party to submit a bid for the postal services contract in March, as the current main shareholders in LibanPost reportedly decided at the last minute to refrain from bidding for the contract.

Occupancy rate at Beirut hotels at 45% in first seven months of 2023

EY's benchmark survey of the hotel sector in the Middle East indicates that the average occupancy rate at four- and five-star hotels in Beirut was 45.2% in the first seven months of 2023 relative to 49.4% in the same period of 2022, and compared to an average rate of 63.6% in 13 Arab markets included in the survey. The occupancy rate at Beirut hotels was the lowest in the region in the first seven months of the year, while it was the fifth lowest in the same period of 2022. The occupancy rate at Beirut hotels was 36.8% in January, 35.6% in February, 38.2% in March, 33.4% in April, 49.2% in May, 57.4% in June, and 64.6% in July 2023. In comparison, it was 34.7% in January, 43.8% in February, 52.7% in March, in 25.8% in April, 52.5% in May, 60.4% in June, and 75% in July 2022. The occupancy rate at hotels in Beirut decreased by 4.2 percentage points in the first seven months of 2023 from the same period of 2022. In comparison, the average occupancy rate in Arab markets improved by 6.1 percentage points in the covered period.

Hotel Sector Performance in First Seven Months of 2023

	Occupancy Rate (%)	RevPAR (US$)	RevPAR % change
Madinah	81	171	59.8
Dubai	79	243	2.9
Abu Dhabi	77	76	28.1
Makkah	72	189	62.7
Cairo	70	99	103.6
Riyadh	62	117	17.0
Jeddah	61	156	21.8
Muscat	58	73	28.1
Doha	57	64	-3.3
Manama	56	88	13.5
Kuwait City	56	98	-6.7
Amman	52	75	14.7
Beirut	**45**	**60**	**81.2**

Source: EY, Byblos Research

Also, the average rate per room at Beirut hotels was LBP12m ($133) in the first seven months of 2023, relative to LBP2m ($67) in the same period of 2022, and constituted the fourth lowest rate in the region. EY indicated that it based its average rate per room at Beirut hotels on the exchange rate of the Lebanese pound to the US dollar that the hotels used at the time of the client's booking. The average rate per room in Beirut was lower than the regional average of $178.1 that increased by $17.3, or by 10.8%, from an average of $160.8 in the same period of 2022. The average rate per room at Beirut hotels was LBP2.9m ($50) in January, LBP4.4m ($51) in February, LBP6.3m ($59) in March, LBP6.7m ($69.2) in April, LBP15.26m ($162) in May, LBP17.1m ($185) in June, and LBP19.9m ($221) in July 2023. In comparison, it was LBP1.4m ($69) in January, LBP1.4m ($67) in February, LBP1.4m ($61) in March, LBP1.9m ($72.3) in April, LBP2.48m ($79) in May, LBP2.1m ($75) in June, and LBP2.7m ($88) in July 2022.

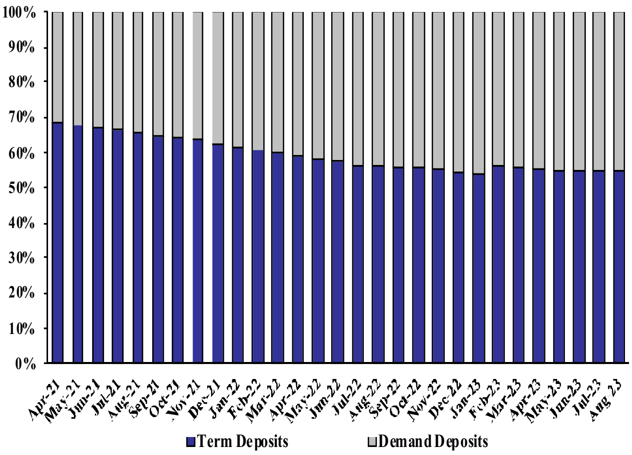
Further, revenues per available room (RevPAR) stood at LBP5.4m ($60) at Beirut hotels in the covered period compared to LBP1m ($33) in the first seven months of 2022, and were the lowest in the region. In comparison, the average RevPAR in Arab markets was $116.1 in the covered period. EY indicated that it used the same methodology to calculate the RevPAR as it did for the average rate per room. The RevPAR at hotels in Beirut reached LBP1.06m ($18) in January, LBP1.58m ($18) in February, LBP2.4m ($23) in March, LBP2.2m ($23.1) in April, LBP7.5m ($80) in May, LBP9.78m ($106) in June, and LBP12.8m ($143) in July 2023. In comparison, it was LBP505,622 ($24) in January, LBP602,568 ($29) in February, LBP760,794 ($32) in March, LBP501,535 ($18.7) in April, LBP1.3m ($42) in May, LBP1.27m ($45) in June, and LBP2m ($66) in July 2022. The city of Madinah in Saudi Arabia had the highest hotel occupancy rate in the region at 80.6% in the first seven months of 2023, while Dubai has the highest average rate per room at $306 and the highest RevPAR at $243 in the covered period.

Term deposits account for 54.8% of customer deposits at end-August 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 LBP1,498.1 trillion (tn) at the end of August 2023, or the equivalent of $99.9bn at end-August 2023 based on the 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 LBP1,433.8tn, deposits of non-resident financial institutions that amounted to LBP46.6tn, and public sector deposits that stood at LBP17.7tn at the end of August 2023.

Term deposits in all currencies reached LBP821tn at the end of August 2023 and regressed by LBP12.2tn, or by 1.5%, from LBP833.1tn at end-July 2023; while they accounted for 54.8% of total deposits in Lebanese pounds and in foreign currency as at end-August 2023, relative to a share of 54.7% at the end of 2022 and of 56.4% at end-August 2022. The slight 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% in the first eight months of 2023, followed by a decrease of 30.6% in the term deposits of the non-resident financial sector, a contraction of 12.5% in the term deposits in Lebanese pounds of the resident private sector, a downturn of 11.7% in the term deposits of non-residents, and a retreat of 7.5% in foreign currency-denominated term deposits of the resident private sector from end-2022. This was partly offset by an increase of 23.5% in the term deposits in Lebanese pounds of the public sector. Aggregate term deposits declined by $111.8bn 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.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban

In addition, the foreign currency-denominated term deposits of the resident private sector reached $38bn and accounted for 38% of aggregate deposits at the end of August 2023. Term deposits of non-residents followed with $13.1bn or 13% of the total, then term deposits of the non-resident financial sector with $1.96bn (2%), term deposits in Lebanese pounds of the resident private sector with LBP15.2tn (1%), term deposits of the public sector in Lebanese pounds with LBP5.3tn (0.4%), and term deposits of the public sector in foreign currency with $298.3m (0.3%).

In parallel, demand deposits in all currencies at commercial banks stood at LBP677.2tn at the end of August 2023, constituting a decrease of LBP1.8tn (-0.3%) from LBP679tn at the end of July 2023. They accounted for 45.2% of aggregate deposits at end-August 2023 relative to a share of 45.3% at end of 2022 and of 43.6% at end-August 2022. The slight decrease in the share of demand deposits from end-2022 was mainly due to a decline of $337.8m in demand deposits of the non-resident financial sector in the first eight months of 2023, a decrease of $310m in demand deposits of non-residents, and a contraction of $125.1m in foreign currency-denominated demand deposits of the resident private sector. This was partly offset by an increase of LBP8tn in demand deposits in Lebanese pounds of the resident private sector, a growth of LBP972.8bn in demand deposits in Lebanese pounds of the public sector, and a rise of $29.8m in demand deposits in foreign currency of the public sector.

Also, demand deposits in foreign currency of the resident private sector totaled $33bn and represented 33% of deposits at end-August 2023. Demand deposits of non-residents followed with $8.3bn (8.3%), then demand deposits in Lebanese pounds of the resident private sector with LBP33tn (2.2%), demand deposits of the non-resident financial sector with $1.15bn (1.2%), demand deposits in foreign currency of the public sector with $368.8m (0.4%), and demand deposits in Lebanese pounds of the public sector with LBP2.3tn (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 5% of deposits and 8% of depositors.

Net income of Syrian affiliates of Lebanese banks at SYP5.2bn in first half of 2023

Financial results issued by the affiliates of five out of six Lebanese banks in Syria show that their aggregate net profits reached SYP1,119.6bn in the first half of 2023 compared to net earnings of SYP93.8bn in the first half of 2022. In US dollar terms, the net profits of the five banks totaled $202.6m in the first half of 2023 compared to net earnings of $35.2m in the first half of 2022. Also, the depreciation of the Syrian pound from SYP3,015 against the US dollar at the end of 2022 to SYP6,532 per dollar at end-June 2023 resulted in unrealized foreign exchange gains on the banks' structural positions of SYP1,114.4bn in the first half of 2023. As such, the aggregate net income of the five banks becomes SYP5.2bn, or $0.9m, in the first half of 2023 when excluding foreign exchange gains on structural positions, relative to earnings of SYP539.1m or $0.2m in the same period of the previous year.

The profits of Banque BEMO Saudi Fransi surged by SYP399.6bn in the first half of 2023 from the same period of 2022, followed by an increase of SYP201.3bn in the net income of Byblos Bank Syria, a rise of SYP163.1bn in the earnings of Bank of Syria & Overseas, a growth of SYP156.8bn in the profits of Fransabank Syria, and an uptick of SYP105bn in the net income of Bank Al-Sharq, the affiliate of Banque Libano-Française. Further, the aggregate operating income of the five banks stood at SYP1,281.2bn in the first half of 2023 relative to SYP160.8bn in the first half of 2022.

In parallel, the banks' aggregate assets reached SYP6,754bn at the end of June 2023 and increased by 92.6% from SYP3,506.7bn at end-2022. The growth in assets was due to an increase of 109.5% in the assets of Byblos Bank Syria (+SYP386.3bn), a surge of 101% in the assets of Bank of Syria & Overseas (+SYP568.2bn), a rise of 100.7% in those of Bank Al Sharq (+SYP220.6bn), a growth of 87.4% in the assets of Banque BEMO Saudi Fransi (+SYP1,657.5bn), and an uptick of 87% in those of Fransabank Syria (+SYP414.5bn). The surge in assets was mainly driven by increases in cash and deposits at the Central Bank of Syria, as well as by surges in currency and deposits at other banks. In US dollar terms, the assets of the five banks stood at $1.03bn at end-June 2023, constituting a decrease of 17% from $1.25bn at the end of 2022.

Also, the banks' total loans amounted to SYP668.8bn at end-June 2023, representing an increase of 32% from SYP506.3bn at end-2022. The banks' customer deposits totaled SYP4,192bn at end-June 2023 and surged by 84.7% from SYP2,269.5bn at end-2022. Deposits at Banque BEMO Saudi Fransi stood at SYP2,501bn at the end of June 2023 and increased by 82.5% from the end of 2022, followed by deposits at Bank of Syria & Overseas with SYP750.9bn (+92.2%), Fransabank Syria with SYP442.3bn (+80.7%), Byblos Bank Syria with SYP301.3bn (+94%), and Bank Al Sharq with SYP196.5bn (+81.3%). The ratio of the banks' loans-to-customer deposits stood at 16% at end-June 2023 relative to 22.3% at end-2022. In parallel, the aggregate shareholders' equity of the five banks was SYP1,966.4bn at end-June 2023 and rose by 132.8% from SYP844.8bn at end-2022.

Results of Affiliates of Lebanese Banks in Syria in First Half of 2023 (SYPbn)

	Banque BEMO Saudi Fransi	Fransabank Syria	Syria Gulf Bank	Byblos Bank Syria	Bank Al-Sharq
Net Profits	438.62	178.09	172.30	217.39	113.16
Total Assets	3553.68	1130.44	891.07	739.10	439.64
% Change*	87.4%	101.1%	87.0%	109.5%	100.7%
Loans	392.01	34.38	122.06	75.89	44.43
% Change*	28.4%	-13.1%	50.6%	68.4%	25.7%
Customer Deposits	2500.98	750.90	442.28	301.32	196.50
% Change*	82.5%	92.2%	80.7%	94.1%	81.3%

**Change from end-2022*
Source: Banks' financial statements

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	196	480
Nominal GDP (US$ bn)	24.7	18.0	18.3
Real GDP growth, % change	-25.9	-8.4	-2.5
Private consumption	-70	1.2	1.5
Public consumption	-4	-45.7	-9.8
Gross fixed capital	-63	-16.2	21.8
Exports of goods and services	-34.2	8.7	6.6
Imports of goods and services	-33.4	-1.1	10.6
Consumer prices, %, average	84.9	154.8	171.2
Official exchange rate, average, LBP/US$	1,507.5	1,507.5	1,507.5
Parallel exchange rate, average, LBP/US$	6,705	16,821	30,313
Weighted average exchange rate LBP/US$	3,878	10,876	26,222

Source: Central Administration of Statistics, Institute of International Finance- May 2023

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's 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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