

## LEBANON THIS WEEK

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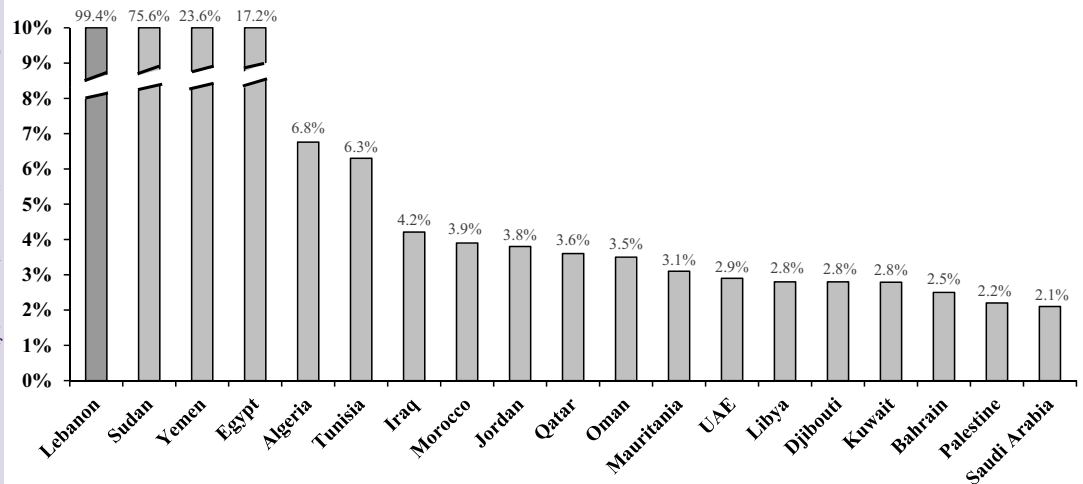
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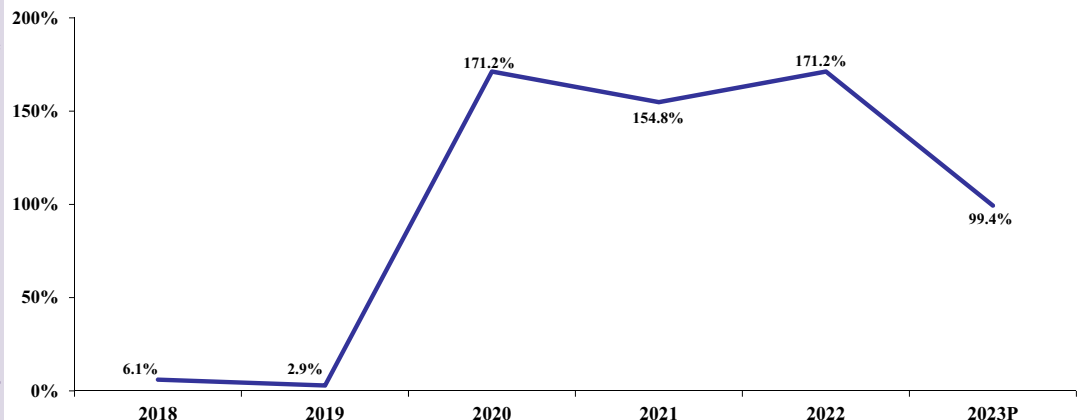
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### Charts of the Week

Projected Inflation Rates in Arab Countries for 2023 (%)



Inflation Rates in Lebanon (%)



Source: Arab Monetary Fund, Byblos Bank

### Quote to Note

"The current political stalemate is exacerbating the erosion of state institutions and undermining Lebanon's ability to address the country's pressing socioeconomic, financial, security and humanitarian challenges."

*The International Support Group for Lebanon, on the impact of the ongoing institutional paralysis on the country*

### Number of the Week

**12:** Number of times that the Lebanese Parliament convened and failed to elect a President

## Lebanon in the News

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

\*year-on-year

Source: Association of Banks in Lebanon, Banque du Liban, Ministry of Finance, Central Administration of Statistics, Byblos Research

## Capital Markets

Most Traded Stocks on BSE*	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	82.80	(0.7)	215,750	44.3%	Apr 2024	6.65	6.125	862.55
Byblos Common	0.75	(6.3)	30,000	2.3%	Jun 2025	6.25	6.125	205.59
Solidere "B"	82.45	(0.7)	19,767	28.7%	Nov 2026	6.60	6.125	100.38
Audi GDR	1.36	0.0	15,769	0.9%	Mar 2027	6.85	6.125	90.07
BLOM GDR	2.50	0.0	15,347	1.0%	Nov 2028	6.65	6.125	59.44
Audi Listed	1.70	0.0	10,000	5.4%	Feb 2030	6.65	6.125	46.49
HOLCIM	55.40	0.0	-	5.8%	Apr 2031	7.00	6.125	39.01
Byblos Pref. 09	29.99	0.0	-	0.3%	May 2033	8.20	6.125	30.27
BLOM Listed	2.56	0.0	-	2.9%	Nov 2035	7.05	6.125	23.91
Byblos Pref. 08	27.00	0.0	-	0.3%	Mar 2037	7.25	6.125	21.37

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

Source: Refinitiv

	Jun 12-16	Jun 5-9	% Change	May 2023	May 2022	% Change
Total shares traded	307,533	135,054	127.7	817,904	1,659,677	(50.7)
Total value traded	\$19,866,760	\$6,500,110	205.6	\$29,115,048	\$55,621,005	(47.7)
Market capitalization	\$18.70bn	\$18.82bn	(0.7)	\$18.93bn	\$14.78bn	28.1

Source: Beirut Stock Exchange (BSE)



## Expatriates' remittances to Lebanon up 2% to \$6.5bn in 2022

The World Bank estimated the inflows of expatriates' remittances to Lebanon at \$6.45bn in 2022, constituting an increase of 1.5% from \$6.35bn in 2021, following a decline of 3.6% in 2021. Further, it revised its estimate for remittance inflows to Lebanon to \$6.35bn in 2021 from a previous forecast of \$6.39bn. In comparison, remittance inflows to developing countries grew by 8%, while inflows to Arab countries declined by 4% in 2022. It attributed its estimates for the flow of remittances to developing economies to higher oil prices and public revenues in Gulf Cooperation Council countries that helped increase the incomes of migrants, to significant money transfers from Russia to countries in Central Asia, as well as the strong labor market in the United States and in OECD economies.

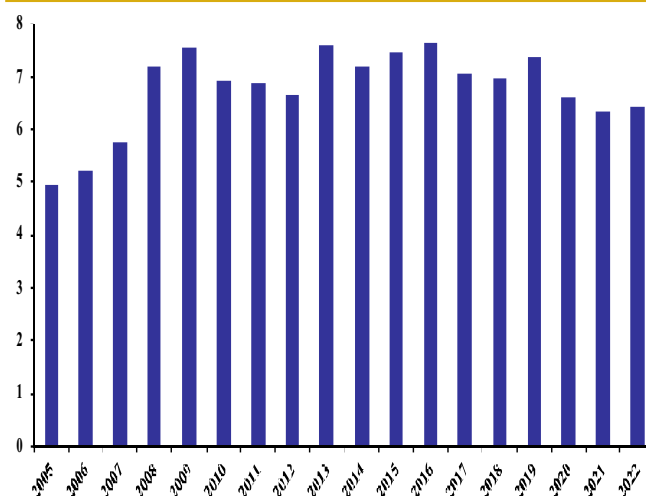
Lebanon was the 31<sup>st</sup> largest recipient of remittances in the world and the 22<sup>nd</sup> largest among developing economies in 2022. Lebanon received more remittances than Serbia (\$5.6bn), Tajikistan (\$5.3bn) and Jordan (\$5bn), and less remittances than Honduras (\$8.5bn), El Salvador (\$7.7bn), and Russia (\$7.5bn) among developing economies last year. Also, Lebanon was the third largest recipient of remittances among 15 Arab countries behind Egypt (\$28.3bn) and Morocco (\$11.2bn) in 2022.

Remittance inflows to Lebanon accounted for 0.8% of the global flow of remittances in 2022 and in 2021. They also represented 1% of aggregate remittances to developing economies in 2022 relative to 1.1% in 2021, while they accounted for 9.6% of remittance inflows to Arab countries last year compared to 9.1% in 2021.

Further, according to the World Bank, expatriates' remittances to Lebanon were equivalent to 36% of GDP in 2022, which constitutes the third highest such ratio in the world behind Tajikistan (51% of GDP) and Tonga (44% of GDP). Expatriates' remittances to Lebanon were equivalent to 14% of GDP in 2019, 27% of GDP in 2020, and 28.3% of GDP in 2021.

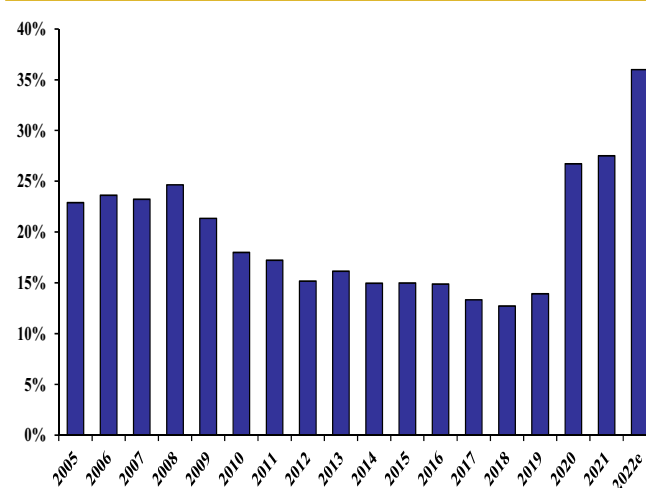
The World Bank estimated remittance inflows to Arab countries, excluding Syria, at \$67.3bn in 2022, down from \$70bn in 2021, and equivalent to about 1.9% of the region's GDP in 2022.

Remittance Inflows to Lebanon (US\$m)



Source: Banque du Liban, World Bank, Byblos Research

Remittance Inflows to Lebanon (% of GDP)



Source: World Bank, National Accounts, Byblos Research

## Banque du Liban's foreign assets at \$14.4bn, gold reserves at \$17.8bn at mid-June 2023

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP1,571 trillion (tn), or the equivalent of \$104.7bn, on June 15, 2023, constituting increases of 1% from LBP1,556.2tn (\$103.7bn) at end-May 2023 and of 1.4% from LBP1,548.8tn (\$103.3bn) at mid-May 2023. Assets in foreign currency reached \$14.41bn at mid-June 2023, representing a decline of \$774.6m, or of 5.1%, from the end of 2022 and a drop of \$1.1bn (-7.1%) from \$15.5bn at mid-June 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.

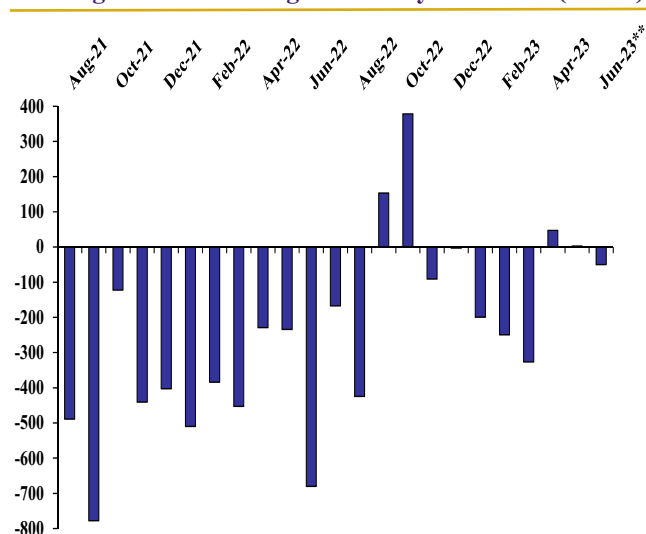
BdL's gross foreign currency reserves, which consist of its assets in foreign currency excluding Lebanese Eurobonds, stood at \$9.38bn on June 15, 2023, constituting decreases of \$50m (-0.5%) from \$9.43bn at end-May 2023 and of \$148.4m (-1.6%) from mid-May 2023. They dropped by \$774.6m (-7.6%) from the end of 2022 and by \$1.1bn (-10.5%) from \$10.48bn at mid-June 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 LBP79,501bn on June 15, 2023, representing a decrease of 0.8% from LBP80,171.3bn at the end of 2022 and a surge of 106.7% from LBP38,456bn at mid-June 2022. Also, the item "Other Assets" on BdL's balance sheet reached LBP103,420bn, or \$6.9bn at mid-June 2023, down 42.3% from LBP179,375.7bn (\$12bn) a month earlier.

In parallel, the value of BdL's gold reserves reached \$17.8bn at mid-June 2023, constituting a rise of \$1.2bn (+7.2%) from the end of 2022 and an increase of \$1.03bn (+6%) from \$16.8bn at mid-June 2022. The value of gold reserves reached a peak \$18.7bn at mid-April 2023. Also, the securities portfolio of BdL totaled LBP65,910bn, or \$4.4bn, at mid-June 2023. In addition, loans to the local financial sector stood at LBP16,114.5bn, or \$1.1bn; while the deposits of the financial sector reached LBP1,343tn, or \$89.5bn, on June 15, 2023. In addition, public sector deposits at BdL stood at LBP104,693bn at mid-June 2023 and surged by LBP87,430.2bn from a year earlier.

Moreover, the balance sheet shows that BdL's loans to the public sector totaled LBP249,295.2bn, equivalent to \$16.6bn, as at mid-June 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 \$16.6bn in loans to the public sector on the "assets" side.

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



\*month-on-month change

\*\*as at mid-June 2023, change from end-May 2023

Source: Banque du Liban, Byblos Research

## Tourism receipts up 78% to \$4bn in first nine months of 2022

Figures released by Banque du Liban (BdL) show that revenues generated from tourism activity in Lebanon, defined by BdL as "Travel Services", totaled \$3.9bn in the first nine months of 2022, constituting an increase of 78% from \$2.2bn in the same period of 2021. Tourism revenues reached \$968.7m in the first quarter, \$1.2bn in the second quarter, and \$1.7bn in the third quarter of 2022. They surged by 112.5% in the first three months of 2022, by 68.8% in the second quarter, and by 69% in the third 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 \$4.67bn in the first nine months of each year during the 2002-2022 period, with receipts in the corresponding period of 2022 reaching their fifth lowest level, ahead of \$1.8bn in the first nine months of 2020, \$2.2bn in the same period of 2021, \$3.3bn in the first nine months of 2002, and \$3.85bn in the same period of 2006. Also, tourism receipts averaged \$1.93bn in the third quarter of the 2002-2022 period and reached their seventh lowest level in the corresponding period of 2022, ahead of \$470m in the third quarter of 2020, \$1bn in the same period of 2021, \$1.2bn in the third quarter of 2015, \$1.3bn in the same period of 2006, \$1.56bn in the third quarter of 2007, and \$1.6bn in the same quarter of 2002.

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 as 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.

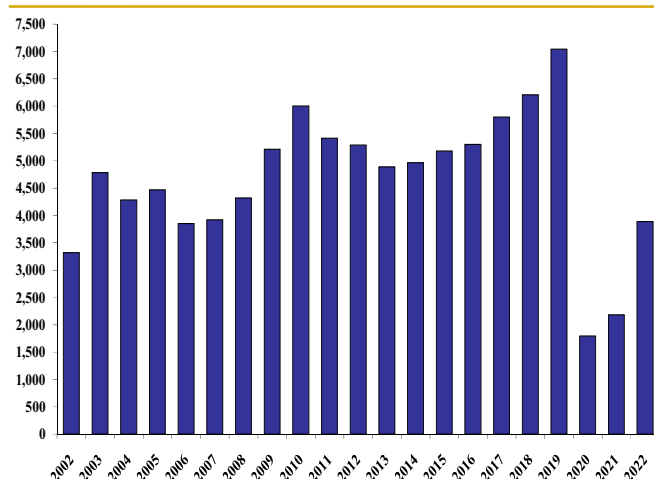
In parallel, outbound tourism spending from Lebanon reached \$2.32bn in the first nine months of 2022, constituting a rise of 85.7% from \$1.25bn in the first nine months of 2021. It totaled \$596.5m in the first quarter, \$692.8m in the second quarter, and \$1.03bn in the third quarter of 2022. Also, outbound tourism expenditures surged by 119.3% in the first three months of 2022, by 90% in the second quarter, and by 68.2% in the third 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 \$2.97bn during the first nine months of each year during the 2002-2022 period, with expenditures in the corresponding period of 2022 reaching their eighth lowest level after \$1.25bn in the first nine months of 2021, \$1.36bn in the same period of 2020, \$2.06bn in the first nine months of 2002, \$2.25bn in the same period of 2003, \$2.29bn in the first nine months of 2006, \$2.3bn in the same period of 2005, and \$2.31bn in the first nine months of 2007.

As such, net tourism receipts totaled \$1.57bn in the first nine months of 2022 and increased by 67.8% from \$933.7m in the same period of 2021. They reached \$372.2m, \$503.2m and \$691.6m in the first, second and third quarters of 2022, respectively, showing increases of 102.4%, 46.2% and 70.5% from the same periods of 2021. Net tourism receipts averaged \$1.7bn during the first nine months of each year in the 2002-22 period, with net tourism receipts in the corresponding period of 2022 reaching their eighth lowest level after \$436.1m in the first nine months of 2020, \$933.7m in the same period of 2021, \$1.14bn in the first nine months of 2014, \$1.26bn in the same period of 2002, \$1.471bn in the first nine months of 2018, \$1.477bn in the same period of 2016, and \$1.56bn in the first nine months of 2006.

Also, net tourism receipts averaged \$773.5m in the third quarter of the 2002-2022 period and reached their 11<sup>th</sup> lowest level, ahead of \$210.8m in the third quarter of 2020, \$376.6m in the same period of 2006, \$405.6m in the third quarter of 2021, \$491m in the same period of 2014, \$580.8m in the third quarter of 2013, \$646.7m in the same quarter of 2016, \$673.7m in the third quarter of 2007, \$680.4m in the same period of 2002, \$685.7m in the third quarter of 2017, and \$689m in the same period of 2015.

**Tourism Receipts (US\$m)\***



\*in first nine months of each year

Source: Banque du Liban, Byblos Research



### Capital Markets Authority issues decision on preferred shares

The Capital Markets Authority (CMA) issued on May 27, 2023 Announcement No. 94 to licensed financial institutions about perpetual preferred shares. It said that it based its decision on Capital Markets Law 161 dated August 17, 2011, as well as on Business Conduct Regulations Series 3000, and on decision No. 12/4/23 that the CMA board of directors took during its meetings of May 5, 2023. It added that the decision aims to preserve the integrity of the banking sector and is for the benefit of the public good, given the exceptional circumstances that Lebanon is going through.

First, the CMA canceled Announcement No. 90 that it issued on February 15, 2023 and replaced it with the current announcement.

Second, it asked licensed institutions, in light of Article 4 of Clause 3311 of Business Conduct Regulations Series 3000 about perpetual preferred shares issued by Lebanese banks, to: first, verify that the prices of perpetual preferred shares in the portfolio of the banks' clients reflect the prevailing market prices or the potential market prices of the shares. Third, it said that, in case licensed institutions cannot comply with the previous request, they have to stop pricing the shares in the statements of their clients, and replace the value that they have been using with the expression "Not Available" until they determine a fair market value for these shares. Fourth, it asked licensed institutions to reconsider the fiduciary fees related to preferred shares that they charge clients, in light of the prevailing circumstances. It added that the new announcement will go into effect upon its publication in the Official Gazette.

### International contributions to Lebanon Crisis Response Plan at \$540m in first quarter of 2023

The United Nations indicated that international contributions to the Lebanon Crisis Response Plan (LCRP) reached \$209m in the first quarter of 2023 and represented 6% of the \$3.6bn that the LCPR appealed for to assist the affected Lebanese and non-Lebanese individuals in the country in 2023. It also noted that it carried \$331m from funding it received in 2022, which is equivalent to 9% of the total appealed funds for 2023. As such, it said that international contributions covered 15% of the funds it requested, resulting in a funding gap of \$3bn, or 85%, in the first quarter of 2023.

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.

It pointed out that financial disbursements for the food security and agriculture sector reached \$156m in the first quarter of 2023, or 29.2% of the total, followed by outlays for the education sector with \$105.3m (19.7%), support to the healthcare sector with \$66.8m (12.5%), basic assistance with \$54.3m (10.2%), social stability with \$42.8m (8%), livelihoods with \$42.2m (7.9%), social protection with \$35.3m (6.6%), the water sector with \$24.8m (4.7%), shelter with \$5.8m (1.1%), and the energy sector with \$1m (0.2%).

The United Nations noted that it has raised under the LCPR \$1.29bn in 2015, \$1.28bn in 2016, \$1.24bn in 2017, \$1.2bn in 2018, \$1.23bn in 2019, \$1.44bn in 2020, \$1.19bn in 2021, and \$1.17bn in 2022.

### USAID provides \$17.4m in humanitarian assistance to vulnerable citizens

The United States Agency for International Development (USAID) announced that it is providing more than \$17.4m in humanitarian assistance to Lebanese citizens amid the ongoing economic and humanitarian crisis in the country. It said that the depreciation of the local currency, the prevailing economic crisis, and the increasing prices of food and basic commodities have contributed to the deterioration of socioeconomic conditions across the country and to high levels of food insecurity for an estimated 2.26 million individuals.

Further, it indicated that the funding will enable the humanitarian partners of USAID to provide emergency food assistance and healthcare to the most vulnerable Lebanese citizens. It pointed out that it allocated \$11.1m of the funds to the UN World Food Program (WFP) in order for the latter to provide food parcels that include rice, lentils, chickpeas, and other staples, to 75,000 vulnerable Lebanese families for approximately two months. It added that the WFP is purchasing the commodities locally in order to support the economy.

In addition, it noted that it allocated nearly \$6.3m to Relief International and International Medical Corps, so they can provide continued support to at least 11 primary healthcare clinics across Lebanon, as well as home-based healthcare to people in need. It added that USAID-supported clinics in Lebanon treated more than 96,000 patients in 2022.

In parallel, it said that the United States has provided nearly \$92m in humanitarian assistance to Lebanese citizens, displaced Syrian in Lebanon, and other refugees in the country since October 2022. It added that the USAID has provided more than \$1.3bn in assistance to Lebanese citizens since 2006.

Lebanon ranks 75<sup>th</sup> globally, sixth in Arab world in terms of ecosystem for startups

The Global Startup Ecosystem Index for 2023 ranked Lebanon in 75<sup>th</sup> place globally, in sixth place among 10 Arab countries, and in 11<sup>th</sup> place among 23 countries in the Middle East & Africa (ME&A) region. In comparison, Lebanon came in 77<sup>th</sup> place globally and in 11<sup>th</sup> place in the ME&A on the 2022 index, in 74<sup>th</sup> place globally and in 12<sup>th</sup> place regionally in the 2021 survey, and in 74<sup>th</sup> place worldwide and eighth place in the ME&A region on the 2020 index.

The index is composed of three sub-indices that are essential for the ecosystems of startups. First, the Quantity Sub-Index incorporates the number of startups, investors, accelerators, and co-working spaces, and other supporting organizations that facilitate and contribute to the growth of an ecosystem. Second, the Quality Sub-Index takes into account the traction of the top startups of an ecosystem, as well as the most successful entities that impact it, such as unicorns, exits, and "pan-theons", which are organizations that have had a massive impact on a startup ecosystem and a narrative that draws more entrepreneurs and attracts investors to the location. Third, the Business Sub-Index consists of a number of business and economic indicators at the national level, such as the ease of doing business in a country or city, Internet speed, and expenditures on research and development, among others. The survey discounts the score of this sub-index for locations with startup ecosystems that have not reached a certain level of critical mass.

In addition, Beirut ranked in 385<sup>th</sup> place among 1,000 cities globally and in ninth place among 17 Arab cities included in the 2023 index. In comparison, Beirut came in 464<sup>th</sup> place globally and in 10<sup>th</sup> place among 17 Arab cities in the 2022 survey. As such, Beirut's rank jumped by 79 spots globally in 2023 and improved by one spot regionally from the 2022 index. Beirut came ahead of Jeddah, Doha, Dammam, Kuwait City, Agadir, Erbil, Marrakesh, and Ramallah among Arab cities. The jump in the ranking of Beirut was the third highest in the Arab world, after Kuwait City (+175) and Riyadh (+99).

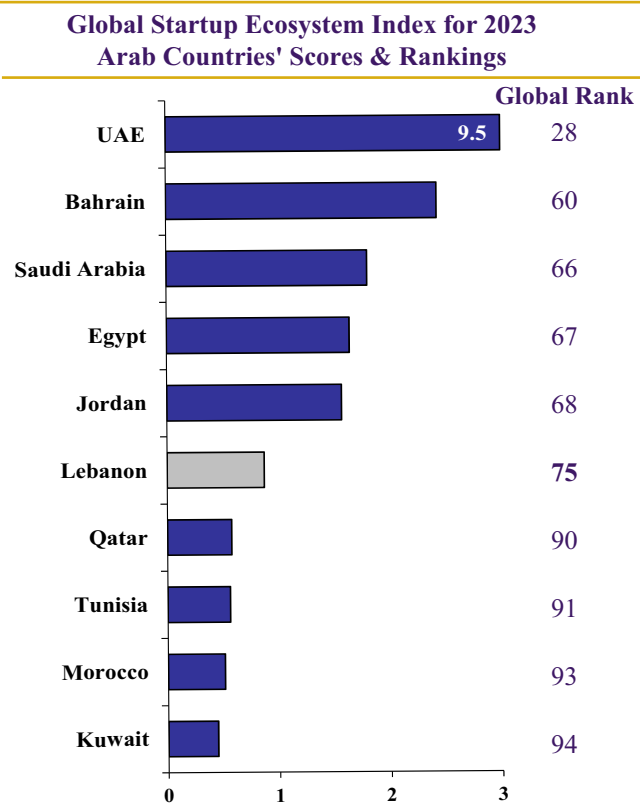
The rankings of four Arab countries improved and those of six Arab economies deteriorated in 2023, however, the rankings of 10 Arab cities increased, those of five Arab cities deteriorated, while two Arab cities were included for the first time in the index in 2023.

The survey identified 42 startups based in Lebanon. It stated that 10 deals in Lebanon received \$180,000 in funding in 2020, three deals obtained \$1.2m in financing in 2021, and six deals received \$20.6m in funding in 2022. Further, the funding of Lebanese startups accounted for 0.3% of aggregate startup funding in the Arab world and for 0.1% of the financing of startups in the Middle East & Africa region in 2022.

The survey indicated that Lebanon has the advantage of a multilingual population with a high percentage of English and French speakers, as well as a strategic location and a relatively free market economy. It added that the country could leverage these advantages and create a growing startup scene as a future engine of economic growth. It considered that now is the time for Lebanon to leverage its resources and to encourage more young people to build their own projects.

But it noted that Lebanon has a complicated economic situation due to multiple political and financial challenges. It added that the government's bureaucracy makes it difficult to establish and scale a startup in the country, and that many startups have either shut down or relocated to other countries due to instability, lack of funding, and the complexity of money transfers. It considered that, similarly to other countries in the MENA region, the outlook for the local startup ecosystem will depend on convincing local entrepreneurs to stay in the country, instead of emigrating to more stable hubs such as the UAE, Europe, and the United States.

StartupBlink, a global startup mapping and research center that tracks trends affecting the global startup ecosystem, developed the index in 2012 and updates it annually.



Source: StartupBlink, Byblos Research

### Amount of cleared checks in Lebanese pounds up 65% in first five months of 2023

The amount of cleared checks in Lebanese pounds reached LBP22,667bn in the first five months of 2023 constituting an increase of 64.7% from LBP13,765bn in the same period last year, while the amount of cleared checks in foreign currency was \$1.94bn and dropped by 60.7% from \$4.94bn in the first five months of 2022. Also, there were 231,909 cleared checks in the first five months of 2023, down by 73.6% from 878,074 checks in the same period of 2022. In addition, the amount of cleared checks in Lebanese pounds reached LBP4,704bn in May 2023, as it increased by 53% from LBP3,077bn in April 2023 and by 67.8% from LBP2,804bn in May 2022. Further, the amount of cleared checks in foreign currency was \$255m in May 2023, as it rose by 91.7% from \$133m in the previous month and dropped by 70.8% from \$873m in May 2022. Also, there were 41,491 cleared checks in May 2023 relative to 30,591 checks in the preceding month and to 145,362 cleared checks in May 2022.

In parallel, the amount of returned checks in Lebanese pounds reached LBP450bn in the first five months of 2023 compared to LBP89bn in the same period last year, while the amount of returned checks in foreign currency was \$112m and increased by 67.2% from \$67m in the first five months of 2022. Also, the amount of returned checks in Lebanese pounds stood at LBP89bn in May 2023, as it posted increases of 25.4% from LBP71bn in April 2023 and of 196.7% from LBP30bn in May 2022. Also, the amount of returned checks in foreign currency was \$54m in May 2023, and surged by 93% from \$28m in the previous month and by 440% from \$10m in May 2022.

In addition, there were 2,047 returned checks in the first five months of 2023, down by 67% from 6,179 returned checks in the same period last year. The number of returned checks in foreign currency reached 823 in the covered period and dropped by 78% from 3,749 in the first five months of 2022, while the number of returned checks in Lebanese pounds totaled 1,224 and retreated by 49.6% from 2,430 year-on-year. Also, there were 412 returned checks in May 2023, relative to 355 returned checks in the preceding month and to 961 checks in May 2022. Further, there were 222 returned checks in Lebanese pounds in May 2023 compared to 213 in the previous month and to 438 in May 2022, while there were 190 returned checks in foreign currency in May relative to 142 checks in the previous month and 523 returned checks in May 2022.

### Female-led companies adjust performance amid crisis

A survey conducted by the Business School at the Holy Spirit University of Kaslik (USEK) assessed the performance of 113 female-led companies in Lebanon during the 2018-22 period and produced projections for the 2023-24 period. It indicated that the pilot study constitutes the first step towards developing a more comprehensive study to compare the performance of female-led firms with the performance of male-led companies in Lebanon. The report covered four key indicators that are the value of a firm's investments, its turnover, employment creation rate, and its exports.

First, the study said that it measures a firm's investment by using its net present value (NPV). It noted that if a company's NPV is positive, the investment is expected to generate more cash inflows than outflows and is therefore considered to be a worthwhile investment; while, if the NPV is negative, the investment is expected to generate more cash outflows than inflows and is therefore considered to be a poor investment. Second, it assessed the turnover of a firm using revenues, which is the most common measure of a firm's turnover, and added that a company's revenues is the total amount of money it earns from selling its products or services during a specific period of time. Third, it measured a firm's employment creation rate by comparing the number of employees in a year to the number of employees in the previous year, which it proxied by employee turnover. It said that high employee turnover can indicate that a firm is creating more jobs or that the company has problems with retention or job satisfaction. Fourth, it assessed the export value of a firm by using its total export revenues, which refers to the total amount of money earned by a company from selling its products or services to foreign customers during a specific period of time.

In addition, it measured the average growth of each indicator repeatedly over the 2018-22 period, and assigned a score to each outcome: one point if the indicator declined, two points in case there was no growth, three points if the indicator grew by less than 20% annually, and four points in case the metrics expanded by more than 20% year-on-year.

The study shows that the firms did not show any growth in 2018, as all four indicators stood at about 2.5 points, but that the latter dropped to about 1.5 points as the firms shrank in 2019. However, it pointed out that the firms' NPV and revenues rebounded to averages of about two points in 2020, while their employee turnover and total export revenue metrics continued the drop with averages of about 1.5 points. Also, it noted that the performance of the firms stagnated in 2021, as the four indicators averaged about 2.5 points. In contrast, it indicated that the firms posted average values of about three points in 2022 on each of the four metrics, which shows that firms in general started to grow moderately at less than 20% last year.

In parallel, it forecast the firms' four indicators to expand moderately and achieve growth rates of less than 20% in 2023, and for all four indicators to increase exponentially at growth rates that exceed 20% in 2024.

	2018	2019	2020	2021	2022
NPV	2.44	1.43	1.90	2.57	3.01
Revenues	2.52	1.47	2.04	2.45	3.15
Employee Turnover	2.63	1.49	1.41	2.32	3.00
Total Export Revenues	2.52	1.46	1.49	2.42	3.02

Source: USEK Business School



## Term deposits account for 55.6% of customer deposits at end-April 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 LBP1,532 trillion (tn) at the end of April 2023, or the equivalent of \$102.1bn at end-April 2023 based on the new exchange rate of LBP15,000 per US dollar that went into effect at the start of February. Total deposits include private sector deposits that reached LBP1,465.7tn, deposits of non-resident financial institutions that amounted to LBP49.3tn, and public sector deposits that stood at LBP16.8tn at the end of April 2023.

Term deposits in all currencies reached LBP851tn at the end of April 2023 and declined by LBP4.2tn, or by 0.5%, from LBP855.2tn at end-March 2023; while they accounted for 55.6% of total deposits in Lebanese pounds and in foreign currency as at end-April 2023, relative to a share of 54.7% at the end of 2022 and of 59.2% at end-April 2022. The increase in the share of term deposits from end-2022 is due to the effect of the new exchange rate. Further, the foreign currency-denominated term deposits of the public sector dropped by 48% in the first four months of 2023, followed by a decrease of 26.8% in the term deposits of the non-resident financial sector, a contraction of 9.7% in the term deposits of non-residents, and a downturn of 4% in the term deposits in Lebanese pounds and in foreign currency-denominated term deposits of the resident private sector from end-2022. This was partly offset by an increase of 26% in the term deposits in Lebanese pounds of the public sector. Aggregate term deposits declined by \$109.8bn 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.

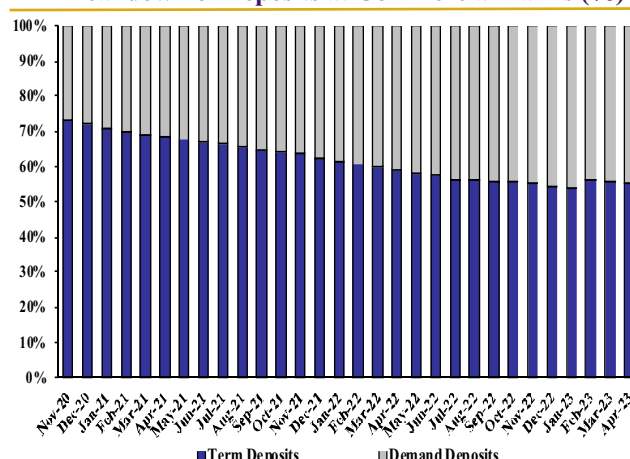
In addition, the foreign currency-denominated term deposits of the resident private sector reached \$39.5bn and accounted for 38.7% of aggregate deposits at the end of April 2023. Term deposits of non-residents followed with \$13.4bn or 13% of the total, then term deposits of the non-resident financial sector with \$2.1bn (2%), term deposits in Lebanese pounds of the resident private sector with LBP16.7tn (1.1%), term deposits of the public sector in Lebanese pounds with LBP5.5tn (0.4%), and term deposits of the public sector in foreign currency with \$298m (0.3%).

In parallel, demand deposits in all currencies at commercial banks stood at LBP680.8tn at the end of April 2023, constituting an increase of LBP6.2tn (+1%), from LBP674.6tn at the end of March 2023. They accounted for 44.4% of total deposits at end-April 2023 relative to a share of 45.3% at end of 2022 and of 40.8% at end-April 2022. The decrease in the share of demand deposits from end-2022 was mainly due to a decline of \$429.2m in demand deposits of non-residents in the first four months of 2023, a decrease of \$268.2m in demand deposits of the non-resident financial sector, and a contraction of LBP11.1tn in demand deposits in Lebanese pounds of the resident private sector. This was partly offset by an increase of \$25.7m in demand deposits in foreign currency of the public sector, an expansion of \$23.4m in foreign currency-denominated demand deposits of the resident private sector, and a rise of LBP76bn in demand deposits in Lebanese pounds of the public sector.

Also, demand deposits in foreign currency of the resident private sector totaled \$33.1bn and represented 32.4% of deposits at end-April 2023. Demand deposits of non-residents followed with \$8.2bn (8%), then demand deposits in Lebanese pounds of the resident private sector with LBP36.1tn (2.4%), demand deposits of the non-resident financial sector with \$1.2bn (1.2%), demand deposits in foreign currency of the public sector with \$364.6m (0.4%), and demand deposits in Lebanese pounds of the public sector with LBP1.4tn (0.1%).

Based on the latest available figures, Beirut and its suburbs accounted for 66.2% of private-sector deposits and for 49.2% of the number of depositors at the end of September 2022. Mount Lebanon followed with 15.2% of deposits and 18.8% of beneficiaries, then South Lebanon with 7% of deposits and 11.4% of depositors, North Lebanon with 6.6% of deposits and 12% of beneficiaries, and the Bekaa with 5% of deposits and 8.5% of depositors.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban

## Ratio Highlights

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

\*change in percentage points 21/20;

Source: Banque du Liban, Ministry of Finance, Central Administration of Statistics, Institute of International Finance, Byblos Research Estimates & Calculations

Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

## National Accounts, Prices and Exchange Rates

	2020	2021e	2022f
Nominal GDP (LBP trillion)	95.7	212.6	426.8
Nominal GDP (US\$ bn)	24.7	22.6	26.8
Real GDP growth, % change	-25.9	-9.9	2.5
Private consumption	-70	1.2	1.5
Public consumption	-4	-45.7	-9.8
Gross fixed capital	-63	-16.2	21.8
Exports of goods and services	-34.2	9.6	8.9
Imports of goods and services	-33.4	3.9	2.0
Consumer prices, %, average	84.9	154.8	97.7
Official exchange rate, average, LBP/US\$	1,507.5	1,507.5	1,507.5
Parallel exchange rate, average, LBP/US\$	6,705	16,821	26,070*
Weighted average exchange rate LBP/US\$	3,878	9,452	23,679

\*Average year-to-July 22, 2022

Source: Central Administration of Statistics, Institute of International Finance- June 2022

## Ratings & Outlook

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

Source: Rating agencies

Banking Sector Ratings	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service



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