

LEBANON THIS WEEK

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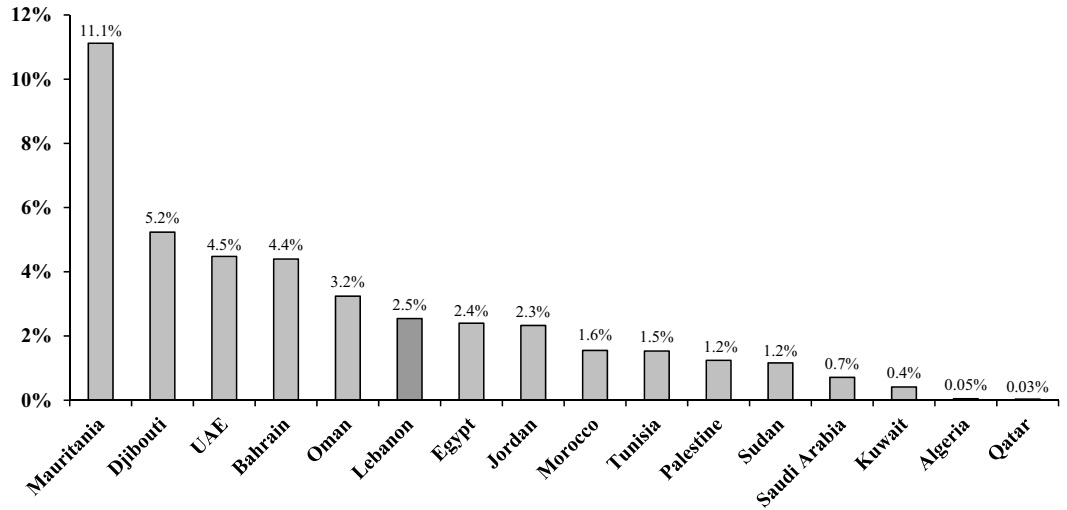
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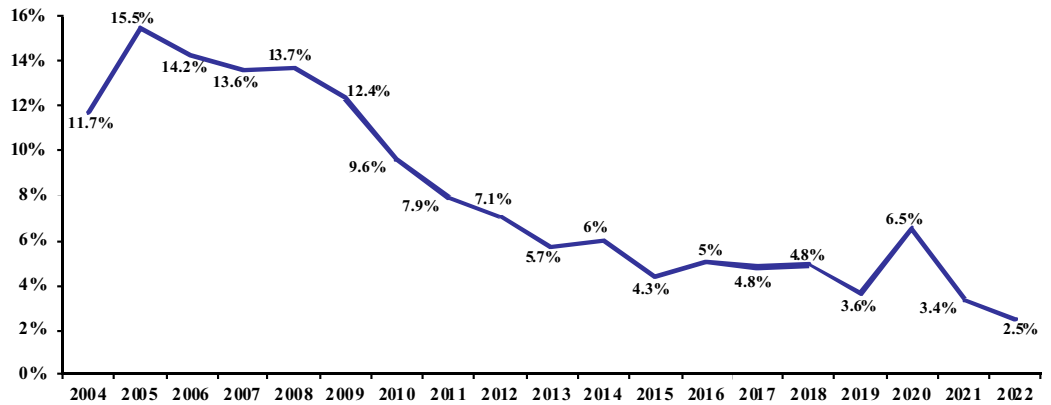
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Charts of the Week

Foreign Direct Investment Inflows to Arab Countries in 2022 (% of GDP)



Foreign Direct Investment Inflows to Lebanon (% of GDP)



Source: Banque du Liban, UNCTAD, IIF, IMF, Byblos Bankp

Quote to Note

"The economy could return to a growth rate of 3% in 2024, on the condition of overcoming political hurdles, progressing on reforms, and successfully implementing an IMF-supported program."

The European Bank for Reconstruction and Development, on the outlook on the Lebanese economy for the coming year

Number of the Week

17: Number of months since Lebanon signed a Staff-Level Agreement with the International Monetary Fund

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 "B"	77.05	(0.5)	167,376	27.2%	Apr 2024	6.65	7.88	1,993.88
Solidere "A"	77.00	1.2	27,803	41.8%	Jun 2025	6.25	7.88	228.16
BLOM GDR	2.50	0.0	20,000	1.0%	Nov 2026	6.60	7.88	100.24
Byblos Common	0.76	7.0	13,500	2.3%	Mar 2027	6.85	7.88	89.06
Byblos Pref. 08	27.00	0.0%	10,000	0.3%	Nov 2028	6.65	7.88	57.08
Byblos Pref. 09	29.99	0.0	9,864	0.3%	Feb 2030	6.65	7.88	44.12
BLOM Listed	3.20	6.7	1,000	3.7%	Apr 2031	7.00	7.88	36.76
HOLCIM	66.00	1.5	90	7.0%	May 2033	8.20	7.88	28.30
Audi GDR	1.16	0.0	-	0.8%	Nov 2035	7.05	7.88	22.23
Audi Listed	2.20	0.0	-	7.0%	Mar 2037	7.25	7.88	19.82

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

Source: Refinitiv

	Sep 25-29	Sep 18-22	% Change	September 2023	September 2022	% Change
Total shares traded	249,633	26,030	859	1,102,733	4,715,731	(76.6)
Total value traded	\$15,271,333	\$1,830,247	734.4	\$75,415,078	\$34,022,646	121.7
Market capitalization	\$18.43bn	\$18.26bn	0.9	\$18.26bn	\$12.81bn	42.6

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 195th globally, 16th in Arab world in government effectiveness

The World Bank's annual World Governance Indicators for 2022 show that Lebanon's score increased on two out of six governance indicators included in the survey and regressed on the other four indicators, reflecting a relative decline in the level of governance in the country from the previous year. Also, Lebanon's ranking improved on two indicators, regressed on three other ones, and was unchanged on one indicator from the previous survey. The indicators cover 214 countries and territories and are rated on a scale of -2.5 to +2.5, with higher values corresponding to better governance outcomes.

Lebanon ranked in 195th place worldwide among 211 countries and territories with available figures and in 16th place among 20 Arab countries in terms of Government Effectiveness. The indicator evaluates the quality of public and civil services and the degree of their independence from political pressure, as well as the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Lebanon's global rank decreased by five spots, while its regional rank regressed by one notch from the preceding year. Globally, Lebanon had a more effective government than North Korea, Myanmar and Venezuela, and a less effective one than Iraq, the Republic of Congo and Chad among countries with a nominal GDP of \$10bn or more. Regionally, Lebanon had a higher level of government effectiveness than only Sudan, Syria, Libya and Yemen. The results show that 92.4% of countries and territories in the world have a better score than Lebanon on this dimension of governance.

In addition, Lebanon ranked in 182nd place globally among 211 countries and territories with available figures and in 15th place regionally on the Control of Corruption category, which measures perceptions of the use of public power for private gain in a country, including both petty and grand forms of corruption. Lebanon's global rank improved by seven notches, while its regional rank was unchanged from the previous year. Globally, the control of corruption in Lebanon is better than in Cameroon, Myanmar and Afghanistan, and is less effective than in Paraguay, Nigeria and Iran. Regionally, the control of corruption in Lebanon is better than in Iraq, Sudan, Libya, Yemen, and Syria. The results show that 86.3% of countries and territories around the world had a better score than Lebanon on this dimension of governance.

Also, Lebanon ranked in 182nd place globally among 211 countries and territories with available figures and in 15th place regionally on the Rule of Law category, which is a measure of the extent that citizens have confidence in the rules of society and abide by them, as well as the likelihood that acts of crime and violence will occur. Lebanon's rank deteriorated by two notches globally, while its regional rank was unchanged from the preceding year. Globally, Lebanon preceded Guatemala, Kyrgyz Republic and Russia, while it trailed Cameroon, the Republic of Congo and Guinea on this indicator. Regionally, Lebanon came ahead of only Sudan, Iraq, Libya, Yemen and Syria. The results show that 86.3% of countries and territories around the world have a better score than Lebanon on this dimension of governance.

Further, Lebanon ranked in 182nd place worldwide among 211 countries with available figures and in 15th place among Arab countries in terms of Regulatory Quality, which assesses market-friendly policies and laws that enable and promote private sector development. Lebanon's global and regional rankings deteriorated by nine spots and by two notches, respectively, year-on-year. Globally, Lebanon ranked ahead of Russia, Chad, and Nigeria, and came behind Guinea, Mauritania and Algeria on this indicator. Regionally, the quality of rules and regulations in Lebanon was better than in Iraq, Sudan, Syria, Yemen, and Libya. The results show that 86.3% of countries and territories in the world have a better score than Lebanon on this dimension of governance.

Government Effectiveness Rankings & Scores in 2022

	Score	Arab Rank	Global Rank
UAE	1.30	1	25
Qatar	1.14	2	37
Bahrain	0.64	3	59
Saudi Arabia	0.58	4	62
Jordan	0.19	5	85
Kuwait	0.11	6	90
Oman	0.02	7	97
Morocco	-0.13	8	112
Tunisia	-0.30	9	123
Egypt	-0.45	10	139
Algeria	-0.51	11	142
Mauritania	-0.70	12	157
Djibouti	-0.79	13	164
Palestine	-0.90	14	175
Iraq	-1.30	15	191
Lebanon	-1.46	16	195
Sudan	-1.71	17	201
Syria	-1.75	18	205
Libya	-1.75	19	206
Yemen	-2.23	20	210

Source: World Bank, Byblos Research

Lebanon's Rankings and Scores on Governance Indicators for 2022

	Global Rank	Change in Rank	Arab Rank	Lebanon Score	Change in Score	Arab Avg Score
Voice & Accountability	144	↔	3	-0.63	▼	-1.10
Political Stability	193	▲	14	-1.47	▲	-0.88
Government Effectiveness	195	▼	16	-1.46	▼	-0.50
Regulatory Quality	182	▼	15	-1.13	▼	-0.50
Rule of Law	182	▼	15	-1.10	▼	-0.50
Control of Corruption	182	▲	15	-1.13	▲	-0.51

Source: World Bank, Byblos Research



Cost of sending remittances from several sources increases in second quarter of 2023

Figures issued by the World Bank show that the cost of sending \$500 in remittances from the United States to Lebanon was 5.33% in the second quarter of 2023, constituting declines from 5.38% in the first quarter of 2023 and from 5.54% in the second quarter of 2022. The cost includes the transaction fee and exchange rate margin, and represents the average cost of transferring money through commercial banks and money transfer operators. In nominal terms, the cost of sending \$500 from the U.S. to Lebanon was \$26.66 in the second quarter of 2023, relative to \$26.88 in the preceding quarter and compared to \$27.7 in the second quarter of 2022. Lebanon was the ninth most expensive destination for sending \$500 from the U.S. among 42 countries with available data.

Further, the cost of sending remittances from Canada to Lebanon stood at 5.86% in the second quarter of 2023 for a transfer of CAD500, representing an increase from 5.4% in the first quarter of 2023 and a decrease from 6.47% in the second quarter of 2022. In nominal terms, the cost of sending CAD500 from Canada to Lebanon was CAD29.31 in the second quarter of 2023 relative to CAD27.02 in the previous quarter and to CAD32.37 in the second quarter of 2022. Lebanon was the third most expensive destination for sending CAD500 from Canada among 15 countries with available data.

Also, the cost of sending remittances from Australia to Lebanon reached 7.37% in the second quarter of 2023 for a transfer of AUD500, constituting increases from 6.77% in the first quarter of 2023 and from 5.57% in the second quarter of 2022. The cost of sending AUD500 from Australia to Lebanon was AUD36.83 in the second quarter of 2023 relative to AUD33.83 in the preceding quarter and to AUD27.86 in the second quarter of 2022. Lebanon was the second costliest destination for sending AUD500 from Australia among 16 countries with available data.

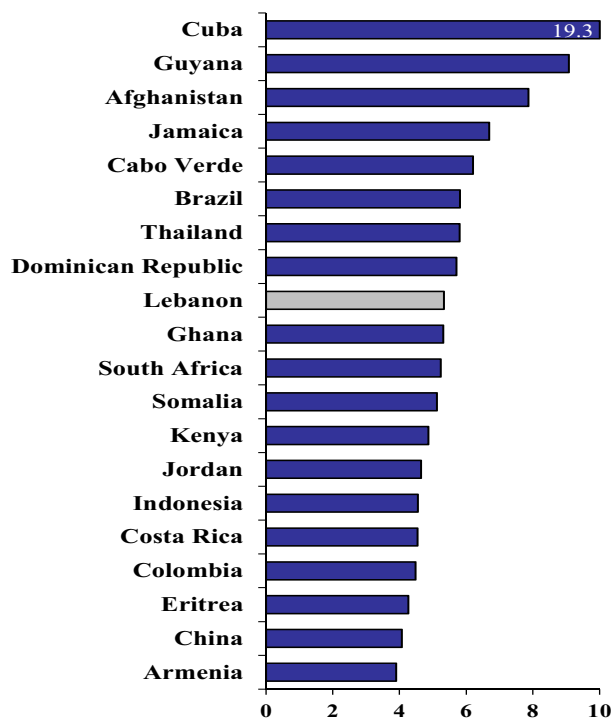
In addition, the cost of sending remittances from France to Lebanon was 7.13% in the second quarter of 2023 for a transfer of €345, representing increases from 5.96% in the first quarter of 2023 and from 5.29% in the second quarter of 2022. In nominal terms, the cost of sending €345 from France to Lebanon was €24.61 in the second quarter of 2023 relative to €20.56 in the previous quarter and to €18.26 in the second quarter of 2022. Lebanon was the third most expensive destination for sending €345 from France among 16 countries with available data.

Further, the cost of sending remittances from the United Kingdom to Lebanon stood at 5.7% in the second quarter of 2023 for a transfer of £300, constituting a decrease from 6.52% in the first quarter of 2023 and an increase from 5.42% in the second quarter of 2022. In nominal terms, the cost of sending £300 from the UK to Lebanon was £17.09 in the second quarter of 2023 relative to £19.55 in the preceding quarter and to £16.27 in the second quarter of 2022. Lebanon was the seventh most expensive destination for sending £300 from the UK, among 33 countries with available data.

Also, the cost of sending remittances from Germany to Lebanon was 6.8% in the second quarter of 2023 for a transfer of €345, representing increases from 5.89% in the first quarter of 2023 and from 5.74% in the second quarter of 2022. In nominal terms, the cost of sending €345 from Germany to Lebanon was €23.46 in the second quarter of 2023 relative to €20.3 in the previous quarter and to €19.8 in the second quarter of 2022. Lebanon was the second most expensive destination for sending €345 from Germany among 24 countries with available data.

Finally, the cost of sending remittances from Saudi Arabia to Lebanon reached 3.34% in the second quarter of 2023 for a transfer of SAR1,870, equivalent to \$500, decreasing from 3.36% in the first quarter of 2023 and from 3.49% in the second quarter of 2022. In nominal terms, the cost of sending SAR1,870 from Saudi Arabia to Lebanon was SAR62.37 in the second quarter of 2023, relative to SAR62.83 in the preceding quarter and to SAR65.2 in the second quarter of 2022. Lebanon was the eighth most expensive destination for sending SAR1,870 from Saudi Arabia among 17 countries with available data.

Costliest Destinations for Sending Remittances from the United States* (%)



*cost of sending \$500 from the U.S.

Source: World Bank, Byblos Research

Banque du Liban's foreign assets at \$14bn, gold reserves at \$17.3bn at end-September 2023

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP1,576.4 trillion (tn), or the equivalent of \$105.1bn, on September 30, 2023, constituting increases of 0.4% from LBP1,570.4tn (\$104.7bn) at mid-September 2023 and of 1% from LBP1,561.4tn (\$104.1bn) at end-August 2023. Assets in foreign currency stood at \$13.97bn at end-September 2023, representing a drop of \$1.22bn, or of 8% from end-2022 and a decline of \$933.8m (-6.3%) from \$14.9bn at end-September 2022. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds, unchanged from a year earlier. The dollar figures up until the end of January 2023 are based on the official exchange rate of the Lebanese pound to the US dollar of LBP1,507.5 per dollar at the time, while the dollar figures starting in February 2023 are based on the new exchange rate of LBP15,000 per dollar.

BdL's gross foreign currency reserves, which consist of its assets in foreign currency excluding Lebanese Eurobonds, stood at \$8.94bn at end-September, 2023, constituting increases of \$28m (+0.3%) from \$8.91bn at mid-September 2023 and of \$86.4m (+1%) from \$8.85bn at end-August 2023. They dropped by \$1.22bn (-12%) from the end of 2022 and by \$933.8m (-9.5%) from \$9.87bn at end-September 2022. Also, BdL's liquid foreign reserve assets stood at \$8.751bn as at end-September relative to \$8.727bn at mid-September 2023 and to \$8.573bn at end-July 2023. The cumulative decline of BdL's gross foreign-currency reserves in the past 12 months is largely due the government's borrowing from BdL, 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.

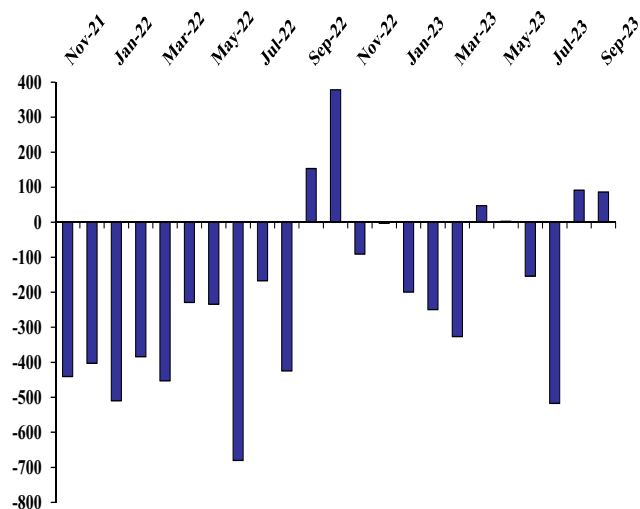
Further, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP60,794.1bn at end-September 2023, representing a decrease of 24.2% from LBP80,171.3bn at the end of 2022 and an increase of 3% from LBP58,943.5bn at end-September 2022.

In parallel, the value of BdL's gold reserves reached \$17.3bn at end-September 2023, constituting increases of \$609.1m (+3.7%) from the end of 2022 and of \$1.84bn (+12%) from \$15.42bn at end-September 2022. The value of gold reserves reached a peak \$18.7bn at mid-April 2023. Also, the securities portfolio of BdL totaled LBP65,751.2bn, or \$4.38bn, at end-September 2023. In addition, loans to the local financial sector stood at LBP16,908.1bn, or \$1.13bn; while the deposits of the financial sector reached LBP1,335.4tn, or \$89bn, at end-September 2023. In addition, public sector deposits at BdL stood at LBP149,082.2bn at end-September 2023 and surged by LBP131,821bn from a year earlier.

Moreover, BdL split the "Other Assets" item on its balance sheet since last February into three items that consist of Other Assets, Revaluation Adjustments, and Foreign Currency Loans to the Public Sector. The item "Other Assets" reached LBP105,972.2bn, or \$7.06bn at end-September 2023, and increased by 3% from LBP103,017.7bn a month earlier. Also, the Revaluation Adjustments item on the asset side that comprises BdL losses, mainly from subsidies and transfers to the state-owned Electricité du Liban, stood at LBP651,501.7bn at end-September relative to LBP642,657.7bn at mid-September 2023. Further, the balance sheet shows that BdL's loans to the public sector totaled LBP249,260.3bn, equivalent to \$16.62bn, as at end-September 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 the balance of overdraft of \$16.523bn in loans to the public sector on the "assets" side. BdL noted that it opened a special account called the "Exchange Rate Stabilization Fund", in which it recorded all the transactions related to foreign-exchange intervention to stabilize the exchange rate starting in 2020. It said that the balance of the fund was LBP111.6tn at end-September 2023.

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



*month-on-month change

Source: Banque du Liban, Byblos Research

Number of airport passengers up 19% in first nine months of 2023

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 5.8 million passengers utilized the airport (arrivals, departures and transit) in the first nine months of 2023, constituting increases of 19.4% from 4.8 million passengers in the same period of 2022 and of 55.2% from 3.1 million passengers in the first nine months of 2021. Also, 776,412 passengers utilized the airport in September 2023, constituting a rise of 20% from 647,527 in September 2022 and a decrease of 15% from 914,262 in August 2023. The number of arriving passengers reached 2.9 million passengers in the first nine months of 2023, and surged by 21% from 2.36 million passengers in the same period of 2022 and by 93.2% from 1.48 million passengers in the first nine months of 2021.

The number of arriving passengers stood at 341,242 in September, representing a growth of 22.3% from 278,943 in September 2022 and a decline of 10% from 379,114 passengers in August 2023. Also, the number of departing passengers totaled 2.92 million in the first nine months of 2023, constituting increases of 18.7% from 2.46 million passengers in the same period of last year and of 83% from 1.6 million passengers in the first nine months of 2021. Further, the number of departing passengers reached 434,540 in September, representing an increase of 18.5% from 366,811 in September 2022 and a decrease of 18.6% from 534,050 departing passengers in August 2023. The rise in the number of airport passengers in the covered period is due in part to the rolling back of most travel restrictions around the world in light of the receding threat of the coronavirus pandemic, and the subsequent increase in mobility amid the resumption of normal activity, as well as to the rise in the number of tourist and visitors to the country.

In parallel, the airport's aircraft activity totaled 45,896 take-offs and landings in the first nine months of 2023, representing an increase of 16% from 39,588 takeoffs and landings in the same period last year. In comparison, aircraft activity rose by 38% in the first nine months of 2022 and by 47% in the same period of 2021. In addition, the HIA processed 42,804 metric tons of freight in the first nine months of 2023 that consisted of 24,255 tons of import freight and 18,549 tons of export freight. Middle East Airlines had 19,196 flights in the covered period and accounted for 41.8% of the HIA's total aircraft activity.

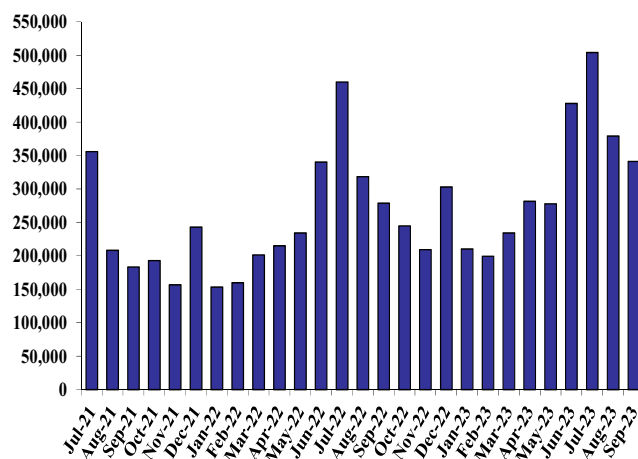
Net foreign assets of financial sector up \$1.1bn in first eight months of 2023

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 \$1.07bn in the first eight months of 2023, compared to decreases of \$3.1bn in the same period of 2022 and of \$2.37bn in the first eight months of 2021.

The cumulative surplus in the first eight months of 2023 was caused by an increase of \$2.42bn in the net foreign assets of banks and financial institutions, which was partly offset by a drop of \$1.34bn in those of BdL. Further, the net foreign assets of the financial sector increased by \$145.1m in August 2023 compared to decreases of \$217.2m in July 2023 and of \$314.3m in August 2022. The August increase was caused by a rise of \$115m in the net foreign assets of BdL and an uptick of \$30.1m in those of banks and financial institutions.

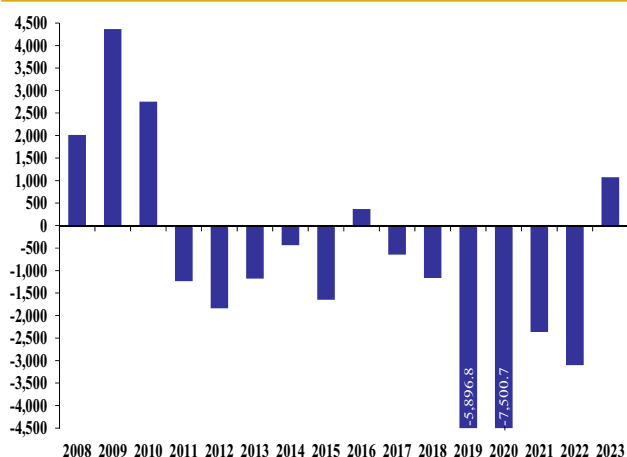
The cumulative increase in the banks' net foreign assets is mostly due to a decline in their foreign liabilities. The decrease in foreign liabilities was driven mainly by the contraction in liabilities to the non-resident financial sector and in non-resident customer deposits. In parallel, the decline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

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

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



*in first seven months of each year

Source: Banque du Liban, Byblos Research

Lebanon has 61st highest deposits penetration rate in the world at end-2022

Figures issued by the International Monetary Fund's 2023 Financial Access Survey show that there were 521.8 depositors per 1,000 adults at Lebanese commercial banks at the end of 2022, constituting a decline from 592.3 depositors per 1,000 adults at end-2021 and compared to 749.8 depositors per 1,000 adults at the end of 2012. As a result, Lebanon had the 55th highest depositors' penetration rate among 74 countries worldwide with available figures and the fourth highest among five Arab countries at the end of 2022. Globally, Lebanon had a higher depositors' penetration rate than Tanzania, Pakistan and Nicaragua, and a lower rate than the Dominican Republic, Malaysia and Uganda. It also has a higher penetration rate than Egypt, while it has a lower rate than Saudi Arabia, Kuwait, and the UAE in the Arab world.

Also, there were 1,223.5 deposit accounts per 1,000 adults at commercial banks in Lebanon at the end of 2022, up from 1,192.6 deposit accounts per 1,000 adults at end-2021 and compared to 1,313.5 deposit accounts per 1,000 adults at the end of 2012. As such, Lebanon had the 61st highest deposit account penetration rate among 104 countries worldwide with available figures for end-2022, and the third highest after Saudi Arabia and the UAE among seven Arab countries.

In parallel, there were 128.8 borrowers per 1,000 adults at commercial banks in Lebanon at the end of 2022, constituting a decrease from 163.2 borrowers per 1,000 adults at end-2021 and compared to 269.5 borrowers per 1,000 adults at the end of 2012. The borrowers' penetration rate ranked Lebanon in 55th place globally among 80 countries with available figures for end-2022, and in fifth place among seven Arab countries with available data. Globally, Lebanon has a higher penetration rate of borrowers than Egypt, Honduras and Rwanda, and a lower rate than Guatemala, Kyrgyz Republic and Albania among economies with a GDP of \$10bn or more. It also has a higher penetration rate than Egypt and Algeria, while it has a lower rate than the UAE, Tunisia, Kuwait and Saudi Arabia in the Arab world.

Further, there were 262.4 loan accounts per 1,000 adults at Lebanese commercial banks at the end of 2022, down from 343.8 loan accounts per 1,000 adults at end-2021 and compared to 515.2 loan accounts per 1,000 adults at the end of 2012. The loan penetration rate ranked Lebanon in 55th place among 95 countries globally with available figures, and in fourth place after the UAE, Saudi Arabia and Morocco among seven Arab economies.

According to the IMF, there were 513,199 borrowers and 1.05 million loan accounts at commercial banks in Lebanon at the end of 2022. Also, there were 2.08 million depositors and 4.87 million deposit accounts at banks in Lebanon at end-2022.

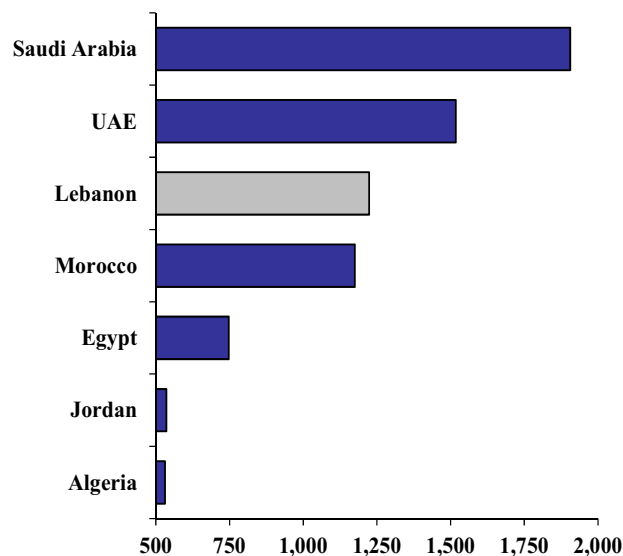
Banque du Liban streamlines fees on deposit accounts

Banque du Liban (BdL) issued Intermediate Circular 679/13587 dated October 3, 2023 addressed to banks about modifying Basic Circular 147/13100 of September 3, 2019 related to the opening of bank accounts, and after requesting the opinion of the Association of Banks in Lebanon

First, the circular asked banks to refrain from imposing new fees on deposit accounts that they did not levy prior to October 31, 2019. Second, it asked banks to prepare a list of detailed and documented information on the effective cost of the accounts on clients, as well as on the calculation and collection of the fees, in order to avoid including undeclared fees. Third, it required banks to post the list in a clear location at their headquarters, at all branches, and on the banks' website no later than October 16, 2023.

Fourth, it stated that the Banking Control Commission of Lebanon will monitor the proper implementation of the clauses of the circular, and that any breach of the provisions of the circular will expose the bank to administrative penalties as per Article 208 of the Code of Money and Credit.

Deposit Penetration Rates among Arab Countries at end-2022
(Number of deposit accounts per 1,000 adults)



Source: International Monetary Fund, Byblos Research

Five Lebanese universities included in 2024 global university rankings

The Times Higher Education University Rankings for 2024 included five Lebanese universities among 1,904 ranked universities across 108 countries around the world. The American University of Beirut (AUB), the Beirut Arab University (BAU), and the Lebanese American University (LAU) ranked in the 501-600 range globally, with an overall score of between 41.9 points and 45.3 points out of a maximum of 100 points. The Lebanese University followed in the 801-1000 range (32.7-36.9 points), then Université Saint-Joseph de Beyrouth (USJ) in the 1201-1500 range (22.8-28.2 points). The rankings are based on a weighted average of five factors that are Research Quality with a 30% weight, followed by Teaching (29.5%), Research Environment (29%), International Outlook (7.5%), and Industry (4%). The Times Higher Education is a British publication specializing in higher education. The rankings of BAU and the Lebanese University improved year-on-year from the 601-800 range and from the 1001-1200 brackets, respectively, while the classification of AUB deteriorated from the 351-400 range, and the rankings of LAU and USJ were unchanged from the preceding year.

The survey ranked BAU in first place among Lebanese universities on the Teaching factor with a score of 48.5 points, followed by the Lebanese University (42.8 points), USJ (32.6 points), AUB (29.7 points), and LAU (26.7 points). This factor examines the learning environment in a university. It assesses the perception about a university in teaching, measures the ratios of students-to-staff, and takes into account the number of doctorates awarded relative to the number of bachelor degrees awarded. In addition, it ranked BAU in first place among Lebanese universities on the International Outlook factor with a score of 88.2 points, followed by LAU (84.2 points), the Lebanese University (78.8 points), AUB (72.9 points), and USJ (69.7 points). This category assesses the ability of a university to attract undergraduate and postgraduate students, as well as faculty members, from around the world.

Further, it ranked LAU in first place among Lebanese universities on the Research Quality factor with a score of 76.4 points, followed by AUB (73.5 points), BAU (47.3 points), USJ (24.2 points), and the Lebanese University (23.6 points). This factor examines the influence of research by capturing a university's role in spreading new knowledge and ideas. Also, it ranked BAU in first place among Lebanese universities on the Research Environment with a score of 24.6 points, followed by the Lebanese University (22.3 points), AUB (17.9 points), LAU (13.2 points), and USJ (10.9 points). This category looks at a university's reputation for research excellence among its peers, based on the responses to the Times Higher Education's annual Academic Reputation Survey. It measures the productivity of research by counting the number of research papers published in academic journals, and scales research grants against the number of academic staff and adjusts research contributions for purchasing power parity.

In addition, it ranked AUB in first place among Lebanese universities on the Industry factor with a score of 66 points, followed by LAU (32.8 points), USJ (27 points), BAU (18.6 points), and the Lebanese University (17.7 points). This factor measures the institution's ability to attract funding to provide support to researchers. It also identifies the extent of the universities' support for their national economies through technology transfer.

Banque du Liban's foreign currency liquidity at \$8.4bn at end-September 2023

Banque du Liban (BdL) indicated that its foreign currency liquidity stood at \$8.414bn at the end of September 2023, constituting a decline of \$75m from \$8.489bn at end-August of this year; in addition to \$434m that consisted of the market value of its portfolio of Lebanese Eurobonds relative to \$413m at end-August 2023. It attributed the decline in BdL's foreign currency liquidity mainly to the appreciation of the exchange rate of the Euro against the US dollar from EUR1.0873 per dollar on August 31, 2023 to EUR1.0611 per US dollar on September 30, 2023. It also noted that the figures exclude BdL's holdings of gold. It added that its obligations in foreign currency totaled \$1.3bn at end-September of this year, which consist of payments that it has to disburse from its foreign currency liquidity when they are due.

The distribution of BdL's foreign currency liquidity shows that term deposits stood at \$3.45bn and accounted for 41% of the total, followed by current accounts at \$3.2bn (38%), cash in vault at \$1.53bn (18.2%), and international securities at \$235m (2.8%). It noted that the accounts consist of foreign currencies, mostly in US dollars and in Euros, at the exchange rates that prevailed as at September 30, 2023.

In parallel, the distribution of BdL's foreign currency obligations shows that loans to Arab parties stood at \$660m and accounted for 50.8% of the total, followed by public sector deposits in "fresh dollars" at \$351m (27%), deposits of Arab parties at \$102m (7.8%), letters of credits opened by BdL at \$98m (7.5%), Special Drawing Rights available for use at \$76m (5.8%), and commercial banks' accounts in "fresh dollars" at \$13m (1%). It noted that loans to and deposits of Arab parties consist of long-term obligations that carry interest payments.

In addition, BdL indicated that it is continuing with its declared policy of preserving its liquid foreign assets and of not using them except 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.



Electricité du Liban to accept cash payments for its bills

The Ministry of Energy and Water announced that it has received the consent of the Legislation and Consultation Committee at the Ministry of Justice for citizens to pay their electricity bills in cash, either in US dollars or in Lebanese pounds. It indicated that the committee responded to a request for consultation that the state-owned Electricité du Liban (EdL) submitted, and noted that the latter received the committee's reply on September 20, 2023. It added that the board of directors at EdL needs to issue a decision in order for this procedure to go into effect, and that the board is currently preparing this decision as it will contribute to addressing the problem of generating foreign currency liquidity to EdL so it can meet its obligations in US dollars and in Lebanese pounds.

Further, the Energy Ministry considered that this procedure will give flexibility to consumers to choose the currency of their choice with which to pay their energy bills, given that the ministry uses currently an exchange rate of LBP103,100 per US dollar for its invoices compared to the prevailing market rate of LBP89,500 per dollar, which will encourage citizens to pay their bills in cash dollars in order to save the amount that results from the difference between the two exchange rates.

In parallel, Article 23 of the first version of the 2024 draft budget stipulates that the Ministry of Finance can collect taxes and fees in foreign currencies on revenues, profits and interest rates generated in foreign currency. This include customs tariffs, the value-added tax (VAT) at customs, the fees that EdL levies, airport fees and the VAT on airport fees, the fee on departures from the Lebanese territory by air or by sea, all port fees levied on the usage of container terminals, taxes dues on income in foreign currency generated from movable capital, taxes and fees on the operators and right holders for the exploration of oil and gas in Lebanon's territorial waters, consular fees at Lebanese diplomatic missions abroad, the refundable VAT that tourists pay, as well as residence fees for foreign labor, among others. Also, it can collect the revenues and profits in foreign currency that revert to the Lebanese State from its share in the extraction of oil and gas, and the sale of oil and gas and their derivatives; its share from gaming revenues that Casino du Liban generates in foreign currency; as well as its share in foreign currency from revenues generated from public-private partnerships. Further, it can collect dues in foreign currency on all services that the public administration or public institutions provide outside Lebanon.

In March 2021, the Ministry of Finance asked EdL to provide the ministry with the mechanism that EdL intends to follow in order to pay back Treasury advances and other transfers it has received from the Lebanese Treasury between 1997 and 2020. The Finance Ministry estimated that such advances and transfers totaled about LBP37,000bn, or \$24.54bn in the covered period. In addition, Alvarez & Marsal's preliminary forensic audit report of Banque du Liban dated August 7, 2023 shows that the latter used a total of \$24.53bn from its foreign currency reserves between 2010 and 2021 for the electricity sector that consist of \$18.93bn in credits and direct transfers to EdL, and \$5.6bn to the Energy Ministry.

Losses at EdL have constituted a burden on public finances for more than 20 years, which has required regular transfers from the Treasury and has led to wide fiscal deficits. The latest available figures show that Treasury transfers to EdL were equivalent to 5.1% of GDP in 2012, 4.3% of GDP in 2013, 4.4% of GDP in 2014, 2.3% of GDP in 2015, 1.8% of GDP in 2016, 2.5% of GDP in 2017, 3.2% of GDP in 2018, 2.8% of GDP in 2019, 3.7% of GDP in 2020, and 3% of GDP in 2021.

Private sector deposits at \$95.6bn at end-August 2023 based on new exchange rate

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at LBP1,706 trillion (tn), or the equivalent of \$113.7bn at the end of August 2023, constituting a decrease of 3% from LBP1,757.8tn (\$117.2bn) at end-July 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 LBP133.8tn at the end of August 2023, constituting a decrease of 1.3% from LBP135.6tn at end-July 2023. Loans to the resident private sector reached LBP118tn at end-August 2023 and contracted by 1.2% from LBP119.4bn a month earlier, while credit to the non-resident private sector amounted to LBP15.8tn at the end of August 2023 and regressed by 2% from LBP16.15tn at end-July 2023. Loans extended to the private sector in Lebanese pounds reached LBP12.9tn

at the end of August, constituting an increase of 9% from LBP11.8tn at end-July 2023, and decreases of 13.6% from end-2022 and of 21% from end-August 2022; while loans in foreign currency totaled \$8.06bn at the end of August 2023 and contracted by 2.3% from the previous month, by 20.7% in the first eight months of the year, and by 32.8% from end-August 2022.

In nominal terms, credit to the private sector in Lebanese pounds decreased by LBP2tn in the first eight months of 2023 compared to a decline of LBP1.95tn in the same period last year, while lending to the private sector in foreign currency dropped by \$2.1bn in the first eight months of 2023 relative to a contraction of \$3.6bn in the same period of 2022. Further, loans extended to the private sector in Lebanese pounds shrank by LBP14.7tn (-53.3%) and loans denominated in foreign currency decreased by \$33bn (-80.4%) since the start of 2019. The dollarization rate of private sector loans changed from 52.5% at end-August 2022 to 90.4% at the end of August 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 3.77% in August 2023 compared to 4.85% a year earlier, while the same rate in US dollars was 2.4% relative to 5.51% in August 2022.

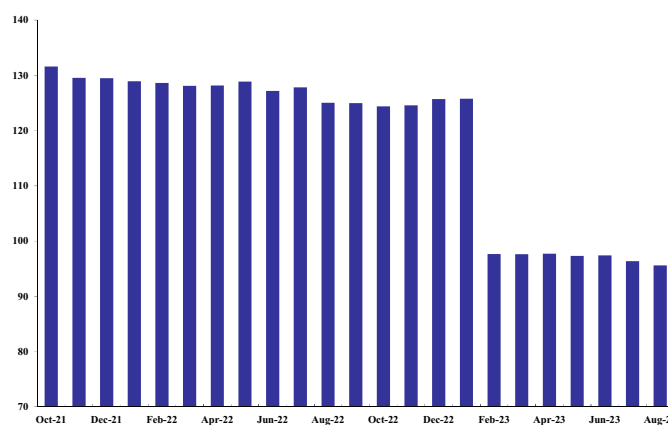
In addition, claims on non-resident financial institutions reached \$4.4bn at the end of August 2023, constituting a decrease of \$56m (-1.3%) from end-July 2022, and increases of \$199.6m (+4.8%) from end-2022 and of \$409.4m (+10.3%) from a year earlier. Also, claims on non-resident financial institutions dropped by \$4.73bn (-51.8%) from the end of August 2019 and by \$7.6bn (-63.3%) since the start of 2019. Further, deposits at foreign central banks totaled \$886.8m at the end of August, constituting increases of \$24.1m (+2.8%) from end-July 2023, of \$82.4m (+10.2%) in the first eight months of 2023, and a decline of \$210m (-19%) from end-August 2022. In addition, the banks' claims on the public sector reached LBP52.05tn at end-August 2023 based on the new exchange rate, up from LBP52tn at end-July 2023. The banks' holdings of Lebanese Treasury bills stood at LBP11.63tn, while their holdings of Lebanese Eurobonds reached \$2.66bn at end-August 2023 relative to \$3.9bn a year earlier. Further, the deposits of commercial banks at Banque du Liban amounted to LBP1,258.2tn (\$83.9bn) at the end of August 2023, representing a decrease of 0.4% from LBP1,263.1tn (\$84.2bn) at end-July 2023.

In parallel, private sector deposits totaled LBP1,433.8tn at the end of August 2023, or \$95.6bn based on the new exchange rate, constituting a decrease of 0.8% from LBP1,445.3tn the end of July 2023. Deposits in Lebanese pounds reached LBP51.05tn at end-August 2023, as they declined by 7.3% from the previous month, while they increased by 12.5% from the end of 2022 and by 24.5% from a year earlier; while deposits in foreign currency stood at \$92.2bn and regressed by 0.5% from end-July 2023, by 3.6% in the first eight months of the year, and by 5.8% from end-July 2022. Resident deposits accounted for 77.7% and non-resident deposits represented 22.3% of total deposits at end-August 2023.

In nominal terms, private sector deposits in Lebanese pounds decreased by LBP4tn from end-July 2023 and increased by LBP5.7tn in the first eight months of the year, while foreign currency deposits regressed by \$496m from end-July 2023 and by \$3.4bn 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 LBP26.1tn (-34%) and foreign currency deposits declined by \$30.9bn (-25%) since the start of 2019. The dollarization rate of private sector deposits changed from 78.2% at end-August 2022 and 76.1% at the end of 2022 to 96.4% at end-August 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 \$3.1bn at the end of August 2023 and regressed by 4.4% from \$3.25bn at end-July 2023, by 28% from \$4.3bn at end 2022, and by 29% from \$4.4bn at the end of August 2022. Also, the average deposit rate in Lebanese pounds was 0.4% in August 2023 compared to 0.6% a year earlier, while the same rate in US dollars was 0.03% relative to 0.1% in August 2022. Further, the banks' aggregate capital base stood at LBP97.8tn (\$6.5bn) at the end of August 2023, down by LBP29.7tn from LBP127.6tn at end-July 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	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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