

# LEBANON THIS WEEK

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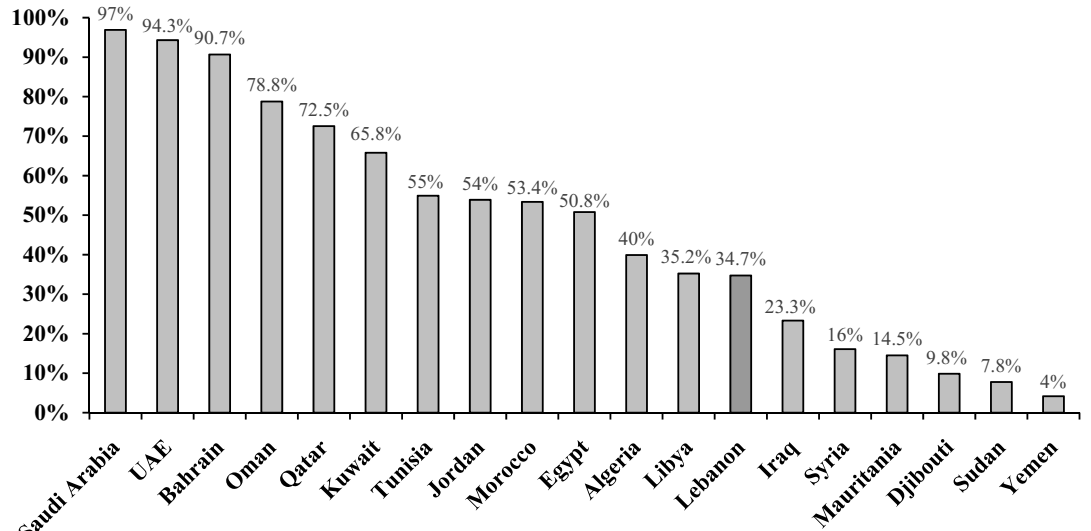
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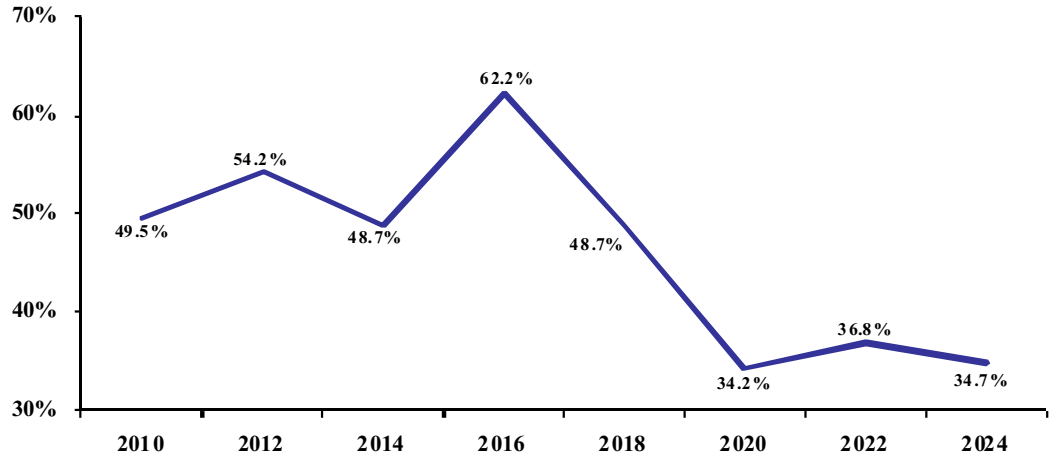
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## Charts of the Week

Percentile Rankings of Arab Countries on the E-Government Development Index for 2024



Percentile Rankings of Lebanon on the E-Government Development Index



Source: UN Department of Economic and Social Affairs, Byblos Bank

## Quote to Note

"The conflict will exacerbate the already low quality of basic public services in the water, electricity, transport, healthcare, education and social protection sectors."

*Moody's Ratings, on the need to engage the private sector through public-private partnerships to improve the quality and reduce the cost of public services*

## Number of the Week

**29:** Number of months that the Council of Ministers has been operating in a caretaker capacity

## Lebanon in the News

\$m (unless otherwise mentioned)	2021	2022	2023	% Change*	Dec-22	Nov-23	Dec-23
Exports	3,887	3,492	2,995	-14.2%	272	290	240
Imports	13,641	19,053	17,524	-8.0%	1,251	1,253	1,303
Trade Balance	(9,754)	(15,562)	(14,529)	-6.6%	(979)	(963)	(1,063)
Balance of Payments	(1,960)	(3,197)	2,237	-170.0%	17	186	591
Checks Cleared in LBP**	18,639	27,146	4,396	-83.8%	3,686	359	404
Checks Cleared in FC**	17,779	10,288	3,109	-69.8%	577	106	183
Total Checks Cleared**	36,418	37,434	7,505	-80.0%	4,263	465	587
Fiscal Deficit/Surplus	2,197	-	-	-	-	-	-
Primary Balance	5,009	-	-	-	-	-	-
Airport Passengers	4,334,231	6,360,564	7,103,349	11.7%	551,632	323,523	481,470
Consumer Price Index	154.8	171.2	221.3	5,014bps	122.0	211.9	192.3

\$bn (unless otherwise mentioned)	Dec-22	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	% Change*
BdL FX Reserves	10.40	8.82	8.91	9.14	9.37	9.64	-7.3%
In months of Imports	-	-	-	-	-	-	-
Public Debt	101.81	-	-	-	-	-	-
Bank Assets	169.06	113.72	112.69	112.25	112.58	115.25	-31.8%
Bank Deposits (Private Sector)	125.72	95.59	95.17	94.64	94.97	94.75	-24.6%
Bank Loans to Private Sector	20.05	8.92	8.69	8.58	8.53	8.32	-58.5%
Money Supply M2	77.34	6.64	6.77	6.48	6.78	6.72	-91.3%
Money Supply M3	152.29	78.38	78.10	77.42	77.74	77.75	-48.9%
LBP Lending Rate (%)	4.56	3.77	4.36	3.34	3.29	3.97	20
LBP Deposit Rate (%)	0.60	0.41	0.49	1.02	1.41	0.55	14
USD Lending Rate (%)	4.16	2.40	3.15	3.70	3.08	1.95	(45)
USD Deposit Rate (%)	0.06	0.03	0.03	0.05	0.05	0.03	0

\*year-on-year

\*\*checks figures do not include compensated checks in fresh currencies

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

## Capital Markets

Most Traded Stocks on BSE*	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Audi GDR	1.63	19.0	327,975	0.9%	Nov 2024	6.25	8.38	21,880.60
Byblos Common	0.80	23.1	122,727	2.1%	Jun 2025	6.25	8.38	1,125.81
Solidere "A"	93.00	(0.4)	74,844	43.5%	Nov 2026	6.60	8.38	159.56
BLOM GDR	3.31	0.0	20,000	1.1%	Mar 2027	6.85	8.38	132.72
BLOM Listed	7.00	0.0	13,986	7.0%	Nov 2028	6.65	8.38	71.70
Solidere "B"	91.15	(0.9)	10,097	27.7%	Feb 2030	6.65	8.38	52.04
HOLCIM	65.30	0.0	3,333	6.0%	Apr 2031	7.00	8.38	41.92
Byblos Pref. 09	29.99	0.0	312	0.3%	May 2033	8.20	8.38	31.06
Audi Listed	1.70	0.0	-	4.7%	Nov 2035	7.05	8.38	23.76
Byblos Pref. 08	25.00	0.0	-	0.2%	Mar 2037	7.25	8.38	20.97

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

Source: Refinitiv

	Oct 7-11	Sep 30 - Oct 4	% Change	September 2024	September 2023	% Change
Total shares traded	574,471	154,387	272.1	782,658	1,102,733	(29.0)
Total value traded	\$8,909,149	\$11,627,176	(23.4)	\$43,575,568	\$75,415,078	(42.2)
Market capitalization	\$21.4bn	\$21.38bn	0.1	\$21.35bn	\$18.26bn	16..9

Source: Beirut Stock Exchange (BSE)



### **Lebanon's real GDP to contract by at least 10% in 2025 in case of prolonged conflict**

The Institute of International Finance indicated that the ongoing war between Israel and Hezbollah will severely affect the Lebanese economy. It noted that the country has experienced multiple shocks during the past five years, while the country suffers from political paralysis as Parliament has not been able to elect a president since October 2022 and the executive branch is governed by a caretaker government with limited powers. It considered that the economic implications of the war will depend on the extent and duration of the fighting. As such, it developed two scenarios about the impact and the course of the war on the economy, and estimated that the baseline scenario has a "high probability" of materializing compared to a "low probability" for its pessimistic scenario.

In its baseline scenario, it assumes that the conflict will last until the middle of 2025 and will include an Israeli ground invasion. As such, it projected Lebanon's real GDP to contract by 7% in 2024 and 10% in 2025. It attributed the contraction in economic activity to an expected severe decline in private consumption, as it anticipated that more than 12% of the population, including Syrian refugees, will leave the country, as well as to a substantial decline in the exports of goods and services. Further, it said that the agricultural sector in the south and, to some extent, in the Bekaa Valley has been severely damaged, as the bombardments polluted the soil, disrupted supply chains, and led to the displacement of farmers. Also, it noted that tourism activity, which used to account for 20% of GDP, has come to a halt. It added that the conflict is damaging the infrastructure and considered that the additional loss in capital stock due to the war could take several years to rebuild, resulting in additional delays in the economic recovery. As such, it forecast the Lebanese population to decline from 6 million in 2024 to 5.3 million in 2025, and for nominal GDP to shrink from \$28bn in 2024 to \$26bn in 2025. Further, it projected the inflation rate to average 24.8% next year relative to 44% in 2024, and for the public debt level to decline from 184% of GDP in 2024 to 168% of GDP next year. Also, it projected the current account deficit to narrow from 12.5% of GDP in 2024 to 10.8% of GDP in 2025, and for foreign currency reserves to regress from \$10bn at the end of 2024 to \$7bn at end-2025.

Under its pessimistic scenario, the IIF assumes that the conflict would into a larger and prolonged war that would involve Iran and perhaps the United States. It estimated that the fighting would continue for most of 2025, which would result in a significantly larger losses of life, internal displacement, emigration, and damage to infrastructure than in its baseline scenario. As a result, it forecast the Lebanese population at 4.8 million and for nominal GDP to shrink to \$22bn in 2025. Further, it projected the inflation rate to average 30% and for the public debt level to increase to 194% of GDP next year. Also, it forecast the current account deficit to widen to 18.2% of GDP in 2025, and for foreign currency reserves to reach \$3bn at end-2025. In addition, it estimated that a protracted conflict would further delay the much-needed economic recovery in the country.

### **Ministry of Finance extends deadlines for tax declarations and payments**

The Ministry of Finance issued Decision 991/1 dated September 25, 2024 that extended until October 31, 2024 the deadline for companies to submit the annual tax declaration on the income tax on wages and salaries, on the annual individual disclosures, on the general annual disclosures on operations for 2023, and on paying the tax in case it is due. Further, the ministry issued Decision 990/1 dated September 25, 2024 that extended until October 31, 2024 the submission of all income tax declarations that it had previously extended until September 30, 2024. It attributed its two decisions to the escalation of the Israeli aggressions across the Lebanese territory, and added that the decisions provide taxpayers with the opportunity to comply with the tax requirements and to avoid penalties.

The decision covers the deadline for taxpayers to submit the tax declaration and pay the tax on transactions and operations that natural or legal persons carried out on Banque du Liban's (BdL) Sayrafa electronic exchange platform; the tax declaration for the second quarter of 2024 and for public institutions, municipalities, the federation of municipalities, public funds, independent authorities, and councils; the individual tax declaration on the income tax on the wages of individuals who work at more than one employer or who receive simultaneously a monthly pension payment or lifetime allocations; and the annual tax declarations of firms that hold petroleum operating rights and of companies that hold petroleum rights. Also, it covers the deadline to pay the tax and submit the annual tax declaration for 2023 for income tax payers on the lump sum profits basis and for organizations that are exempt from the income tax, other than the companies that rely on the cash accounting system. In addition, the decision covers the deadline for taxpayers to submit the tax declaration and pay the tax for 2023 for taxpayers on the real profits basis for individual, for partnerships, and for organizations that are exempt from the income tax, other than the companies that rely on the accrual accounting system.

In parallel, the ministry issued Memo 2400/1 dated September 25, 2024 about the field survey that the tax authorities have been conducting on companies, institutions, non-governmental organizations, and liberal professions. It asked the tax administration to hold off the field survey it is carrying out to verify the extent that companies, institutions, non-governmental organizations, and liberal professions are tax compliant and are registered at the Ministry of Finance, as well as to check if they comply with the requirements to submit their tax declarations and to pay their due taxes and fees, and with their need to withhold, collect and submit the taxes to the Treasury. It attributed its decision to the enormous human and physical damage that the Israeli aggressions have caused across the Lebanese territory, and to the resulting paralysis of activity in most sectors and in most regions of the country.

### Lebanon ranks 73<sup>rd</sup> globally, sixth in Arab world in terms of ecosystem for startups

The Global Startup Ecosystem Index for 2024 ranked Lebanon in 73<sup>rd</sup> place globally and in sixth place among 10 Arab countries. In comparison, Lebanon came in 75<sup>th</sup> place globally and in sixth place in the Arab world on the 2023 index. As such, Lebanon's global rank improved by two spots, while its Arab rank was unchanged from the 2023 survey. Globally, Lebanon preceded Kazakhstan, Costa Rica and Sri Lanka, while it trailed Georgia, Pakistan, and Albania.

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 "pantheons", 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 365<sup>th</sup> place among 1,000 cities globally and in eight place among 21 Arab cities included in the 2024 index. In comparison, Beirut came in 385<sup>th</sup> place globally and in ninth place among 17 Arab cities in the 2023 survey. As such, Beirut's rank jumped by 20 spots globally in 2024 and improved by one spot regionally from the 2023 survey.

Beirut came ahead of Jeddah, Manama, Doha, Dammam, Algiers, Kuwait City, Erbil, Alexandria, Muscat, Rabat, Sharjah, Agadir and Baghdad among Arab cities. The jump in the ranking of Beirut was the 11th highest in the Arab world, after Muscat (+292), Erbil (+250), Rabat (+226), Baghdad (+162), Sharjah (+96), Doha (+94), Dammam (+73), Sharjah (+44), Cairo (+27), and Casablanca (+22).

The rankings of eight Arab countries improved, that of one Arab economy deteriorated, and the ranking of one Arab state remained unchanged in 2024. However, the rankings of 18 Arab cities increased, those of two Arab cities deteriorated, while Alexandria was included for the first time in the index in 2024.

The survey stated that startups in Lebanon received \$0.7m in funding in 2020, obtained \$0.5m in financing in 2021, \$20.6m in funding in 2022, and \$0.1m in financing in 2023. Further, the funding of Lebanese startups accounted for 0.003% of aggregate startup funding in the Arab world in 2023 and represented 0.2% of aggregate startup funding in the Arab world in the 2020-23 period.

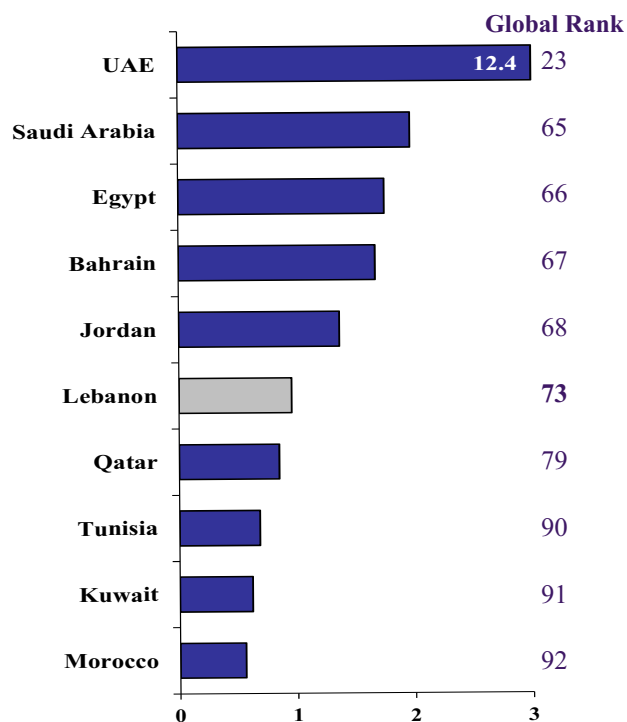
The survey indicated that Lebanon is currently facing significant economic challenges due to multiple political and financial issues. It added that the country is grappling with the depreciation of the local currency, high inflation rates, and disruptions in essential services such as electricity and public health. It noted that the unemployment and poverty rates have surged, exacerbating the plight of entrepreneurs in Lebanon. However, it said that efforts towards implementing much-needed economic reforms have been limited, hindering the country's long-term economic potential.

Further, it pointed out that the presence of bureaucratic hurdles in Lebanon makes it challenging for startups to thrive and expand in the country. It indicated that numerous startups have either closed down or relocated to more stable environments, particularly in the Gulf Cooperation Countries.

In parallel, the survey considered that it is crucial for Lebanon to capitalize on its resources and inspire more young individuals to embark on entrepreneurial endeavors. It 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 noted that the success of the local startup scene will hinge on retaining talented entrepreneurs in Lebanon rather than losing them to more secure destinations like Dubai, Europe, or 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 in cooperation with the United Nations Development Program.

**Global Startup Ecosystem Index for 2024  
Arab Countries' Scores & Rankings**



Source: StartupBlink, UNDP, Byblos Research

### **Banque du Liban expands terms of deposit withdrawals in foreign currency**

Banque du Liban (BdL) issued Intermediate Circular 711/13671 dated October 10, 2024 addressed to banks that amends Basic Circular 166/13611 of February 2, 2024 about exceptional measures related to the gradual disbursement of deposits in foreign currency from accounts that clients opened after October 31, 2019.

First, the circular removed one of the eligibility conditions for Basic Circular 166/13611 that stipulates that depositors who converted after October 31, 2019 Lebanese-pound deposits to US dollars in excess of \$300,000, except for the conversion of end-of-service indemnities to US dollars, and kept all other conditions.

Second, BdL stated that the depositors who are not eligible to benefit from the terms of the new circular consist of the following. First, the depositors who did not comply with the requirement of Basic Circular 154/13262 dated August 27, 2020 about repatriating 15% or 30% of funds that they transferred abroad since July 2017. Second, depositors whose bank accounts' activity shows that they were selling and buying checks after end-October 2019. Third, depositors who reimbursed in Lebanese pounds, after end-October 2019, the equivalent of at least \$300,000 in foreign currency loans. Fourth, depositors who converted, after end-October 2019, at least \$300,000 in foreign currency loans to Lebanese pounds. Fifth, depositors who bought at least \$75,000 at the exchange rate of BdL's Sayrafa electronic exchange platform. Seventh, depositors who are still benefiting from the terms of Basic Circular 158/13335 dated June 8, 2021 during the yearly cycle that starts on July 1 and ends on June 31 of each year.

Basic Circular 166/13611 stipulated that the amounts that are eligible for withdrawals consist of a resident or non-resident natural person's aggregate foreign currency deposit balance at all bank accounts as at June 30, 2023, with the exception of "fresh money" accounts. Second, it said that the eligible amounts include term deposit accounts, upon their maturity, that clients opened after October 31, 2019; and the cash collateral, upon its release, that the client pledged after end-October 2019. It indicated that, in case the client decides to benefit from the circular he/she should ask the bank to open a new "Special Sub-Account", and stressed that the account owner can benefit from the terms of this circular for an amount that does not exceed \$4,350 from all banks combined. It added that the bank has to transfer to this new account up to \$4,350 in any foreign currency from the account that the customer identifies. It said that eligible depositors can withdraw from their "Special Sub-Account" \$150 in banknotes monthly and/or they can transfer the sum abroad or deposit it in a "fresh dollar" account, without incurring any commission or direct or indirect fees of any kind. It added that the client can withdraw a maximum of \$1,800 per year.

It noted that the client has to sign a declaration stating that he/she did not conduct any operation that renders him/her ineligible to benefit from the terms of the circular. It added that, in case the bank determines that the client's declaration is incorrect, it will suspend his/her eligibility and will recover the funds that the client withdrew. BdL stipulated that the circular will go into effect upon its publication.

### **Banque du Liban allows holders of bankers' checks to benefit from cash withdrawals**

Banque du Liban (BdL) issued Intermediate Circular 712/13672 dated October 10, 2024 addressed to banks that amends Basic Circular 147/13100 of September 3, 2019 about the opening of bank accounts in Lebanon, and after requesting the opinion of the Association of Banks in Lebanon.

First, the circular stipulates that the bank that has issued a banker's check for its client has to accept, at the request and responsibility of the latter, the check if it has not been endorsed, and that it will cancel the check and bring back the amount in the client's account. Second, it said that the bank can reinstate the check provided that there is no legal issue preventing this operation and that there is no pending legal dispute between the bank and the client about the check or the related account. Third, it said that, in case the client's account has been closed, the bank has to reopen an account in order to deposit the value of the check.

Fourth, it said that the client may benefit, in accordance with the amount of the check, from the provisions of regulatory texts that BdL issued or that it may issue, particularly from Basic Circular 158/13335 and Basic Circular 166/13611. Fifth, BdL stipulated that the circular will go into effect upon its publication.

Basic Circular 147/13100 required banks to request a certificate of registration from the Ministry of Finance for natural or legal persons residing in Lebanon that seek to open a bank account for their business, commercial or professional activities. Accordingly, it asked banks to update the files and documents of existing clients whose accounts were opened prior to September 3, 2019.

Also, BdL issued on January 25, 2022 Intermediate Circular 611/13405 to banks that modifies Basic Circular 147/13100. The modification stipulated that banks should not refuse checks that clients deposit in their current accounts except in two cases: first, if they do not conform with the clauses of Law 44 about combating money laundering and the financing of terrorism. Second, if they do not conform with the regulations that BdL issues, especially with the clauses of Basic Decision 83/7818 dated May 18, 2001 about the monitoring of banking and financial operations for combating money laundering and the financing of terrorism, and with the clauses of Basic Decision 44/6939 dated March 25, 1998 about the solvency ratios of banks.



### **Lebanon makes "no significant progress" on improving fiscal transparency in 2023**

The United States Department of State indicated in its 2024 Fiscal Transparency Report on 140 countries that the Lebanese government did not make significant progress in terms of improving fiscal transparency, as the government did not enact a formal budget for 2023. It noted that the government did not provide a distribution of expenditures by ministry, did not publish an executive budget proposal or end-of-year report online within a reasonable period of time, and did not detail the expenditures to support executive offices due to the lack of an enacted budget. Further, it said that the information in the budget for 2022 was not reliable nor reasonably accurate, and did not correspond to actual revenues and expenditures. It added that the government did not issue revised budget estimates. Also, it pointed out that the budget for 2022 did not provide a substantially full picture about expenditures and revenues. It stated that the information on debt obligations, including the debt of major state-owned enterprise (SOEs), was not available, and the details about allocations to and earnings from SOEs were limited. It added that budgets to support executive offices, the military, and intelligence services were not disclosed. In addition, it indicated that the Court of Audit did not meet international standards of independence, did not audit the entire annual executed budget, and did not publish its audit reports within a reasonable period of time.

However, it listed several steps that Lebanon could take to improve its fiscal transparency through enacting and publishing the budget within a reasonable period of time; publishing an executive budget proposal and end-of-year report within an acceptable timeframe; as well as ensuring that the budget provides a full picture by including major sources of revenues, expenditures, and debt obligations, including the debt of major SOEs. It also encouraged authorities to produce and publicly issue revised budget estimates or to pass a supplementary budget when budget executions deviate significantly from projections; to provide details on the allocations to and earnings of SOEs; as well as to break down the allocation of expenditures in order to support executive offices at ministries. Further, it called on the authorities to review the government's budget throughout the fiscal year, and to ensure the adequate audit and oversight of off-budget accounts. Finally, it stressed the need to submit the budgets of the military and intelligence services to parliamentary or public civilian oversight; as well as to ensure that the Court of Audit meets international standards of independence, provides audits of the budget's execution, and publishes its reports within a reasonable period of time.

In its 2024 Fiscal Transparency Report on 140 countries, the U.S. Department of State, in consultation with other relevant federal agencies, reviewed governments that it originally identified in its Fiscal Transparency Report for 2014. It utilized in its evaluation information from U.S. embassies and consulates, other U.S. government agencies, international organizations, and civil society organizations.

It considered that fiscal transparency is a critical element of effective public financial management that helps build market confidence and underpins economic sustainability. Also, it noted that fiscal transparency fosters greater government accountability by providing a window into government budgets, which would help citizens hold their leadership accountable and facilitate better public debate.

It indicated that the 2024 fiscal transparency review process assessed if governments publicly disclosed key budget documents, including the distribution of expenditures by ministry and the sources of revenues by origin and type. The review process also examined if governments had a supreme audit institution that meets international standards of independence and if it audits the government's annual financial statements, and if the results of the audits are made publicly available. Also, it said that the review assessed whether authorities outline the law and regulations of the process for awarding licenses and contracts for natural resource extraction and follow through in practice, and if they make publicly available basic information on such awards.

It noted that, while a lack of fiscal transparency can be an enabling factor for corruption, the report does not assess the corruption level in a country. It pointed out that a finding that a government "does not meet the minimum requirements of fiscal transparency" does not necessarily mean there is significant corruption in that country; while a finding that a government "meets the minimum requirements of fiscal transparency" does not necessarily reflect a low level of corruption in that country.

The U.S. Department of State indicated that, of the 140 countries and territories that it evaluated, only 72 governments met the minimum requirements of fiscal transparency for 2023, while 68 governments did not meet the minimum requirements of fiscal transparency for this year. However, it pointed out that, out of these 68 countries, 23 governments made significant progress toward meeting the minimum requirements of fiscal transparency for 2023.

Regionally, it indicated that the governments of Jordan, Morocco and Tunisia met the minimum requirements of fiscal transparency for 2023; while Bahrain, Djibouti, Egypt, Iraq, and Mauritania made significant progress toward meeting the minimum requirements of fiscal transparency. It added that the governments Algeria, Lebanon, Libya, Oman, Palestine, Saudi Arabia, Sudan and Yemen did not make significant progress toward meeting the minimum requirements of fiscal transparency for last year.



### Number of new construction permits up by 3.4% in first eight months of 2024

Figures issued by the Orders of Engineers & Architects of Beirut and of Tripoli show that the two orders issued 8,177 new construction permits in the first eight months of 2024, constituting an increase of 3.4% from 7,907 permits in the same period last year. Also, the orders of engineers issued 1,224 permits in August 2024, representing an uptick of 4.6% from 1,170 permits in July 2024 and a decrease of 1.5% from 1,243 in August 2023.

Mount Lebanon accounted for 30.6% of the number of newly-issued construction permits in the first eight months of 2024, followed by the South with 21%, the North with 17.7%, the Nabatieh area with 13.3%, the Bekaa region with 11.3%, and Beirut with 3.8%. The remaining 2.4% were permits issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon. The number of new construction permits issued in the North surged by 65.4% in the first eight months of 2024 from the same period last year, followed by permits in Beirut (+55.6%), in the Bekaa region (+52.3%), and permits issued for regions located outside northern Lebanon (+25.8%). In contrast, the number of new construction permits issued in the Nabatieh area dropped by 26.6% in the covered period, followed by permits in the South (-15.4%), and in Mount Lebanon (-2.5%).

Further, the surface area of granted construction permits reached 4.44 million square meters (sqm) in the first eight months of 2024, constituting an increase of 34% from 3.31 million sqm in the same period of 2023. Also, the surface area of granted construction permits reached 639,180 sqm in August 2024, up by 2% from 626,139 sqm in July 2024 and by 21.7% from 525,095 sqm in August 2023.

Mount Lebanon accounted for 1,274,413 sqm, or for 28.7% of the total surface area of granted construction permits in the first eight months of 2024. The North followed with 905,257 sqm (20.4%), then the South with 899,886 sqm (20.3%), the Bekaa region with 620,654 sqm (14%), the Nabatieh area with 418,232 sqm (9.4%), and Beirut with 144,038 sqm (3.2%). The remaining 176,079 sqm, or 4% of the total, represent the surface area of permits that the Order of Engineers & Architects of Tripoli issued for regions located outside northern Lebanon.

Also, the surface area of new construction permits issued in regions located outside northern Lebanon surged by 144.2% in the first eight months of 2024 from the same period last year, followed by surface areas in the Bekaa region (+102.4%), in the North (+93.8%), in Beirut (+65%), in Mount Lebanon (+26%), and in the South (+5.3%). In contrast, the surface area of new construction permits in the Nabatieh area decreased by 18.7% in the covered period. In parallel, the latest available figures show that cement deliveries totaled 2.35 million tons in 2023, constituting an increase of 10.8% from 2.12 million tons in 2022.

### Port of Beirut processes 2.7 million tons of freight in first half of 2024

Figures released by the Port of Beirut show that the port processed 2.7 million tons of freight in the first half of 2024, constituting an increase of 5.2% from 2.55 million tons of freight in the same period of 2023. Imported freight totaled 2.29 million tons in the covered period, up by 7% from 2.14 million tons in the first half of 2023, and accounted for 85.3% of total processed freight.

In addition, the volume of exported cargo reached 395,000 tons in the first half of 2024, representing a decrease of 3.7% from 410,000 tons in the same period of 2023, and accounted for 14.7% of aggregate freight in the covered period. A total of 770 vessels docked at the port in the first half of 2024, constituting a rise of 22.4% from 629 ships in the same period of the preceding year. The port handled 481,000 tons of freight in June 2024, down by 11.3% from 542,000 tons in May 2024. In addition, 138 vessels docked at the port in June 2024 compared to 117 ships in the preceding month.

In parallel, the Port of Tripoli processed 1.56 million tons of freight in the first half of 2024, representing a decline of 309,000 tons, or of 16.5%, from 1.87 million tons in the same period of 2023. Imported freight stood at 821,000 tons in the covered period, and decreased by 70,000 tons (9.3%) from 751,000 tons in the first half of 2023. Imports accounted for 52.6% of freight activity in the covered period.

In parallel, the volume of cargo that was exported through the port reached 739,000 tons in the first half of 2024, constituting a drop of 379,000 tons, or of 34%, from 1.12 million tons in the same period of 2023, and represented 47.4% of aggregate freight in the covered period. A total of 401 vessels docked at the port in the first half of 2024, constituting an increase of 0.8% from 398 ships in the same period of 2023. The port handled 417,000 tons of freight in June 2024, up by 28% from 326,000 tons in May 2024. Also, 72 vessels docked at the port in June 2024 compared to 79 ships in May 2024.



### Expansion of conflict increasingly affecting social and physical infrastructure

In its multidimensional assessment of the impact of Israeli attacks on Lebanon between October 8, 2023 and September 23, 2024, the United Nations Economic and Social Commission for Western Asia (ESCWA) indicated the Israeli attacks damaged or demolished 50,210 residential units in the districts of the Bekaa, Bint Jbeil, Hasbaya, Marjaayoun, Nabatieh, Saida, Tyre, Jezzine, and the West Bekaa. It said that 24,948 residential units in Marjaayoun; 15,910 in Bint Jbeil; 5,761 in Tyre; 2,411 in Hasbaya; 645 in Nabatieh; 351 in Saida; 149 in Jezzine; 27 in the Bekaa; and eight in the West Bekaa were damaged or demolished during the covered period.

It pointed out that 49.7% of the damaged residential units in Marjaayoun were moderately damaged, 42.4% were severely damaged and 8% were completely or partially demolished. It added that 49.5% of the affected residential units in Bint Jbeil were moderately damaged, 41.5% were severely damaged and 9% were completely or partially demolished. It stated that 51% of the impacted residential units in Tyre were moderately damaged, 38.4% were severely damaged and 10.7% were completely or partially demolished. Also, it said that 51.7% of harmed residential units in Hasbaya were moderately damaged, 43.6% were severely damaged and 4.7% were completely or partially demolished. Further, it indicated that 79.7% of the damaged residential units in Nabatieh were moderately damaged, 12.4% were severely damaged and 7.9% were completely or partially demolished. It added that 79.8% of the affected residential units were moderately damaged, 16.2% were severely damaged and 4% were completely or partially demolished. Also, it pointed out that 96% of impacted residential units in Jezzine were moderately damaged, 3.4% were severely damaged and 0.7% were completely or partially demolished. It added that 70.4% of the affected residential units in the Bekaa were moderately and 29.6% were completely or partially demolished; while 50% of residential units in the West Bekaa were moderately damaged, 25% were severely damaged and another 25% were completely or partially demolished. It added that affected non-residential infrastructures by the hostilities include public buildings, water facilities, religious places, industrial & agricultural facilities, commercial units, educational facilities, and other services such as gas stations and rest houses, but it noted that comprehensive, accurate and updated data does not exist yet.

It stated that damages to housing and non-residential infrastructure have been extensive, which pushed many inhabitants of villages and towns close to the border to relocate. It estimated that more than 200,000 people have been internally displaced since September 23 of this year, with children accounting for one third of internally displaced persons. It noted that the dislodgement of households has severely reduced children's access to services and increased protection risks, which could pose long-term threats to the country's human capital and social cohesion.

In addition, it indicated that disruptions to the tourism, agriculture and trade sectors have negatively affected the country's economic prospects and limit opportunities for growth and development. It said that physical damage to transportation networks and utilities hampers access to essential services and impedes economic activity. It considered that the costs needed to repair damage to housing and to access alternative housing will add an additional financial burden on households, and that the economic fallout of the current war will exacerbate poverty levels.

In parallel, it pointed out that the Israeli attacks since October 2023 have had a severe impact on agriculture in Lebanon. It said that approximately 1,879 hectares of prime farmland in Southern Lebanon were damaged between October 7, 2023 and September 12, 2024, which led to the abandoning of 1,200 hectares of agricultural land, the loss of more than 1,700 units of livestock and 390,000 units of poultry, and the destruction of more than 47,000 olive trees. Further, it conducted a survey in July 2024 that revealed that 70% of households in the South reported that they were unable to access their pasture, 26% of respondents abandoned their fields after being displaced, 23% lost their harvest, 17% indicated that their crops suffered damages or destruction, 14% said that they stopped grazing and producing feed grains, and 3% of households in the South cited the death or loss of livestock, or the damages or loss of households or productive assets. It noted that South Lebanon produces 36% of the country's olives and olive oil, and that the related destruction will severely impact the region's economy. It added that tobacco, the primary agricultural cash crop in the south, has also been severely affected, as 50% of tobacco farmers are from villages and towns along the Lebanese-Israeli border.

Also, it pointed out that the Israeli airstrikes have severely damaged the water infrastructure in the Bekaa and in the South governorates since September 23, 2024, which has cut off access to clean water for at least 30,000 individuals. It said that the repeated use of white phosphorus ammunition in southern Lebanon has led to a high risk of contamination of water sources, with potentially severe public health consequences.

Further, it estimated that the number of persons living in multidimensional poverty increased by 11% to 12% in the Nabatieh governorate and by 17% to 18% in the South governorate compared to levels prior to October 2023. It said that the increase in poverty in the Nabatieh and South governorates has been most visible in individuals who are deprived in at least one poverty indicators that are the education, housing, assets and property, employment, and income dimensions.

In addition, it considered that the ongoing limits of public expenditures, combined with insufficient levels of international aid and a deterioration in the rule of law and government effectiveness, will severely undermine the capacity of public institutions to address the compounding challenges resulting from the current war.

In parallel, it called for a comprehensive assessment of damages to residential and non-residential infrastructure, including schools, hospitals and public utilities, after hostilities cease. It considered that the assessment, along with multisectoral, area-based profiles at different geographic scales, should be the foundation for an integrated, evidence-based recovery and reconstruction plan.



### **Number of internally displaced persons exceeds 689,700**

Figures compiled by the United Nations' Office for the Coordination of Humanitarian Affairs (OCHA) show that 689,715 persons have been internally displaced as at October 9, 2024 due to the ongoing hostilities that erupted along Lebanon's border with Israel on October 8, 2023, constituting increases of 81,206 individuals, or of 13.3%, from 608,509 as at October 7, 2024, of 226.4% from 211,319 as at September 25, 2024, of 807.3% from 76,018 as at January 2, 2024, and of 13,890% from 46,325 displaced persons as at November 14, 2023. Also, it stated that 1,023 shelters are providing accommodation for more than 186,000 Internally Displaced Persons (IDPs), out of which 837 shelters are at full capacity. It added that public schools account for 60% of the shelters. Also, the latest figures issued by the Ministry of Public Health (MoPH) show that a total of 2,169 persons have been killed and 10,212 wounded as at October 10, 2024 as a result of the hostilities along Lebanon's southern border with Israel.

Further, it noted that 100 Primary Health Care Centers (PHCCs) and dispensaries, as well five hospitals, are currently out of service. Moreover, it indicated that 26 water facilities have been damaged, which has affected more than 344,000 residents in Lebanon.

According to OCHA, the food assistance distributed since the eruption of hostilities consisted of 1.1 million meals, 143,000 ready-to-eat meals, 45,000 food parcels, as well as micronutrient supplements to 4,502 individuals, including 472 children and pregnant lactating women (PLW). It added that 2,742 caregivers received infant and young child feeding, nutrition, and early childhood development services. Also, it said that 45,675 individuals received cash for food through the National Poverty Targeting Program (NPTP) and that 963 individuals obtained emergency cash for protection.

It noted that core relief included the distribution of 226,943 items that include mattresses, blankets, pillows and sleeping bags. It said that 104,276 people in collective shelters received non-food-items. Further, healthcare support consisted of 56 emergency kits including 17 Trauma Emergency Surgical Kits, 25 Interagency Emergency Health Kits, 7 Midwifery Kits, and 7 Obstetric Surgical Kits.

Further, hygiene support to the displaced population included 733,000 liters of bottled water, 3.6 million liters of trucking water, as well as 47,313 hygiene kits that included 24,800 family hygiene kits, 18,963 dignity kits, 24,800 hygiene kits, and 297 recreational kits for children. It added that health sector partners donated 100 trauma and emergency surgery kits (TESK), cholera kits, and mental health medication kits to the MoPH.

In parallel, it stated that several countries have made new and upcoming pledges in response to Lebanon's escalating crisis since September 17, 2024. It noted that the UAE pledged \$100m in relief aid, while Italy has committed \$19m, and France has pledged \$10.5m along with in-kind assistance. It added that the United Kingdom committed \$20m, Norway provided \$7.5m, Canada pledged \$7.4m, Sweden committed \$2m, Australia added \$1.4m, Ireland pledged \$1.1m, and New Zealand committed \$600,000 to support Lebanon. It said that the U.S. announced that it has pledged \$157m in humanitarian aid, while the European Commission's Civil Protection and Humanitarian Aid Operations Department committed \$44.7m.

### **Import activity of top five shipping firms and freight forwarders down 2.2% in first half of 2024**

Figures released by the Port of Beirut show that the aggregate volume of imports by the top five shipping companies and freight forwarders through the port totaled 101,792 20-foot equivalent units (TEUs) in the first half of 2024, constituting a decrease of 2.2% from 104,133 TEUs in the same period of 2023. The five shipping and freight forwarding firms accounted for 80.6% of imports to the Lebanese market in the covered period.

Merit Shipping handled 36,062 TEUs in the first half of 2024, equivalent to 28.5% of the total import freight market to Lebanon. Mediterranean Shipping Company (MSC) followed with 29,632 TEUs (23.5%), then MAERSK with 15,847 TEUs (12.5%), Gezairi Transport with 11,271 TEUs (8.9%), and Sealine Group with 8,980 TEUs (7.1%). Gezairi Transport registered a rise of 46.5% in its imports in the first half of 2024 from the same period last year, the highest growth rate among the top five companies, while Maersk posted a decrease of 17%, the steepest decline among the five firms in the covered period. Also, the import shipping operations of the top five firms through the port decreased by 12% in June 2024 from the preceding month.

In parallel, the aggregate volume of exports by the top five shipping and freight forwarding firms through the Port of Beirut reached 33,037 TEUs in the first half of 2024, representing a decline of 13.2% from 38,060 TEUs in the first half of 2023. The five companies accounted for 90.6% of exported Lebanese cargo in the covered period.

Merit Shipping handled 18,548 TEUs of freight in the first half of 2024, equivalent to 50.9% of the Lebanese cargo export market. MAERSK followed with 5,656 TEUs (15.5%), then MSC with 3,921 TEUs (10.8%), Sealine Group with 2,508 TEUs (6.9%), and Gezairi Transport with 2,404 TEUs (6.6%). MSC posted a surge of 63% in exports in the first half of 2024 from the same period of 2023, the highest growth rate among the top five companies, while Maersk registered a decrease of 38.5%, the steepest decline among the five firms in the covered period. The export-shipping operations of the top five companies regressed by 14.8% in June 2024 from the previous month.

### **Ministry of Economy launches platform to boost exports to China**

The Ministry of Economy and Trade launched a platform to increase Lebanese exports to China, in cooperation with the Ministry of Foreign Affairs and the online store Lebanese Signature. It said that the platform will display the products of 10 Lebanese companies on China's premier online marketplace JD.com. It stated that Lebanese companies will have the opportunity to sell their products online without the need for a physical presence in China or to hire staff, which will allow them to take advantage of value-added tax and customs tax reductions. It also noted that Lebanese products will have a dedicated page as part of efforts to boost the export of goods and food products to the Chinese market.

China was the main source of imports to Lebanon in 2023, as imported Chinese goods reached \$2.1bn and accounted for 11.8% of total imports, while Lebanese exports to China stood at \$21.1m last year and represented 0.7% of aggregate Lebanese exports. The distribution of Lebanese exports to China in 2023 show that base metals stood at \$9.4m and accounted for 44.6% of the total, followed by prepared foodstuff, beverages and tobacco with \$8.26m (39%), machinery with \$1.5m (7%), chemical products with \$0.63m (3%), optical, photographic, medical, & musical instruments with \$0.55m (2.6%), and mineral products with \$0.22m (1%).

Established in 2020, Lebanese Signature is an online concept store that provides worldwide shipping of Lebanese products and brands. It sells accessories, clothing, shoes, bags, home appliances, furniture, food and beverages.



## Ratio Highlights

(in % unless specified)	2020	2021	2022	Change*
Nominal GDP (\$bn)	25.0	19.8	21.8	2.0
Public Debt in Foreign Currency / GDP	56.1	-	-	-
Public Debt in Local Currency / GDP	92.6	-	-	-
Gross Public Debt / GDP	148.7	349.9	283.2	(66.7)
Trade Balance / GDP	(12.1)	(6.3)	(4.3)	(2.0)
Exports / Imports	31.3	24.8	18.3	(6.5)
Fiscal Revenues / GDP	15.8	8.3	6.5	(1.7)
Fiscal Expenditures / GDP	20.0	7.4	12.7	5.3
Fiscal Balance / GDP	(4.2)	0.9	(6.1)	-
Primary Balance / GDP	(1.0)	2.0	(5.6)	-
Gross Foreign Currency Reserves / M2	41.5	26.0	13.4	(12.6)
M3 / GDP	206.4	81.9	41.8	(40.1)
Commercial Banks Assets / GDP	292.5	107.3	46.4	(60.9)
Private Sector Deposits / GDP	216.5	79.5	34.5	(45.0)
Private Sector Loans / GDP	56.3	17.0	5.5	(11.5)
Private Sector Deposits Dollarization Rate	80.4	79.4	76.1	(3.3)
Private Sector Lending Dollarization Rate	59.6	56.3	50.7	(5.6)

\*change in percentage points 22/21;

Source: Banque du Liban, Ministry of Finance, Central Administration of Statistics, International Monetary Fund, 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 Ratings	C	NP	-	C		Stable
Fitch Ratings*	RD	C	-	RD	RD	-
S&P Global Ratings	SD	SD	-	CC	C	Negative

\*Fitch withdrew the ratings on July 23, 2024

Source: Rating agencies

### Banking Sector Ratings

Banking Sector Ratings	Outlook
Moody's Ratings	Negative

Source: Moody's Ratings



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