

# LEBANON THIS WEEK

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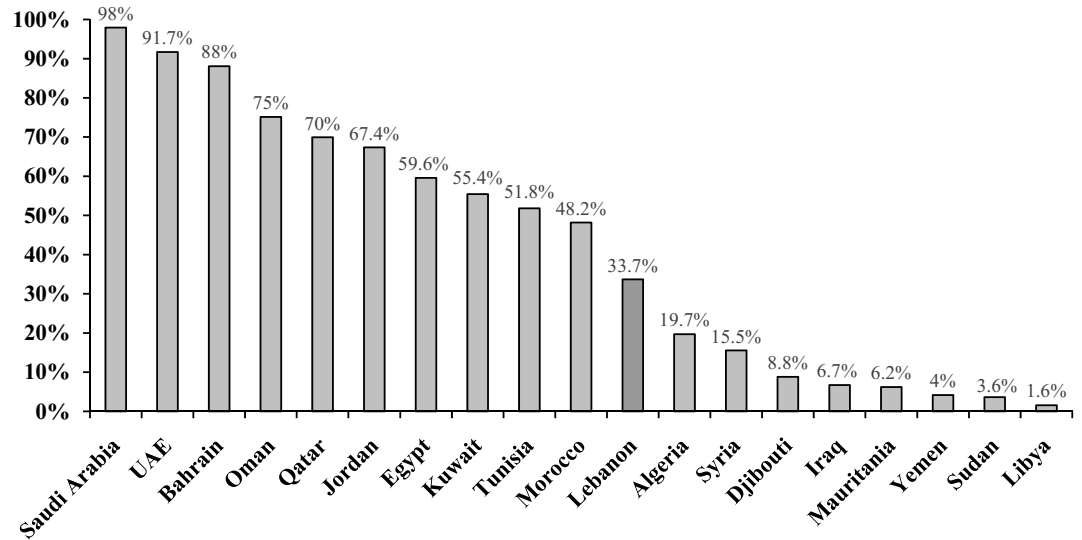
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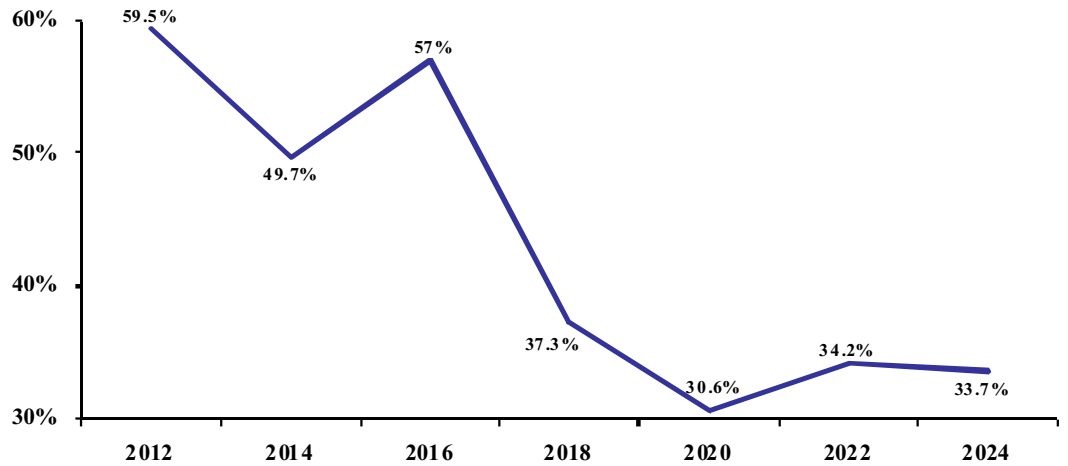
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## Charts of the Week

Percentile Rankings of Arab Countries in terms of Government Online Services for 2024\*



Percentile Rankings of Lebanon in terms of Government Online Services



\*the category evaluates the scope and quality of government online services in a country

Source: United Nations' E-Government Development Index for 2024, Byblos Bank

## Quote to Note

"A prolonged and escalated conflict would only serve to further push out the much-needed economic recovery in the country."

*The Institute of International Finance, on the impact of the ongoing war on the prospects for economic reforms*

## Number of the Week

**63%:** Increase in the value of gold reserves at Banque du Liban between the end of 2019 and mid-October 2024

## 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     | 8.88         | 30,802.82   |
| Byblos Common              | 0.80            | 23.1      | 122,727      | 2.1%                            | Jun 2025            | 6.25     | 8.88         | 1,131.08    |
| Solidere "A"               | 93.00           | (0.4)     | 74,844       | 43.5%                           | Nov 2026            | 6.60     | 8.88         | 156.29      |
| BLOM GDR                   | 3.31            | 0.0       | 20,000       | 1.1%                            | Mar 2027            | 6.85     | 8.88         | 129.91      |
| BLOM Listed                | 7.00            | 0.0       | 13,986       | 7.0%                            | Nov 2028            | 6.65     | 8.88         | 70.09       |
| Solidere "B"               | 91.15           | (0.9)     | 10,097       | 27.7%                           | Feb 2030            | 6.65     | 8.88         | 50.86       |
| HOLCIM                     | 65.30           | 0.0       | 3,333        | 6.0%                            | Apr 2031            | 7.00     | 8.88         | 40.96       |
| Byblos Pref. 09            | 29.99           | 0.0       | 312          | 0.3%                            | May 2033            | 8.20     | 8.88         | 30.36       |
| Audi Listed                | 1.70            | 0.0       | -            | 4.7%                            | Nov 2035            | 7.05     | 8.88         | 23.21       |
| Byblos Pref. 08            | 25.00           | 0.0       | -            | 0.2%                            | Mar 2037            | 7.25     | 8.88         | 20.48       |

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

Source: Refinitiv

|                       | Oct 14-18   | Oct 7-11    | % Change | September 2024 | September 2023 | % Change |
|-----------------------|-------------|-------------|----------|----------------|----------------|----------|
| Total shares traded   | 31,840      | 574,471     | (94.5)   | 782,658        | 1,102,733      | (29.0)   |
| Total value traded    | \$3,008,241 | \$8,909,149 | (66.2)   | \$43,575,568   | \$75,415,078   | (42.2)   |
| Market capitalization | \$21.76bn   | \$21.40bn   | 1.7      | \$21.35bn      | \$18.26bn      | 16..9    |

Source: Beirut Stock Exchange (BSE)



### Lebanon ranks 144<sup>th</sup> globally, 13<sup>th</sup> among Arab countries in terms of economic freedom

The Fraser Institute ranked Lebanon in 144<sup>th</sup> place among 165 countries globally and in 13<sup>th</sup> place among 19 Arab economies on its index of Economic Freedom for 2024. In comparison, Lebanon ranked in 148<sup>th</sup> place globally and in 14<sup>th</sup> place regionally on the 2023 index, while it came in 83<sup>rd</sup> place worldwide and in sixth place among 18 Arab countries on the 2014 index. Based on the same set of countries in the 2023 and 2024 surveys, Lebanon's global rank improved by four spots, while its Arab rank increased by one notch year-on-year. However, Lebanon's global rank dropped by 58 spots and its Arab rank deteriorated by six notched from the 2014 survey. Lebanon ranked in the 13<sup>th</sup> percentile worldwide in 2024, which means that 87% of countries have a higher level of economic freedom, while it ranked in the 32<sup>nd</sup> percentile among Arab economies, which means that 68% of Arab countries have a higher level of economic freedom than it does.

The index measures the extent that a country's policies and institutions support economic freedom. It includes 45 variables distributed into five broad factors of economic freedom that are the Size of Government, the Legal System & Property Rights, Access to Sound Money, Freedom to Trade Internationally, and the Regulation of Credit, Labor & Business. A country's overall score ranges from zero to 10 points, with a higher score reflecting a higher level of economic freedom.

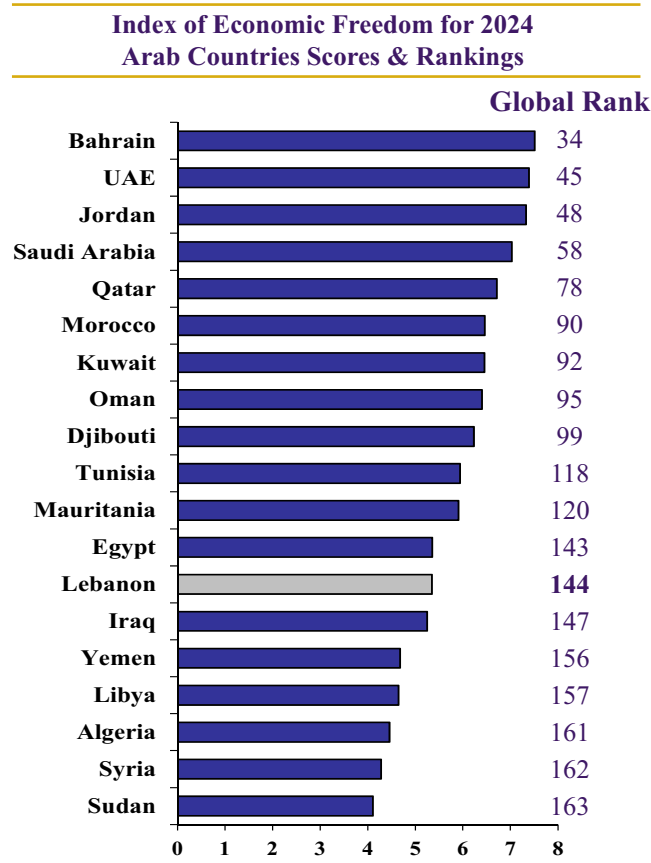
Globally, Lebanon had a higher level of economic freedom than Gabon, Iraq and Ethiopia, and a lower level than Türkiye, Malawi and Egypt and among economies with a GDP of \$10bn or more. Lebanon received a score of 5.35 points on the 2024 index, up from 5.26 points in the 2023 survey and compared to 6.65 points in the 2014 survey. Lebanon's score was lower than the global average of 6.53 points, the Arab average score of 5.9 points, the average of Gulf Cooperation Council (GCC) countries of 6.9 points, and the average of non-GCC economies of 5.4 points.

Also, the survey classifies countries in four quartiles from the least free economy to the most free economy. It placed Lebanon in the "Least Free" quartile, along with 40 countries globally that include seven Arab economies that are Algeria, Egypt, Iraq, Libya, Sudan, Syria and Yemen.

Lebanon's score rose by 17.5% on the Freedom to Trade Internationally factor from the previous survey, its score on the Legal System & Property Rights indicator increased by 2.6%, and its score on the Regulation of Credit, Labor & Business factor improved by 0.1%. In contrast, Lebanon's score on the Size of Government category decreased by 3.3% from the 2023 index, while its score on the Access to Sound Money indicator remained unchanged year-on-year.

Lebanon preceded Nigeria and Burundi, and trailed Niger and Zimbabwe on the Legal System & Property Rights factor. This category assesses the level of judicial independence, the protection of property rights, the integrity of the legal system, and the legal enforcement of contracts, among other factors. The survey noted that this indicator constitutes the most important function of government, and that countries with major deficiencies in this category are unlikely to prosper economically, regardless of their performance in the other four categories. Lebanon ranked ahead of Egypt, Mauritania, Libya, Yemen, Iraq, Syria and Sudan in the Arab world on this category.

Further, Lebanon ranked ahead of Nigeria and Myanmar, and came behind Argentina and Ethiopia on the Freedom to Trade Internationally factor. This indicator measures a wide variety of trade restrictions, such as tariffs, quotas, hidden administrative restraints, as well as controls on exchange rates and the movement of capital. Lebanon ranked ahead of only Algeria and Syria among Arab countries on this category.



Source: Fraser Institute, Byblos Research

### Components of the 2024 Economic Freedom Index for Lebanon

|  | Global Rank | Arab Rank | Lebanon Score | Global Avge Score | Arab Avge Score |
|--|-------------|-----------|---------------|-------------------|-----------------|
| Size of Government                     | 5           | 1         | 8.78          | 6.64              | 6.21            |
| Access to Sound Money                  | 148         | 17        | 4.99          | 7.23              | 7.09            |
| Legal System & Property Rights         | 136         | 12        | 3.53          | 5.23              | 4.10            |
| Regulation of Credit, Labor & Business | 141         | 13        | 5.28          | 6.41              | 5.65            |
| Freedom to Trade Internationally       | 157         | 17        | 4.16          | 7.12              | 6.28            |

Source: Fraser Institute, Byblos Research

### Banque du Liban's liquid foreign reserves at \$10.3bn, gold reserves at \$24.5bn at mid-October 2024

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP8,440.9 trillion (tn) on October 15, 2024, relative to LBP8,485.1 trillion (tn) at end-September 2024 and to LBP8,485.2tn at mid-September 2024. Assets in foreign currency stood at \$15.5bn at mid-October 2024 compared to \$15.85bn at end-September 2024, to \$15.8bn at mid-September 2024 and to \$14bn at mid-October 2023. The dollar figures are based on the exchange rate of the Lebanese pound of LBP89,500 per US dollar starting on February 15, 2024, according to the BdL Central Council's Decision No. 48/4/24 dated February 15, 2024.

According to BdL, assets in foreign currency include \$5.19bn in Lebanese Eurobonds at mid-October 2024, nearly unchanged from end-September 2024. Further, BdL's liquid foreign currency reserves stood at \$10.32bn at mid-October 2024 compared to \$10.67bn at end-September 2024, \$9.32bn at the end of 2023, and \$8.57bn at end-July 2023. As such, liquid foreign currency reserves declined by \$343m in the first half of October 2024, the first such decline this year; while they increased by \$1.75bn between the end of July 2023 and mid-October 2024.

Further, the value of BdL's gold reserves reached a historical peak of \$24.47bn at mid-October 2024, relative to \$23.46bn at end-September 2024 and to \$17.38bn at mid-October 2023. Also, the securities portfolio of BdL totaled LBP127,066.6bn at mid-October 2024 relative to LBP127,304.2bn at end-September 2024. In addition, loans to the local financial sector stood at LBP11,725.4bn at mid-October 2024 compared to LBP12,109bn at end-September 2024.

Moreover, Deferred Open-Market Operations totaled LBP167,385.2bn at mid-October 2024 relative to LBP164,785.6bn at end-September 2024 and to LBP118,971.3bn at end-2023.

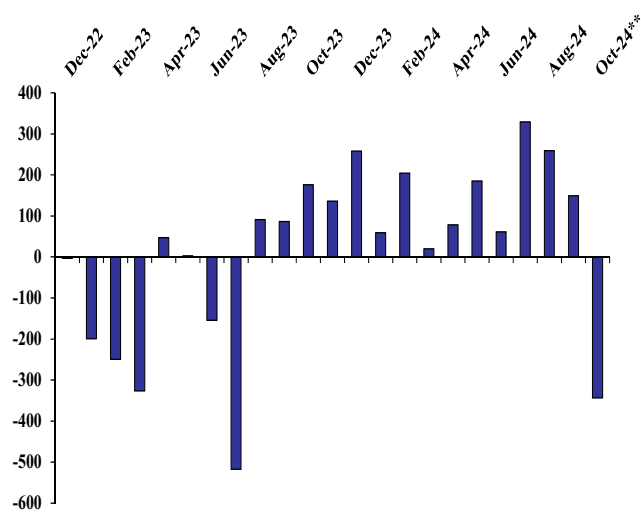
BdL said that, based on the Central Council's decision 23/36/45 of December 20, 2023, it has started to present all deferred interest costs originating from open-market operations under this new line item. As a result, it transferred all deferred interest costs included in the "Other Assets" and "Assets from Exchange Operations" entries to the new item. Therefore, the item "Other Assets" stood at LBP21,043.5bn at mid-October 2024 relative to LBP19,322.2bn two weeks earlier.

Also, the Revaluation Adjustments item on the asset side reached LBP3,048,409.4bn at mid-October 2024 relative to LBP3,066,089.5bn at end-September 2024. It consists of a special account called the "Exchange Rate Stabilization Fund", in which it recorded all the transactions related to foreign-exchange interventions to stabilize the exchange rate starting in 2020 and that had a balance of LBP162.79tn at mid-October 2024 relative to LBP162.78tn at end-September 2024. It also consists of a special account in the name of the Treasury that stood at LBP2,885.6tn at mid-October 2024 compared to LBP2,903.3tn at end-September 2024. The account includes the differences between the countervalue, at the official exchange rate, of BdL's gold and currency holdings, and the value of these holdings at the market exchange rate, as well as the profits or losses on BdL's gold and currency holdings from the modification of the official exchange rate of the Lebanese pound or of a foreign currency exchange rate.

Further, the balance sheet shows that BdL's loans to the public sector totaled LBP1,486,871.6bn at mid-October 2024 relative to LBP1,486,857.7bn two weeks earlier

On the liabilities side, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP52,041.1bn at mid-October 2024 compared to LBP53,462.7bn at end-September 2024, and represented a decrease of 14.6% from LBP60,970.5bn at mid-October 2023. Further, the deposits of the financial sector reached LBP7,729.7tn or the equivalent of \$86.4bn at mid-October 2024, relative to LBP7,768.5tn, or \$86.8bn, at end-September 2024 and to LBP1,333.3tn or \$88.9bn at mid-October 2023; while public sector deposits at BdL totaled LBP529,334.6bn at mid-October 2024 compared to LBP534,792.3bn at end-September 2024 and to LBP157,264bn at mid-October 2023. In parallel, BdL stated that it is currently working on changing its accounting policy in line with international practices.

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



\*month-on-month change

\*\*as at mid-October 2024, change from end-September 2024

Source: Banque du Liban, Byblos Research

### Intensification of conflict weighing on economic activity

In its Macro Poverty Outlook dated October 16, 2024 and its Middle East & North Africa (MENA) Economic Update issued this month, the World Bank estimated that economic activity in Lebanon contracted by 0.8% in 2023, compared to growth rates of 1.8% in the MENA economies, and of 3.2% in the middle-income countries and in the developing oil importers of the region. It considered that the contraction of economic activity in Lebanon was due to lower tourism receipts in the fourth quarter of last year, following an increase in receipts during the first nine months of the year. It attributed the drop in tourism revenues to the eruption of the conflict along Lebanon's southern border with Israel on October 8, 2023, which also caused significant destruction and internal displacement from the South and the Nabatieh governorates. It said that the displacement of persons from Southern Lebanon led to a cessation of local economic activity and has delivered a blow to consumer spending in the region last year, and that agricultural areas in the South suffered from extensive damage, which constituted an additional impediment to growth.

Further, it projected Lebanon's real GDP to contract by 1% in 2024 based on pre-escalation data on declining consumer spending and decreasing tourism receipts. It said that the intensification of the ongoing conflict since last September is causing a heavy human toll, widespread destruction, substantial physical damage, mass displacement of the population, and shocks to tourism and consumption. It considered that the impact of the escalation on the economy is uncertain, given the rapid and unpredictable nature of current events, and that the full extent of the war's impact on the economy will be shaped by the future trajectory of the conflict. But it noted that the ongoing escalation of the conflict is expected to lead to a further downgrade of economic projections. It pointed out that the primary factor for the contraction of economic activity in 2023 and in the first half of 2024 has been the decline in receipts from tourism services due to a sharp drop in tourist arrivals, which undermined the main pillar of economic growth. It added that a prolonged economic contraction will affect Lebanon's prospects for economic recovery, amid continued institutional and political paralysis, and a lack of political will to implement reforms. Further, it forecast the inflation rate to regress from 221.3% in 2023, amid the steep depreciation of the pound in the first quarter of 2023, to 45.7% in 2024 due in part to the stabilization of the exchange rate of the Lebanese pound to the US dollar and to the dollarization of several components of the Consumer Price Index basket.

In addition, it estimated that the fiscal balance posted a surplus at 0.5% of GDP in 2023 relative to a deficit of 2.9% of GDP in 2022, due to the increase in public revenues resulting from the revaluation of the exchange rate for customs and taxes, and to a decrease in public expenditures in the absence of an enacted budget for the year. Also, it estimated that public revenues rose from 6.1% of GDP in 2022 to 13.7% of GDP in 2023 and that expenditures increased from 9% of GDP in 2022 to 13.2% of GDP in 2023. It added that Banque du Liban (BdL) has stopped the monetary financing of the budget since July 2023, which has supported the fiscal and primary surpluses. Further, it indicated that Parliament ratified the budget of 2024 in February of this year, and that the budget projects a fiscal balance, with public revenues and expenditures at 13.6% of GDP each, based on the World Bank's estimate of nominal GDP for 2024. However, it forecast the fiscal balance to post a small surplus of 0.2% of GDP in 2024, with public revenues at 15% of GDP and expenditures at 14.8% of GDP, due to better-than-expected tax collection rates in the first half of 2024. It noted that the fiscal balance does not take into account the government's arrears that include overdue invoices from certain line ministries and public institutions, arrears owed to bilateral and multilateral organizations, and dues on fuel import from Iraq. In comparison, it forecast the fiscal balance to post a deficit of 2% of GDP in MENA economies, as well as deficits of 4.8% of GDP in the middle-income countries and of 4.3% of GDP in the developing oil-importers of the region.

Also, it pointed out that the exchange rate of the Lebanese pound has been stable at LBP89,500 per US dollar since July 2023, following years of rapid depreciation, supported by higher fiscal revenues from taxes and fees on a cash basis. It noted that the increase in fiscal receipts, along with the lack of monetary financing, led to a decrease in currency in circulation by 31.2% in 2023, which has eased pressure on the exchange rate. It added that the suspension of activity on BdL's Sayrafa electronic exchange platform, along with ceilings on spending by line ministries and limited operations related to state-owned enterprises, limited money supply and the demand for US dollars. It added that the increase in BdL's liquid foreign currency reserves was primarily driven by the halt of trading on the Sayrafa platform, the ending of monetary financing of the government's budget since July 2023, and BdL's purchases of US dollar supply from foreign currency inflows.

In parallel, it estimated that the current account deficit narrowed from \$7.3bn, or the equivalent of 34.6% of GDP in 2022, to \$5.6bn or the equivalent of 28.1% of GDP in 2023, due to a surplus of 10.2% of GDP in trade-in-services, despite a deficit in the trade balance of goods. It said that the trade-in-services' contribution to narrowing the current account deficit diminished due to the shock to tourism receipts in the fourth quarter of 2023. Also, it projected the current account deficit at \$5.1bn in 2024 and anticipated it to narrow to the equivalent of 20% of GDP in 2024, compared to a surplus of 2.9% in the MENA region, and deficits of 1.7% of GDP in middle-income economies and of 4.3% of GDP in the developing oil importers of the region.

#### Macroeconomic Indicators for the Lebanese Economy

|                                    | 2020  | 2021e | 2022e | 2023e | 2024f |
|------------------------------------|-------|-------|-------|-------|-------|
| Real GDP growth (%)                | -21.4 | -7.0  | -0.6  | -0.8  | -1.0  |
| Inflation Rate (Average, %)        | 84.3  | 150.0 | 171.2 | 221.3 | 45.7  |
| Fiscal Balance (% of GDP)          | -3.3  | 0.9   | -2.9  | 0.5   | 0.2   |
| Primary Balance (% of GDP)         | -0.8  | 1.8   | -2.5  | 1.4   | 0.6   |
| Public Debt (% of GDP)             | 179.2 | 172.5 | 179.7 | 179.7 | 142.0 |
| Current Account Balance (% of GDP) | -8.8  | -14.7 | -34.6 | -28.1 | -20.0 |
| External Debt (% of GDP)           | 101.0 | 138.3 | 166.9 | 176.9 | 140.2 |
| FDI, net inflows (% of GDP)        | 5.0   | 8.5   | 2.2   | 2.9   | 1.2   |

Source: World Bank, October 2024

### **Number of internally displaced persons exceeds 779,600**

Figures compiled by the International Organization for Migration show that 779,613 persons have been internally displaced as at October 16, 2024 due to the ongoing hostilities that erupted along Lebanon's border with Israel on October 8, 2023 and that escalated since last September, constituting increases of 33,029 individuals, or of 4.4% from 746,584 as at October 13, 2024, of 13% from 689,715 as at October 9, 2024, of 28% from 608,509 as at October 7, 2024, of 925.6% from 76,018 as at January 2, 2024, and relative to 46,325 displaced persons as at November 14, 2023. In comparison, the national authorities estimated that more than one million individuals have been internally displaced since the start of hostilities on October 8, 2023.

Further, the United Nations' Office for the Coordination of Humanitarian Affairs (OCHA) stated that 1,096 shelters that include 658 public schools are providing accommodation for more than 190,882 Internally Displaced Persons (IDPs), out of which 900 shelters are at full capacity. Also, the latest figures issued by the Ministry of Public Health (MoPH) show that a total of 2,412 persons have been killed and 11,285 wounded as at October 17, 2024 as a result of the Israeli hostilities in Lebanon.

Also, it noted that 100 Primary Health Care Centers (PHCCs) and dispensaries, as well six hospitals, are currently out of service. Moreover, it indicated that 28 water facilities have been damaged, which has affected more than 364,000 residents in Lebanon.

According to OCHA, the food assistance distributed since the escalation of hostilities on September 23, 2024 consisted of 2.2 million meals in collective shelters, 163,000 ready-to-eat kits, 87,000 food parcels inside and outside shelters, and 80,500 bread packs, while 45,675 individuals received cash for food through the National Poverty Targeting Program. It added that 8,486 individuals, including 1,052 children and pregnant lactating women (PLW), received micronutrient supplements. It added that 4,473 caregivers received infant and young child feeding, nutrition, and early childhood development services, while 3,478 children and PLW were screened for acute malnutrition.

It noted that core relief covered the distribution of 269,000 items that include mattresses, blankets, pillows and sleeping bags, while 122,500 persons in collective shelters received non-food-items. Further, healthcare support consisted of 31 trauma emergency surgical kits, while 952 collective shelters have been linked with PHCCs.

In addition, hygiene support to the displaced population included 1.04 million liters of bottled water, 12.5 million liters of trucking water, as well as 37,000 family hygiene kits, 24,997 dignity kits, and 11,000 kits that include kits for babies and menstrual hygiene kits. Further, water establishments received 206,000 liters of fuel to water for water pumping.

It pointed out that 4,604 households obtained emergency cash for protection related to the escalation of conflict since November 2023, which includes 2,794 families since the escalation of hostilities on September 23, 2024. It indicated that 1,122 children received recreational kits and about 73 persons with disabilities obtained tailored services through specialized partners. It added that 41,600 children, caregivers and women at risk obtained information and awareness on protection services.

Also, it said that 13,500 children received non-specialized psychosocial support activities, and that 3,000 children obtained educational supplies, including 2,852 student kits and 844 school kits.

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 U.S pledged \$157m in humanitarian aid, while the UAE committed \$100m in relief aid, and Germany pledged \$69m. It pointed out that the European Union committed \$44.7m, the United Kingdom pledged \$20m, Italy committed \$19m, France pledged \$10.5m, Norway added \$8.4m, Canada committed \$7.4m, South Korea pledged \$3m, and Sweden added \$2m. It added that Australia committed \$1.4m, Ireland pledged \$1.1 million, and New Zealand committed \$600,000 in relief aid. Also, it said that Belgium, China, Cyprus, Egypt, France, Iraq, Jordan, Oman, Pakistan, Qatar, Russia, Saudi Arabia, Türkiye, the UAE and Venezuela are providing in-kind contributions to Lebanon.

## Consumer Price Index up 33% year-on-year in September 2024

The Central Administration of Statistics' Consumer Price Index increased by 59.4% in the first nine months of 2024 from the same period of 2023. In comparison, it grew by 229.4% and by 191.7% in the first nine months of 2023 and 2022, respectively, from the corresponding periods of the previous years.

The CPI rose by 33% in September 2024 from the same month of 2023 and registered its seventh double-digit increase since July 2020, following a 70.4% year-on-year surge in March 2024, a 59.7% jump in April 2024 from the same month of 2023, a 51.6% rise annually in May, a 41.8% year-on-year increase in June, a 35.4% growth in July, and a 35% uptick in August 2024 from August 2023.

The slowdown of the inflation rate from triple-digit increases is due in part to the widespread dollarization of consumer goods and services in the economy, and to the stabilization of the exchange rate of the Lebanese pound against the US dollar since July 2023. However, the cumulative surge in the inflation rate is due in part to the repeated increase in customs tariffs, to the rise of the cost of education, to the surge of fees in the public administration, and to the inability of the authorities to monitor and contain retail prices. It is also due to the impact of rising transportation costs and insurance rates on imported goods in the wake of the war in the Gaza Strip and the cross-border military escalation in Lebanon.

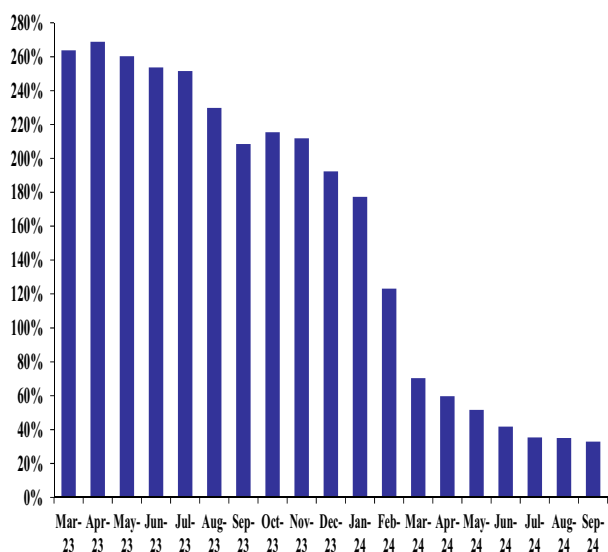
The cost of education rose by 6.9 times in September 2024 from the same month in 2023, followed by the prices of miscellaneous goods & services and imputed rent (+1.4 times each), the cost of recreation & entertainment, and the cost of communication services (+1.3 times each). In addition, the rates of clothing & footwear surged by 24.5% year-on-year in September 2024, followed by the cost of actual rent (+22.6%), rates at restaurants & hotels (+22.3%), the prices of food and non-alcoholic beverages (+19.7%), the cost of alcoholic beverages & tobacco (+19%), healthcare costs (+18%), transportation costs (+7.2%), the cost of water, electricity, gas & other fuels (+4%), and the prices of furnishings & household equipment (+0.1%) in the covered period. Also, the distribution of actual rent shows that new rent surged by 37% and old rent increased by 5.1% in September 2024 from the same month of 2023.

In parallel, the CPI decreased by 0.18% in September 2024 from the previous month, compared to month-on-month growth rates of 0.6% in August, of 2% in July, of 0.3% in June, and of 0.02% in May 2024.

The cost of alcoholic beverages & tobacco increased by 3% in September 2024 from August 2024, followed by rates at restaurants & hotels (+1.6%), the prices of furnishings & household equipment (+1.4%), the prices of food & non-alcoholic beverages and imputed rent (+0.9% each), the cost of recreation & entertainment and actual rent (+0.6% each), and the prices of miscellaneous goods & services (+0.2%). In contrast, the cost of transportation declined by 3.3% in September 2024 from the preceding month, followed by the prices of clothing & footwear (-1.4%), the prices of water, electricity, gas and other fuels by and (-1.2%), and communication costs (-0.2%). Also, the cost of healthcare and education were nearly unchanged month-on-month in September 2024. Further, the distribution of actual rent shows that new rent increased by 1% and old rent remained nearly unchanged in September 2024 from August 2024.

Further, the CPI increased by 0.17% in the North in September 2024 from August 2024; while it regressed by 0.77% in the Nabatieh area, by 0.34% in the South, by 0.28% in the Bekaa region, by 0.22% in Mount Lebanon, and by 0.01% in Beirut month-on-month in September 2024. In parallel, the Fuel Price Index decreased by 5.7%, while the Education Price Index grew by 0.02% in the covered month.

Annual Change in Consumer Price Index\* (%)



\*from the same month of the previous year

Source: Central Administration of Statistics, Byblos Research

## Number of airport passengers down 15.2% in first nine months of 2024

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 4.9 million passengers utilized the airport (arrivals, departures and transit) in the first nine months of 2024, constituting a decrease of 15.2% from 5.78 million passengers in the same period of 2023 and an increase of 1.3% from 4.84 million passengers in the first nine months of 2022. Also, 485,699 passengers utilized the airport in September 2024, representing decreases of 27.4% from 669,423 in August 2024 and of 37.4% from 776,412 passengers in September 2023.

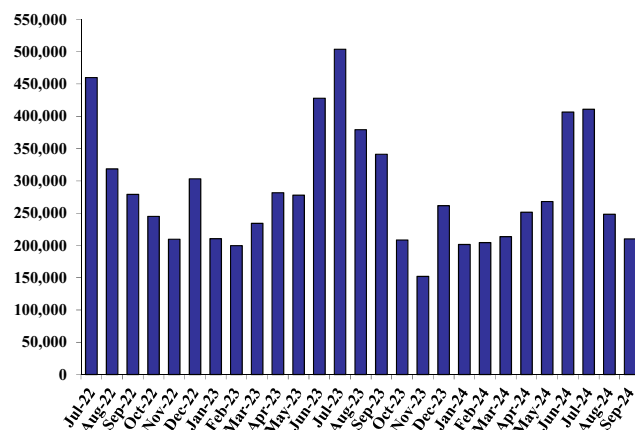
The number of arriving passengers reached 2.4 million passengers in the first nine months of 2024, as they contracted by 15.4% from 2.86 million passengers in the same period of 2023 and grew by 2.2% from 2.36 million passengers in the first nine months of 2022. The number of arriving passengers stood at 210,113 in September, representing decreases of 15.3% from 248,049 passengers in August 2024 and of 38.4% from 341,242 in September 2023.

Also, the number of departing passengers totaled 2.49 million in the first nine months of 2024, constituting a decline of 14.8% from 2.92 million passengers in the same period last year and an increase of 1.1% from 2.46 million passengers in the first nine months of 2022. Further, the number of departing passengers reached 275,306 in September, dropping by 34.6% from 421,068 in August 2024 and by 36.6% from 434,540 departing passengers in September 2023. The slide in the number of airport passengers in the covered period is due to the escalation of Israeli air strikes on Lebanon.

In parallel, the airport's aircraft activity reached 39,748 take-offs and landings in the first nine months of 2024, representing a decrease of 13.4% from 45,896 takeoffs and landings in the same period last year. In comparison, aircraft activity rose by 16% in the first nine months of 2023 from the same period of the preceding year and by 38% in the first nine months of 2022 from the covered period in 2021. Also, the airport's aircraft activity stood at 3,959 take-offs and landings in September 2024, constituting decreases of 25.5% from 5,315 take-offs and landings in August 2024 and of 34% from 6,009 takeoffs and landings in September 2023.

In addition, the HIA processed 49,211 metric tons of freight in the first nine months of 2024 that consisted of 32,081 tons of import freight and 17,130 tons of export freight. National flag carrier Middle East Airlines had 16,521 flights in the covered period and accounted for 41.6% of the HIA's total aircraft activity.

### Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport



### **Ministry of Social Affairs resumes cash assistance to vulnerable Lebanese households**

The Ministry of Social Affairs announced that the transfer of funds related to the Emergency Social Safety Net Project (ESSN), known as "AMAN", will resume on October 15, 2024 for five days, and will cover 93,626 vulnerable Lebanese households. It added that it will disburse financial assistance to 74,500 poor Lebanese families who are enrolled in the "National Program to Support the Poorest Families" through the ministry's card starting on October 18 for a period of five days.

The ministry previously announced that the transfer of funds related to the AMAN program resumed between September 15 and September 30, 2024, after it suspended payments at the start of July. It added that the ministry conducted visits to Lebanese households that registered for the program in 2024 in order to determine their eligibility. It announced that 583,000 Lebanese households registered for the AMAN program since September 2021 in order to receive a monthly financial assistance for a period of one year. It indicated that it transferred a total of \$158.9m to the eligible households as at the end of June 2023, after it extended the project several times to target more vulnerable families, and said that many families benefited from monthly payments for 18 months instead of 12 months. It added that it took exceptional measures by paying money for a period of one year to 10,000 households that have a member of the family who requires special needs or that have a widower.

The Council of Ministers announced on March 14, 2022 the beginning of payments of cash transfers to 150,000 extremely poor Lebanese households under the AMAN program that the World Bank is financing. The ministry announced on February 2023 that it extended the project for an additional six months. Further, the ministry noted that it chose to assist vulnerable Lebanese households based on several criteria, such as families without income or low income, the presence of at least one member of the family who requires special needs, the presence of an elderly over 64 years old, minor members, or a family headed by a female with no or limited income. It said that it signed a contract with an independent company to review the implementation of the program, including the registration, eligibility, cash transfers, and the auditing of the disbursed amounts. As such, it pointed out that more than 93,000 Lebanese households have been benefiting from the AMAN program.

In addition, the ministry launched in June 2023 the payment process for beneficiary families who have children enrolled in formal schools, institutes or vocational schools and who are between 13 to 18 years old, in order to cover the students' transportation fees during the academic year 2023-24. It added that it will provide assistance to the children of new beneficiaries and support them paying their school fees, stationery and transportation costs.

Established in January 2021, the ESSN project aims to provide cash transfers and access to social services to extremely poor and vulnerable Lebanese individuals and households who have been affected by the economic crisis and the COVID-19 shock in the country. Also, the Lebanese authorities have secured a \$246m loan in March 2021 from the World Bank to fund the ESSN for three years.



### **Bank Audi sells Turkish subsidiary**

The Abu Dhabi Developmental Holding Company (ADQ), an Abu Dhabi-based sovereign wealth fund, signed an agreement with Bank Audi, to acquire 96% of the latter's share capital in Odea Bank A.Ş., Bank Audi's subsidiary in Türkiye. The bank indicated that other investors, which include the International Finance Corporation, IFC FIG Investment Company Sarl, and the European Bank for Reconstruction and Development (EBRD), have also agreed to sell their respective interests in the share capital of Odea Bank to ADQ. It added that the transaction is subject to regulatory approval, which includes the approvals of the Banking Regulation and Supervision Authority of Türkiye and the Competition Authority in Türkiye.

Established in 2012, Odea Bank is Türkiye's 13<sup>th</sup> largest private conventional bank by loans and customer deposits, and has 41 branches in 15 cities across the country.

This constitutes the latest divestment of a foreign operation by Bank Audi, as the bank announced on January 20, 2021 that it has sold its fully-owned subsidiary in Egypt, Bank Audi SAE, to the UAE-based First Abu Dhabi Bank. Further, the Amman-based Capital Bank Group announced on December 29, 2020 that it acquired the assets and liabilities of the bank's units in Iraq and Jordan. Also, Banque BEMO Saudi Fransi (BBSF), the affiliate of Banque BEMO Lebanon in Syria, announced on December 24, 2020 that it acquired a 49% stake in Bank Audi Syria through its purchase of the 47% share of Bank Audi in the bank and a 2% share from other shareholders.

Established in 2018, ADQ is an investment and holding company with a broad portfolio in major enterprises. Its investments span key sectors of the UAE's economy, including energy and utilities, food and agriculture, healthcare and life sciences, and transport and logistics, among other sectors. ADQ signed two memoranda of understanding with Türkiye in 2023 to strengthen bilateral relations and contribute to its economic development.

In parallel, Fitch Ratings placed on September 19, 2024 the long-term Issuer Default Ratings, the Viability Rating (VR) and the national long-term rating of Odea Bank A.S. on Rating Watch Negative. It attributed its decision to the bank's significantly weakened core capitalization and to uncertainties about its ability to improve its capital, despite the amelioration of the operating environment. But it noted that the bank's VR is supported by its adequate funding and liquidity profile, as well as by its limited refinancing risks.



## 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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