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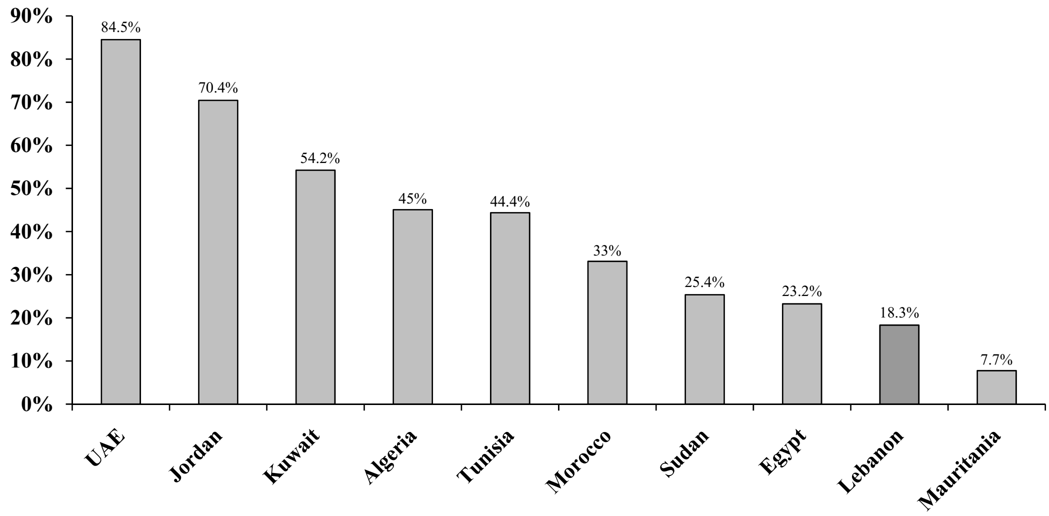
LEBANON THIS WEEK

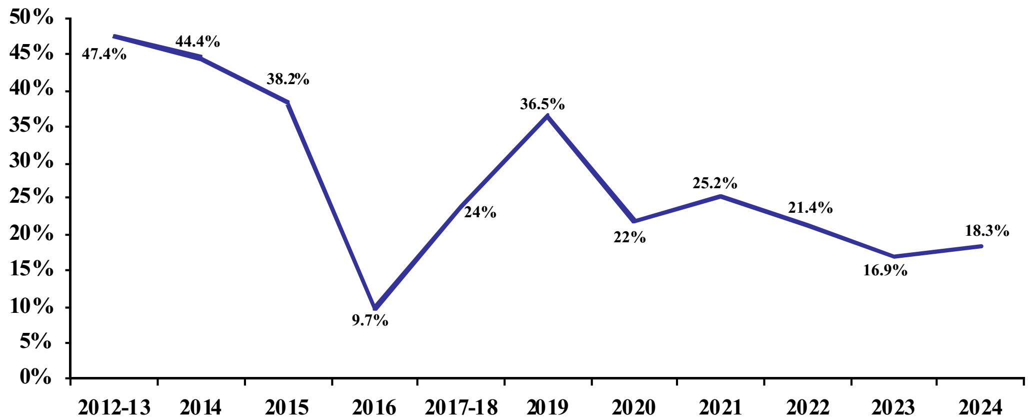
In This Issue

Charts of the Week

Percentile Rankings of Select Arab Countries on the effectiveness of Criminal Justice for 2024*



Percentile Rankings of Lebanon on the effectiveness of Criminal Justice*



**The World Justice Project defines Criminal Justice as the conventional mechanism to redress grievances and bring action against individuals for offenses against society. It takes into consideration the entire system, including the police, lawyers, prosecutors, judges, and prison officers.*

Source: World Justice Project's 2024 Rule of Law Index, Byblos Bank

Quote to Note

"Credible policy reforms and political consensus should help to revive the process."

S&P Global Ratings, on the likelihood that the Lebanese government will start negotiations with Eurobond holders on a restructuring agreement preconditions

Number of the Week

78%: Increase in the value of Banque du Liban's gold reserves between the end of 2019 and mid-February 2025

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
Audi GDR	2.45	0.0	165,000	1.2%
Byblos Common	1.10	(4.3)	35,000	2.5%
BLOM GDR	6.40	(0.9)	31,045	1.9%
Solidere "A"	103.30	(6.1)	28,396	42.3%
Audi Listed	2.53	(21.9)	26,065	6.1%
Solidere "B"	104.10	(1.1)	7,675	27.7%
HOLCIM	78.90	8.8	200	6.3%
BLOM Listed	6.60	0.0	-	5.8%
Byblos Pref. 09	29.99	0.0	-	0.2%
Byblos Pref. 08	25.00	0.0	-	0.2%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Jun 2025	6.25	18.63	1,604.99
Nov 2026	6.60	18.63	125.03
Mar 2027	6.85	18.63	101.17
Nov 2028	6.65	18.63	51.56
Feb 2030	6.65	18.63	36.78
Apr 2031	7.00	18.63	29.37
May 2033	8.20	18.63	21.58
Nov 2035	7.05	18.63	16.40
Jul 2035	12.00	18.63	16.84
Mar 2037	7.25	18.63	14.44

Source: Refinitiv

	Feb 24-28	Feb 17-21	% Change	February 2025	February 2024	% Change
Total shares traded	294,915	280,646	5.1	801,588	1,129,048	(29.0)
Total value traded	$4,625,494	$13,591,877	(66.0)	$22,449,444	$65,758,842	(65.9)
Market capitalization	$24.45bn	$25.52bn	(4.2)	$24.45bn	$17.99bn	35.9

Source: Beirut Stock Exchange (BSE)

FATF maintains Lebanon on AML/CFT grey list

The Financial Action Task Force (FATF), the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), announced on February 21, 2025 that it maintained Lebanon on its list of "jurisdictions under increased monitoring" or on its "grey list". The organization stated on October 25, 2024 that it placed Lebanon on the list, and said that jurisdictions under increased monitoring work actively with the FATF to address strategic deficiencies in their regimes to counter money laundering (ML), terrorist financing (TF), and proliferation financing. It added that when the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes.

Further, it indicated that Lebanon made a high-level political commitment to work with the FATF and its regional body MENAFATF to strengthen the effectiveness of its AML/CFT regime despite the challenging social, economic and security conditions prevailing in the country. It noted that, since the adoption of its Mutual Evaluation Report (MER) in May 2023, Lebanon has made progress on several of the MER's recommended actions and has applied measures to its financial sector, such as Banque du Liban issuing a circular for banks and financial institutions to establish a department dedicated to combating bribery and corruption-related crimes, and for guidance on politically exposed persons, in addition to taking measures against unlicensed financial activity.

It added that Lebanon will continue to work with the FATF to implement its action plan by first, conducting assessments of specific TF and ML risks identified in the MER, and ensuring that there are policies and measures in place to mitigate these risks. Second, improving mechanisms to ensure the timely and effective execution of requests for mutual legal assistance, extradition, and asset recovery. Third, enhancing the understanding of risks by Designated Non-Financial Businesses and Professions (DNFBPs) and applying effective, proportionate and dissuasive sanctions for breaches of AML/CFT obligations. Fourth, making sure that information on beneficial ownership is up-to-date and that there are adequate sanctions and risk-mitigation in place for legal persons. Fifth, enhancing the use by the relevant authorities of the products of the financial intelligence unit (FIU) and of financial intelligence. Sixth, demonstrating a sustained increase in investigations, prosecutions and court rulings for the types of ML in line with the risk. Seventh, improving its approach to asset recovery, and identifying and seizing illicit cross-border movements of currency and precious metals and stones. Eighth, pursuing TF investigations and sharing information with foreign partners related to investigations of TF as called for in the MER. Ninth, enhancing the implementation of targeted financial sanctions without delay, particularly at DNFBPs and certain non-banking financial institutions. Tenth, implementing targeted and risk-based monitoring of high-risk non-profit organizations (NPOs), without disrupting or discouraging the activity of legitimate NPOs.

In parallel, in its Mutual Evaluation Report with Lebanon dated December 21, 2023, the MENAFATF considered that Lebanon is "Compliant" with nine of the FATF's technical recommendations, is "Largely Compliant" with 25 recommendations, and is "Partially Compliant" with six recommendations. The FATF assigns ratings to each of its 40 recommendation, in order to reflect the level of compliance of a country to the technical requirements of its recommendations in a country's laws, regulations and other legal instruments to combat ML and TF. It classifies each recommendation in one of five compliance levels that are "Compliant", "Largely Compliant", "Partially Compliant", "Non-Compliant", and "Not Applicable".

It noted that Lebanon is "Compliant" with customer due diligence, politically-exposed persons, correspondent banking relationships, wire transfers, reliance on third parties, higher-risk countries, tipping-off and confidentiality, powers of supervisors, as well as powers of law enforcement and investigative authorities, as the Lebanese authorities met all the requirements of these recommendations.

Further, it pointed out that Lebanon is "Largely Compliant" with assessing risks and applying a risk-based approach to ML/TF in the country; national cooperation and coordination in the exchange of information to combat TF; the confiscation and provisional measures of movable and immovable assets that are related to a ML/TF crime or proceeds; TF offenses; targeted financial sanctions related to terrorism and TF; targeted financial sanctions related to proliferation; supervision of NPOs; financial institutions (FIs) secrecy laws; recordkeeping; money or value transfer services; internal controls and foreign branches and subsidiaries of FIs; the reporting of suspicious transactions; DNFBPs - customer due diligence; DNFBPS - other measures; the transparency and beneficial ownership of legal persons; the regulation and supervision of FIs; FIUs; the responsibilities of law enforcement and investigative authorities; cash couriers; statistics; guidance and feedback; sanctions; international instruments; mutual legal assistance (MLA); and other forms of international cooperation. It said that the rating "Largely Compliant" indicates that there are minor shortcomings in order to fully comply with the requirements of the recommendations.

Also, it noted that Lebanon is "Partially Compliant" with ML offenses, new technologies, transparency and beneficial ownership of legal arrangements, regulation and supervision of DNFBPs, MLA - freezing and confiscation, and extradition. It said that the rating "Partially compliant" indicates that there are only moderate shortcomings in order to fully comply with the requirements of the recommendations.

Trade deficit narrows by 2.3% to $14.2bn in 2024

Figures issued by the Lebanese Customs Administration show that total imports reached $16.9bn in 2024, constituting a decrease of 3.6% from $17.5bn in 2023; while aggregate exports totaled $2.7bn and declined by 9.6% from $3bn in 2023. As such, the trade deficit narrowed by 2.3% to $14.2bn in 2024, due to a decline of $662.4m in imports that was offset in part by a downturn of $288m in exports. The coverage ratio, or the exports-to-imports ratio, was 16% in 2024 relative to 17.1% in 2023.

Non-hydrocarbon imports decreased by $365.1m, or by 2.8%, to $12.5bn in 2024; while the imports of oil & mineral fuels regressed by $257.3m, or by 5.5%, to $4.4bn last year. Oil & mineral fuels accounted for 26% of the imports bill last year compared to 26.5% in 2023, while Lebanon imported 7.12 million tons of oil & mineral fuel in 2024 relative to 6.01 million tons in 2023.

The decrease in exports was due to a drop of $188.1m, or of 24.7%, in the exports of pearls, precious stones & metals in 2024; a decrease of $80.2m (-20.7%) in the exports of machinery & electrical instruments; a decline of $25.8m (-56.2%) in the exports vehicles, aircraft, vessels & transport equipment; a contraction of $23.2m (-5.4%) in exported base metal products; a downturn of $22.7m (-11%) in the exports of vegetable products; a drop of $13.6m (-13%) in the exports of plastic & rubber; and a decline of $11.4m in the exports of miscellaneous manufactured articles (-12.9%).

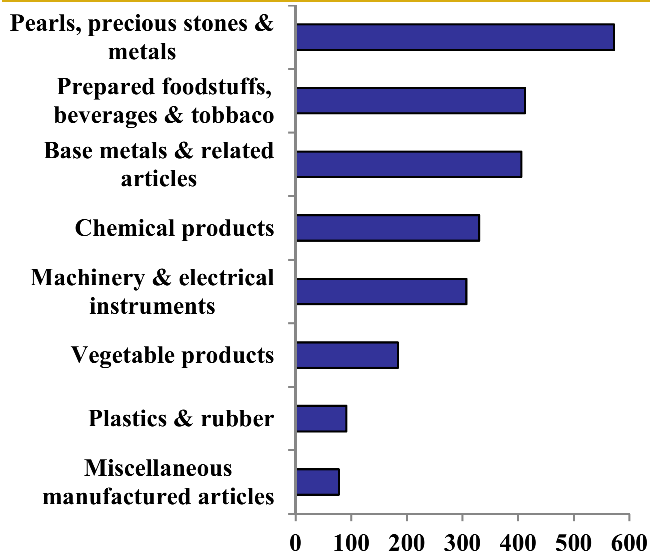
Lebanese exports to South Korea rose by 36.4% in 2024, exported goods to the U.S increased by 26%, those to Jordan improved by 5.2%, and exports to Iraq grew by 2.5%. In contrast, exported goods to Türkiye dropped by 47.4%, exports to Syria fell by 28.4%, those to Switzerland slumped by 19.2%, exports to Qatar contracted by 18.6%, those to Egypt declined by 17.2%, and exports to the UAE decreased by 12.6% in the covered period. Also, re-exports totaled $511.4m in 2024 compared to $488.7m in 2023.

The Port of Beirut was the exit point for 53% of Lebanon's exports in 2024, followed by the Hariri International Airport (29.3%), the Port of Tripoli (8.3%), the Masnaa crossing point (4.8%), the Port of Saida (2.4%), the Abboudieh crossing point (1.5%), the Arida crossing point (0.5%), and the Tyre crossing point (0.001%).

Further, Lebanon's main non-hydrocarbon imports consisted of pearls, precious stones & metals that reached $2.58bn, followed by chemical products with $1.4bn, machinery & electrical instruments with $1.3bn; prepared foodstuffs with $1.2bn; vegetable products with $1bn; animal products with $840.5m; vehicles, aircraft & vessels with $810.6bn; and base metals with $754.6m. Also, the imports of prepared foodstuffs increased by 16.4% from 2023, followed by the imports of chemical products (10%); animal products (+6.8%); vegetable products (+6.3%), and pearls, precious stones & metals (+1.8%). In contrast, the imports of vehicles, aircraft & vessels dropped by 29.6%; followed by imported machinery & electrical instruments (-20.2%); and base metals (-5.1%).

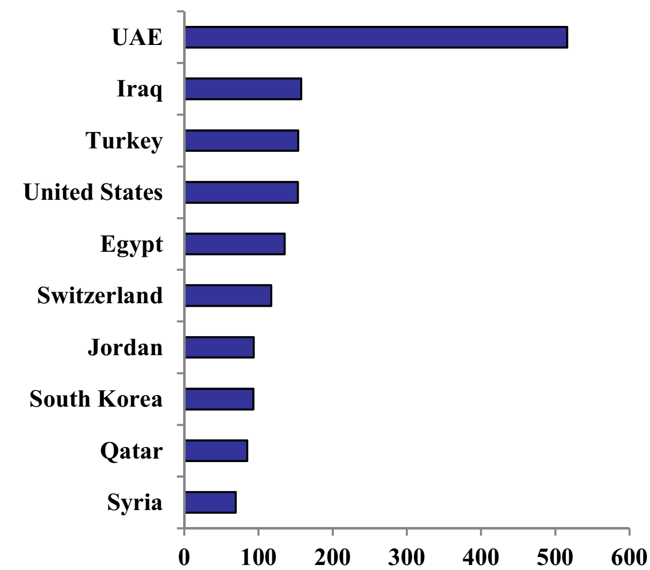
The Port of Beirut was the entry point for 61.8% of Lebanon's merchandise imports in 2024, followed by the Hariri International Airport (25%), the Port of Tripoli (9.3%), the Masnaa crossing point (2.2%), the Port of Saida (1.2%), the Abboudieh crossing point (0.4%), the Arida crossing point (0.2%), and the Port of Tyre (0.01%).

Main Lebanese Exports in 2024 (US$m)



Source: Lebanese Customs Administration, Byblos Research

Main Destinations of Lebanese Exports in 2024 (US$m)



Source: Lebanese Customs Administration, Byblos Research

Lebanon in the News

Ministry of Finance finalizes supplemental agreement related to Eurobonds

The Ministry of Finance announced on February 25, 2025 that it has concluded a Supplemental Fiscal Agency Agreement (SFAA) in implementation of the Council of Minister's Decision No. 30 dated January 7, 2025. It added that it worked with the government's legal counsel Cleary Gottlieb Steen & Hamilton LLP and with its fiscal agent Deutsche Bank to conclude the SFAA.

The Council of Ministers issued Decision No. 30 on January 7, 2025 that approved the Ministry of Finance's request to suspend until March 9, 2028 the Lebanese State's right to assert defenses to any legal actions in respect of maturing Lebanese Eurobonds that it has issued under the Global Medium Term Note Program (GMTNP) since 1992. It added that this decision is based on the expiration of the statute of limitations under the General Obligations Law of the State of New York and any other prescription or contractual period.

Second, it stipulated at the time that the Lebanese government retains other rights to assert defenses in case it is subject to lawsuits that aim to force it to disburse obligations on Eurobond maturities that it issued under the GMTNP, or for any other reason related to the bonds. Third, it affirmed the government's intention to develop, finalize and plan for an orderly restructuring of the Eurobonds when the circumstances allow.

Fourth, it mandated the Minister of Finance to implement the provisions of Decision No. 30 on behalf the Lebanese State and to sign the agreements, addendums and documents pertaining to this decision, especially one or more addendum to the Agency Agreement of the GMTNP, and to amend the terms of issuance for each Eurobond, as well as to take the measures the ministry deems necessary for the implementation of the decision.

The Council of Ministers attributed Decision No. 30 to the decision that the previous government took on March 7, 2020 to suspend payments of the interest and principal on the Eurobond that matures on March 9, 2020 and to its subsequent decision on March 23, 2020 to suspend payments of the interest and principal on all outstanding Eurobonds. It considered that it was not possible until now to finalize a plan to restructure the Eurobonds due to the financial, economic, political, and security circumstances that prevailed in the country.

It added that the Finance Ministry indicated that the statute of limitation for Eurobond holders is six years according the law of the State of New York, and goes into effect from the maturity payment date of each Eurobond, in addition to the fact that the terms on the statute of limitation on the issuance terms of the Eurobonds have raised the concern of the bond holders as well as of the relevant financial institutions.

Further, it stipulated that, in order to limit the risks that the Lebanese State may face in case Eurobond holders file lawsuits to preserve their right to claim their dues, and given that such legal proceedings would hinder an orderly restructuring of the public debt and might impose additional risks on the sovereign, it is in the interest of the Lebanese State to suspend until March 9, 2028 the statute of limitations on the right of the Lebanese State to assert defenses to the deadline for payments of maturing Lebanese Eurobonds.

It added that, despite these measures, it appears that this resolution may not prevent Eurobond holders from filing lawsuits against the Lebanese State. As such, and based on the advice and recommendation of the government's legal advisor Cleary Gottlieb Steen & Hamilton LLP and of its financial advisor Lazard, Inc., it decided to take the above decision.

In parallel, the Finance Ministry stated that Decision No. 30 is sufficient to suspend until March 9, 2028 the Lebanese State's right to assert defenses to any legal actions in respect of maturing Lebanese Eurobonds, but it noted that it has concluded the SFAA as a further reassurance to bondholders.

The government headed by Mr. Hassan Diab announced on March 7, 2020 its decision to default on its obligations on the $1.2bn sovereign Eurobond that was scheduled to mature on March 9, 2020 and declared on March 23 of the same year that it will suspend payments of the interest and principal on all outstanding Eurobonds, which amounted to $31.3bn in total. The decision led to about $9bn in interest arrears on the bonds so far, as the government has yet to start negotiations with Eurobond holders on an orderly restructuring.

Customs receipts at LBP42,554bn in first 10 months of 2024

Figures released by Banque du Liban indicate that customs revenues totaled LBP42,553.6bn in the first 10 months of 2024, compared to LBP30,5980bn in the same period of 2023, to LBP1,837bn in the first 10 months of 2022, and to LBP1,329.1bn in the same period of 2021. Customs receipts in the first 10 months of 2024 represented an increase of 39% from the same period of 2023, relative to a jump of 1,566% in the first 10 months of 2023 from the same period of 2022, and to a growth of 38.2% in the first 10 months of 2022 from the same period of 2021.

Further, customs revenues reached LBP10,014.6bn in the first quarter, LBP14,422bn in the second quarter, LBP14,106.1bn in the third quarter of 2024, and LBP4,011bn in October 2024. In comparison, they stood at LBP3,806bn in the first quarter, LBP9,421.3bn in the second quarter, LBP13,039.4bn in the third quarter of 2023, and LBP4,331.1bn in October 2023. This constituted increases of 163% in the first quarter, of 53% in the second quarter, of 8.2% in the third quarter of 2024 from the corresponding quarters of 2023, and a decrease of 7.4% in October 2024 from the same month of 2023. The sharp increase in customs receipts is due to the adjustment of the exchange rate of the Lebanese pound to the US dollar for customs purposes in the fourth quarter of 2022 from LBP1,507.5 to LBP15,000 per dollar, as well as to LBP45,000 per dollar in the first quarter of 2023, and to LBP60,000 per dollar from May 2 until May 12, 2023.

Further, the Ministry of Finance increased the monthly average exchange rate of the Lebanese pound for calculating the taxes and fees at customs on imported goods and products to LBP86,000 per dollar starting on May 13, 2023. As such, the ministry said that the exchange rate for the currencies of Lebanon's main import sources became LBP86,000 for the US dollar, LBP93,832 for the euro, LBP106,697 for the British pound, LBP94,910 for the Swiss franc, LBP23,415 for the UAE dirham, LBP12,493 the Chinese yuan, LBP4,466 for the Turkish lira, LBP2,781 for the Egyptian pound, LBP1,049 for the Indian rupee, and LBP646.8 for the Japanese yen, among others. Also, Banque du Liban announced on December 19, 2023 that it has modified the exchange rate of the US dollar on the Sayrafa platform from LBP85,500 per dollar to LBP89,500 per dollar.

The latest available figures issued by Lebanese Customs Administration show that total imports reached $16.9bn in 2024 and regressed by 3.6% from $17.5bn in 2023. Non-hydrocarbon imports decreased by $365.1m, or by 2.8%, to $12.5bn in 2024, while the imports of oil & mineral fuels contracted by $257.2m, or by 5.5%, to $4.39bn.

Lebanon raises $303m in pledges from Flash Appeal

In its periodic update on the impact of the conflict between Israel and Hezbollah on the Lebanese population, the United Nations' Office for the Coordination of Humanitarian Affairs (OCHA) stated that 29 shelters across Lebanon are providing accommodation to 2,413 internally displaced persons (IDPs) as at February 20, 2025. Further, it stated that a total of 950,652 IDPs who have been staying in shelters and in other facilities have returned to their homes since the cessation of hostilities on November 27 of last year.

Also, it noted that 14 Primary Health Care Centers (PHCCs) and three hospitals in the south of the country are currently out of service. Moreover, it indicated that 46 water facilities have been damaged by Israeli air raids, which has affected more than 497,000 residents in the South and the Bekaa regions. It added that more than 2,192 hectares of farmland in the South and Nabatieh governorates have been damaged or remain unharvested as a result of the conflict. Further, it stated that four public schools in Lebanon are fully closed and are still used as shelters.

According to OCHA, the food assistance distributed since the escalation of hostilities on September 23, 2024 consisted of 10.9 million meals in collective shelters, 273,000 ready-to-eat kits, 380,000 food parcels inside and outside shelters, and 427,000 bread packs, while 271,000 individuals received cash for food through the National Poverty Targeting Program. It said that about 55,300 individuals, including 3,300 children and pregnant lactating women (PLW), obtained micronutrient supplements. It added that 13,300 caregivers received infant and young child feeding, nutrition, and early childhood development services, while 7,839 children and PLW were screened for acute malnutrition.

Further, it noted that core relief covered the distribution of 732,100 items that include mattresses, blankets, pillows and sleeping bags, while 290,000 persons in collective shelters received non-food-items. Further, healthcare support consisted of 140 trauma emergency surgical kits, while 35 collective shelters have been linked with PHCCs. In addition, hygiene support to the displaced population included 2.4 million liters of bottled water, 67 million liters of trucking water, as well as 141,200 family hygiene kits and 48,100 dignity kits. Also, water establishments received 1.02 million liters of fuel oil for water pumping. Moreover, it said that about 22,700 households obtained emergency cash for protection since October 2023. It added that 82,600 children, caregivers and women at risk received information and awareness on protection services. Also, it pointed out that 70,500 individuals obtained community-based psychosocial support, and that 37,500 children received educational supplies and/or learning materials.

In parallel, it said that the Flash Appeal, which the Lebanese government and the United Nations launched on October 1, 2024 and that called for $426m in immediate humanitarian support, is currently underfunded, as the UN received $303m, or 71% of the appealed funds, according to the Lebanon Aid Tracking system.

Parliament gives vote of confidence to new government

The Lebanese Parliament gave the incoming Council of Ministers on February 26, 2025 its vote of confidence with 95 votes out of a possible 128 votes as 12 members of Parliament (MPs) submitted a vote of no confidence, four withheld their votes, while 17 MPs did not attend the session. The MPs voted in favor or against the government based on the content of its Ministerial Statement. The vote of confidence clears the way for the government to start operating with full executive powers, as the previous Council of Ministers operated in a caretaker capacity for 33 months due to the inability of political parties to agree on a new government after the May 2022 parliamentary elections and to the presidential vacuum.

The incoming Council of Ministers pledged in its Ministerial Statement to adopt a foreign policy based on neutrality that shields Lebanon from regional and international conflicts, mobilize Arab and international support, and prevent the use of Lebanon as a platform to attack Arab and other friendly countries, which will help Lebanon regain its international and Arab status. Also, it vowed to implement in full UN Security Council Resolution 1701, to conform with the cessation of hostilities agreement of November 27, 2024, and to control and demarcate the border with Syria, and stressed the exclusive right of the Lebanese Armed Forces to carry weapons and to defend the country. Further, it underscored the need to reinstate the rule of law in all its aspects and to reform public institutions, as well as to strengthen the independence of the judicial system and to reform it according to international standards and best practices. Also it committed to enhance international judicial cooperation to combat crime and corruption, as well as to accelerate the investigation into the explosion at the Port of Beirut, address financial graft, and complete the financial and forensic audit of public institutions.

In addition, it vowed to accelerate the reconstruction of the areas that the Israeli war destroyed, to attract Arab and international financial support, and to finance the reconstruction transparently through a special fund. It said that an efficient public administration and effective institutions require the restructuring of the public sector through an updated vision that aims to improve the quality of public services. It added that it will carry out the restructuring based on modern standards that keep pace with digital transformation and innovation, adopt a scientific approach in government work, and introduce essential functions such as sound strategic planning and performance appraisal indicators.

In parallel, it indicated that the government aims to enhance the capacity of the Treasury by adopting a policy to boost public revenues, preserve the solvency of the State, and ensure financial stability, which includes improving tax and customs collection, as well as combating wasteful spending, containing the informal economy, and fighting smuggling. It stated that the government will negotiate a new program with the International Monetary Fund, and address the default on Lebanon's Eurobonds obligations and the public debt. It added that it will step up efforts to revive the economy, which necessitates the restructuring of the banking sector to drive economic activity. Also, it pointed out that it will give priority to determine the fate of deposits through a comprehensive plan, in accordance with best international practices, in order to safeguard the rights of depositors.

Moreover, it pointed out that it seeks to boost economic growth and restore domestic and foreign investor confidence by encouraging public-private partnerships, providing opportunities for investment and production, supporting and stimulating productive sectors, and creating new job opportunities for the youth. It noted that it will seek to improve the quality of local manufacturing, increase exports, reduce administrative formalities, establish or develop industrial zones, and strengthen the role of the Economic, Social and Environmental Council in formulating the State's economic and social policies. It added that it will work to increase the surface area of arable lands, encourage sustainable agriculture that has comparative advantages, open new markets for Lebanese products, and capitalize on existing regional and international trade agreements.

Further, it said that it aims to reform and modernize the telecommunications sector and to fully implement the law regulating telecommunications services. It added that it will develop the transportation system and the roads network, modernize ports, especially the Beirut and Tripoli ports, activate the René Mouawad Airport in the North, and implement strictly the laws related to public seaside and riverside properties. It noted that it will aim to reform the water and electricity sectors in order to gradually increase electricity supply at reduced cost to consumers, and that it will resume oil and gas exploration.

In addition, it noted that it aims to restore Lebanon's leading role in school and university education by improving the quality of education, strengthening public education, particularly at the Lebanese University, supporting vocational and technical education, protecting private education, and supporting scientific research.

It added that the government intends to establish a Ministry of Technology and Artificial Intelligence, which will develop and implement an ambitious strategy to attract Lebanese talent, stimulate investments in advanced sectors, accelerate the adoption of modern technologies, encourage start-up companies, and develop innovation.

In parallel, it stated that it will develop a comprehensive social protection system that cares for the poorest and most vulnerable groups of society, and stressed the importance of strengthening the capabilities of the healthcare sector in Lebanon, including public hospitals and Primary Health Care Centers, as well as to step up efforts to provide healthcare coverage for all citizens and to reform the National Social Security Fund.

Banque du Liban clarifies mechanism for banks to liquidate excess foreign currency positions

Banque du Liban (BdL) issued Intermediate Circular 730/13703 dated February 20, 2025 addressed to banks, financial institutions and auditors that amended Basic Circular 32/6568 of April 24, 1997 about foreign exchange operations at banks and financial institutions.

First, it considered that a bank that has a net long foreign currency open position that exceeds 1% of its total net core capital is in violation of the rules. As such, it granted banks up until December 31, 2025 to liquidate any excess in their net operational foreign currency positions. Also, it mandated banks that still have a long foreign currency open position in excess of 1% of their core capital after the net of 2025 to deposit at BdL special reserves in Lebanese pounds equivalent to three times the excess amount, based on the exchange rate of the US dollar used in transactions between banks and BdL, for a one-month period for each day that the bank exceeds the set ceiling after December 31, 2025.

Second, it considered that a bank that has a net short foreign currency open position is in violation of the rules and must liquidate any excess in its net short foreign currency open position by December 31, 2025. Also, it mandated banks to deposit at BdL special reserves in Lebanese pounds equivalent to three times the excess amount, based on the exchange rate of the US dollar used in transactions between banks and BdL, for a one-month period for each day that the bank exceeds the set ceiling after December 31, 2025. BdL stipulates that the circular will go into effect upon its publication.

In parallel, BdL issued Intermediate Circular 683/13953 dated November 17, 2023 addressed to banks, financial institutions and auditors that modified Basic Circular 32/6568 of April 24, 1997 about foreign exchange operations at banks and financial institutions, and Basic Circular 34/6576 of April 24, 1997 about consolidated financial statements.

First, the circular stipulated that, in order to calculate its foreign currency trading position, a bank has to deduct the special long foreign currency position from its open foreign currency position. Second, it mandated banks that have exceeded the net foreign currency trading position ceiling of 1% to deposit at BdL special reserves in Lebanese pounds equivalent to three times the excess amount based on the exchange rate of the US dollar used in transactions between banks and BdL for a one-month period for each day that the bank exceeds the set ceiling. Third, it added that banks that have exceeded the foreign currency position ceiling of 40% have to deposit at BdL special reserves in US dollars that are equivalent to three times the excess amount and after deducting the excess amount on the net foreign currency trading position for a one-month period for each day that the bank exceeds the set ceiling. Fourth, it asked financial institutions that have exceeded the long net foreign exchange trading position ceiling of 100% or the short net foreign exchange trading position ceiling of 5% to deposit at BdL special reserves in Lebanese pounds equivalent to three times the excess amount based on the exchange rate of the US dollar used in transactions between banks and BdL for a one-month period for each day that the financial institution exceeds the set ceiling.

Fifth, the circular canceled all of BdL's regular and exceptional approvals related to the banks' fixed foreign exchange positions, to all structural foreign exchange positions, and to any other exceptional approvals related to foreign exchange positions. Sixth, it provided banks until the end of 2024 to liquidate any excess in their long foreign exchange trading position calculated as at December 31, 2023. It noted that non-compliant banks will have to deposit at BdL special reserves in Lebanese pounds equivalent to three times the excess amount based on the exchange rate of the US dollar used in transactions between banks and BdL for a one-month period for each day that the bank exceeds the set ceiling after December 31, 2024. Seventh, it provided banks until the end of 2025 to liquidate gradually any excess in their short foreign exchange trading position calculated as at December 31, 2023. It said that banks can liquidate up to 50% the excess amount by the end of 2024 and have to liquidate the full excess by the end of 2025. It noted that non-compliant banks will have to deposit at BdL special reserves in Lebanese pounds equivalent to three times the excess amount based on the exchange rate of the US dollar used in transactions between banks and BdL for a one-month period for each day that the bank exceeds the set ceiling after December 31, 2024.

Banque du Liban increases monthly deposit withdrawals in foreign currency

Banque du Liban (BdL) issued Intermediate Circular 728/13701 dated February 20, 2025 addressed to banks that modified 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 prior to June 30, 2023.

First, it indicated that eligible depositors can withdraw from their "Special Sub-Account" $250 in banknotes monthly, up from $150 previously, 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 $3,000 per year. The circular amended the annual withdrawal limit from all banks during the current cycle that ends in June 30, 2025 to $2,950.

Second, it said that the account owner can benefit from the terms of this circular for an amount that does not exceed $6,700 in total based on the available funds in the client's account at the relevant bank. It added that the bank has to transfer to the "Special Sub-Account" up to $6,700 in any foreign currency from the account that the customer identifies.

Third, it indicated that if the account holder has multiple accounts at a specific bank, he/she must specify the account from where the funds will be transferred to the "Special Sub-Account". It added that if the client has a joint or collective account, he/she can use a maximum of $3,000 annually from the account. It stated that, in case the co-owners of a joint or collective account decide to benefit from the circular, they have to agree among themselves how to share the cash withdrawals. It added that, in case a co-owner of a joint or collective account decides not to benefit from the circular, the other co-owners can benefit in full from the cash withdrawals. It stated that in case a client who has a joint account decides to benefit from the circular from his/her personal account, his/her partner can benefit from the joint account.

Fourth, it indicated that banks and BdL will equally source the foreign currency liquidity needed for the withdrawals of the first tranche of the amount up to $150, as BdL will source 50% the funds from freeing part of the compulsory reserves that commercial banks have at BdL, and banks will use their liquidity in foreign currency for this purpose. It noted that BdL will source the remaining balance of the amount from freeing part of the compulsory reserves that commercial banks placed at BdL.

Further, BdL issued Intermediate Circular 729/13702 dated February 20, 2025, which modified Basic Circular 158/13335 of June 8, 2021 about exceptional measures related to the gradual disbursement of deposits in foreign currency from accounts that clients opened prior to October 31, 2019.

First, it said that eligible depositors can withdraw from their "Special Sub-Account" $500 in banknotes per month, up from $300 or $400 per month depending on the date they started to benefit from the terms of the original circular, and/or they can transfer the sum abroad or deposit it in a "fresh dollar" account, and/or use the amount through payment cards in Lebanon and abroad, without incurring any commission or direct or indirect fees of any kind. It added that the client can withdraw a maximum of $6,000 per year. The circular amended the annual withdrawal limit from all banks during the current cycle that ends in June 30, 2025 to $7,200 for clients who benefitted from the circular before July 1, 2023 and to $5,900 for those who started to benefit from the circular after July 1, 2023.

Second, BdL stated that in case two or more persons with a joint account decide to benefit from the circular, they will receive the funds on a prorata basis based on their contribution from the joint account to the "Special Sub Account".

Third, it indicated that, in the case of clients who benefitted from the circular before July 1, 2023, banks and BdL will equally source the foreign currency liquidity needed for the withdrawals of the first tranche of the amount up to $400, as BdL will source 50% of the amount from freeing part of the compulsory reserves that commercial banks have at BdL, and banks will use their liquidity in foreign currency for this purpose. It added that BdL will source the remaining balance of the amount from freeing part of the compulsory reserves that commercial banks placed at BdL.

Fourth, it said that, in the case of clients who benefitted from the circular after July 1, 2023, banks and BdL will equally source the foreign currency liquidity needed for the withdrawals of the first tranche of the amount up to $300, as BdL will disburse 50% of the funds from freeing part of the compulsory reserves that commercial banks have at BdL, and banks will use their liquidity in foreign currency for this purpose. It added that BdL will source the remaining balance of the amount from freeing part of the compulsory reserves that commercial banks place at BdL.

Further, the circular stipulated that banks have to inform BdL's Central Directorate of Special Sub-Accounts in details about the portion that they will disburse, separately from the portion funded from freeing part of the compulsory reserves that commercial banks have at BdL. It added that BdL will transfer on a monthly basis the amounts relate to the circular to each bank from BdL's liquidity available abroad, and that it will penalize a bank if it uses the amounts for purposes other than those specified in the circular.

BdL indicated that the two circulars will go into effect on March 1, 2025.

International contributions to Lebanon Response Plan at $1.6bn in 2024

The United Nations indicated that international contributions to the Lebanon Response Plan (LRP) reached $1.31bn in 2024 and represented 48% of the $2.72bn that the LPR appealed for to assist the affected Lebanese and non-Lebanese individuals in the country during the year. It also noted that it carried $301.38m from funding it received in 2023, which is equivalent to 11% of the total funds it tried to raise in 2024, and which resulted in aggregate funding of $1.61bn last year. As such, it said that international contributions covered 59% of the funds it requested, resulting in a funding gap of $1.1bn, or 41% in 2024.

The LRP 2024-2025 is a joint initiative between the Lebanese government and international and national partners that aims to address humanitarian needs in a way that is moving towards stability, as well as to apply a humanitarian, development and peace approach. The LRP also aims to promote progress against development objectives in the longer-term. The plan comes after the expiration of the LCRP for the 2015-2016, the 2017-2021, and the 2022-2023 periods.

It pointed out that financial disbursements for food security reached $307.2m at the end of 2024, or 17.1% of the total, followed by funds for basic assistance with $263.4m (14.7%), support to the healthcare sector with $218.5m (12.2%), the education sector with $200.8m (11.2%), social protection with $175.5m (9.8%), the water sector with $114.6m (6.4%), social stability with $106.6m (6%), livelihoods with $96.8m (5.4%), shelter with $31.1m (5.4%), and nutrition with $9.3m (0.5%). It added that the remaining $93.2m (5.2%) have not been allocated yet.

In parallel, the UN indicated that international contributions to the livelihoods component of the LRP reached $55.8m in 2024 compared to $47.2m in 2023. They represented 30% of the $188m that the LRP appealed for to assist affected Lebanese and non-Lebanese individuals in the country in 2024. It also noted that it carried over $41.1m from funding it received in 2023, which was equivalent to 22% of the total appealed funds, and resulted in aggregate funding of $96.9m in 2024. As such, it said that total funding covered 52% of the funds it appealed for last year, resulting in a funding gap of $90.2m, or 48%, in the covered period.

Further, the UN indicated that it provided livelihood assistance to 48,102 individuals across Lebanon in 2024 who consisted of 42,363 Lebanese citizens in need, or 88% of the total, followed by 5,575 displaced Syrians (11.6%), 151 Palestinian refugees in Lebanon (0.3%) and 13 Palestinian refugees from Syria (0.03%). It noted that it aimed to provide livelihood assistance to 74,970 poor individuals across Lebanon last year, who consisted of 47,500 vulnerable Lebanese citizens, or 63.4% of the total, followed by 24,250 displaced Syrians (32.3%); 2,275 Palestinian refugees in Lebanon (3%); and 945 Palestinian refugees from Syria (1.3%).

It said that the LRP provided financial access, cash and in-kind grants, as well as incubation services to 22,202 business owners in Lebanon in 2024. It stated that the program assisted 322 vulnerable individuals in the covered period through technical skills to match the needs of the job market in Lebanon.

In addition, it noted that the program created and maintained 665 jobs between January and December 2024, exceeding the 2016 baseline target of 494 jobs. It said that it placed 322 job seekers in jobs, while 331 vulnerable individuals engaged in home-based income generation in the covered period.

EBRD forecasts real GDP growth at 2.5% in 2025-26 period on resolution of political crisis

The European Bank for Reconstruction and Development (EBRD) estimated that Lebanon's real GDP contracted by 5.7% in 2024 due to the war between Hezbollah and Israel that resulted in widespread displacement of individuals and damages to the country's infrastructure and physical capital, with the physical damages estimated at $3.4bn and the economic losses in excess of $5bn.

Further, it estimated that economic activity in Lebanon shrank by 1% in the first nine months of 2024 and projected it to grow by 2% in 2025 and by 3% in 2026, as it anticipated that the ceasefire in Lebanon and the resolution of the political crisis will help the economy rebound in the near- to medium term. It noted that the projected rebound in economic activity assumes lasting political stability and progress on critical economic reforms, including the restructuring of the banking sector and an agreement on a program with the International Monetary Fund, which could help bring back international donor support and foreign investments to Lebanon. In comparison, it forecast economic activity in the Southern and eastern Mediterranean countries at 3.7% this year and 4.1% next year, and in EBRD's member countries at 3.2% in 2025 and 3.4% in 2026.

Also, it noted that the Lebanese economy has been largely dollarized as a result of the economic crisis, given that the exchange rate of the Lebanese pound has depreciated by about 98% up until July 2023. But it said that the inflation rate continues to decrease, as it reached 15.4% year-on-year in November 2024.

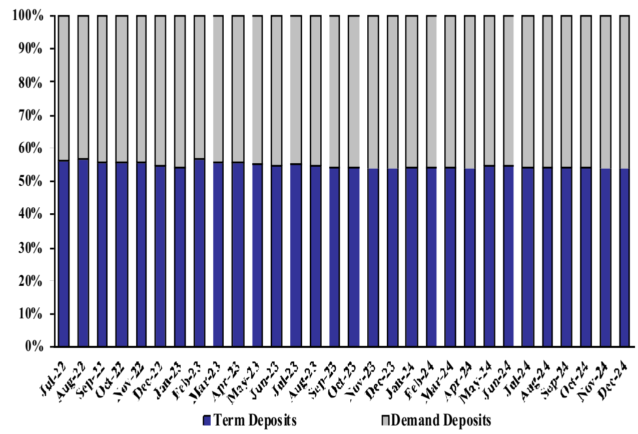
Further, it pointed out that the fiscal balance, which showed a small surplus of 0.5% of GDP in 2023, is likely to have deteriorated in 2024, as conflict-related spending increased and public revenues declined. It estimated the public debt level at 158% of GDP in 2024, down from 180% of GDP in 2023. In addition, it estimated that the current account deficit narrowed from 28.1% of GDP in 2023 to 25% of GDP in 2024. It considered that Lebanon has significant fiscal and external balances due to the high share of US dollar-denominated bonds in its public debt. In parallel, it noted that Banque du Liban's liquid foreign assets increased by $1bn to $10.7bn in early 2024, but they declined by $391m in October 2024 following the escalation of the war in September.

Established in 1991, the EBRD aims to support economies and promote the private sector in 40 economies across three continents, from the Southern and Eastern Mediterranean (SEMED), to Central and Eastern Europe, and to Central Asia. The banks' countries in the SEMED region consist of Egypt, Jordan, Lebanon, Morocco, Tunisia, and the West Bank & Gaza. The bank has currently 76 shareholders that include 74 countries as well as the European Union and the European Investment Bank, and has invested in excess of €190bn in more than 6,800 projects. It said that it has invested more than €2.4bn in 50 projects in SEMED countries in 2024, with 85% of the funds targeting the private sector. The bank has €921m in cumulative pledges in Lebanon that include €256m in disbursements for 10 projects as at end-January 2025.

Term deposits account for 54% of customer deposits at end-2024

Figures issued by Banque du Liban (BdL) about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at LBP8,209.7 trillion (tn) at the end of 2024, or the equivalent of $91.7bn, compared to LBP8,305.7tn ($92.8bn) at end-September 2024 and to LBP8,437.8tn ($94.3bn) at end-June 2024. Total deposits include private sector deposits that reached LBP7,933.8tn, deposits of non-resident financial institutions that amounted to LBP224.3tn, and public sector deposits that stood at LBP51.6tn at the end of 2024. The figures reflect BdL's Basic Circular 167/13612 dated February 2, 2024 that asked banks and financial institutions to convert their assets and liabilities in foreign currencies to Lebanese pounds at the exchange rate of LBP89,500 per US dollar when preparing their financial positions starting on January 31, 2024.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban, Byblos Research

Term deposits in all currencies reached LBP4,421.7tn and accounted for 54% of total deposits in Lebanese pounds and in foreign currency at the end of December 2024, relative to 54.3% at the end of September 2024. Further, the term deposits in Lebanese pounds of the public sector dropped by 76.7% from the end of 2024, followed by a decrease of 11.4% in the term deposits of the non-resident financial sector, a contraction of 1.7% in foreign currency-denominated term deposits of the resident private sector, and a downturn of 1.6 % in the term deposits of non-residents. This was offset by an increase of 25.2% in the term deposits in Lebanese pounds of the resident private sector and an uptick of 2.4% in the foreign currency-denominated term deposits of the public sector from the end of 2024. Aggregate term deposits declined by $117.1bn since the end of September 2019, based on the new exchange rate, due to the migration of funds from term to demand deposits and to cash withdrawals, amid the confidence crisis that started in September 2019.

In addition, the foreign currency-denominated term deposits of the resident private sector reached $35.3bn and accounted for 38.5% of aggregate deposits at the end of 2024, relative to 39% at end-September 2024. Term deposits of non-residents followed with $12.3bn or 13.4% of the total, then the term deposits of the non-resident financial sector with $1.39bn (1.5%), term deposits in Lebanese pounds of the resident private sector with LBP26.06tn (0.3%), term deposits of the public sector in foreign currency with $149.8m (0.2%), and term deposits of the public sector in Lebanese pounds with LBP1.4tn (0.02%).

In parallel, demand deposits in all currencies at commercial banks stood at LBP3,788tn at the end of December 2024 compared to LBP3,795.1tn at end-September 2024. They accounted for 46% of aggregate deposits at end-2024 compared to 45.7% at end-September 2024. Foreign currency-denominated demand deposits of the resident private sector declined by $190.6m from end-2024, followed by a decrease of $61m in demand deposits in foreign currency of the public sector, a downturn of $34.1m in demand deposits of non-residents, and a retreat of LBP757.8m in demand deposits in Lebanese pounds of the public sector. This was partly offset by an increase of $120.7m in demand deposits of the non-resident financial sector and a rise of LBP2,267.4bn in demand deposits in Lebanese pounds of the resident private sector.

Also, demand deposits in foreign currency of the resident private sector totaled $31.7bn and represented 34.6% of deposits at end-2024 relative to 34.4% at end-September 2024. Demand deposits of non-residents followed with $8.63bn (9.4%), then demand deposits of the non-resident financial sector with $1.2bn (1.2%), demand deposits in Lebanese pounds of the resident private sector with LBP39.1tn (0.5%), demand deposits in foreign currency of the public sector with $330m (0.4%), and demand deposits in Lebanese pounds of the public sector with LBP7.2tn (0.1%).

Based on the latest available figures, Beirut and its suburbs accounted for 66% of private-sector deposits and for 50.6% of the number of depositors at the end of June 2024. Mount Lebanon followed with 14.7% of deposits and 17.7% of beneficiaries, then South Lebanon with 7.4% of deposits and 11% of depositors, North Lebanon with 6.6% of deposits and 12.3% of beneficiaries, and the Bekaa with 5.2% of deposits and 8.4% of depositors.

Stock market capitalization up 36% to $24.5bn at end-February 2025

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 1.8 million shares in the first two months of 2025, constituting a decrease of 41.4% from 3.13 million shares traded in the same period of 2024; while aggregate turnover amounted to $52.9m and dropped by 68.4% from a turnover of $167.7m in the first two months of 2024.

Further, the market capitalization of the BSE stood at $24.45bn at the end of February 2025, representing an increase of 35.9% from $18bn a year earlier, and compared to $25.6bn at the end of January 2025 and to $26.9bn at end-2024. Real estate equities accounted for 70% of the market's capitalization at the end of February 2025, followed by banking stocks (22.3%), and industrial shares (7.8%). Also, the trading volume reached 801,588 shares in February 2025, as it decreased by 22.5% from 1.03 million shares traded in January 2025 and by 29% from 1,129,048 shares in February 2024. Also, aggregate turnover stood at $22.5m in February 2025, constituting a decline of 26.5% from a turnover of $30.5m in the preceding month and a contraction of 36% from $65.76m in February 2024. The market liquidity ratio was 0.22% at the end of February 2025 compared to 0.9% a year earlier.

In addition, banking stocks accounted for 74.6% of the trading volume in the first two months of 2025, followed by real estate equities (21.7%) and industrial shares (3.7%). Further, real estate equities accounted for 84.5% of the aggregate value of shares traded, followed by industrial shares (8.3%), and banking stocks (7.2%). The average daily traded volume for the first two months of 2025 was 47,060 shares for an average daily amount of $1.36m. The figures represent a decrease of 40% for the average daily traded volume and a drop of 67.6% for the average daily value in the covered period.

In parallel, the price of Solidere 'A' shares decreased by 13.9% and the price of Solidere 'B' shares regressed by 12.9% in the first two months of 2025, while the price of Holcim shares increased by 12.6% in the covered period. Further, the price of Solidere 'A' shares decreased by 5.6% in January and by 9% in February, while the price of Solidere 'B' shares contracted by 7.4% in January and by 6% in February 2025. Further, the share price of Holcim grew by 1.6% January and by 10.8% in February 2024.

Balance sheet of financial institutions at LBP43.8 trillion at end 2024

Figures released by Banque du Liban show that the consolidated balance sheet of financial institutions in Lebanon totaled LBP43.8 trillion (tn) at the end of 2024, or the equivalent of $489m, constituting a decrease of 0.6% from LBP44tn ($492m) at the end of September 2024 and an increase of 9.5% from LBP40tn ($446.7m) at the end of June 2024. The figures reflect Banque du Liban's Basic Circular 167/13612 dated February 2, 2024 that asked banks and financial institutions to convert their assets and liabilities in foreign currencies to Lebanese pounds at the exchange rate of LBP89,500 per US dollar when preparing their financial positions starting on January 31, 2024.

On the assets side, claims on resident customers amounted to LBP24.7tn ($276.1m) at the end of 2024 and rose by 11.7% from LBP22.1tn ($247.3m) at end-September 2024. Claims on resident customers in Lebanese pounds totaled LBP595.7bn at end-2024, constituting increases of 25.5% from LBP474.8bn at end-September 2024 and of 28.4% from LBP464bn at end-June 2024; while claims on resident customers in foreign currency amounted to $269.5m at end-2024, up by 11.3% from $242m at end-September 2024 and by 6% from $254.5m at end-June 2024. Also, claims on non-resident customers stood at $14.2m at end-2024 and dropped by 52.1% from $29.7m three months earlier. In addition, claims on the resident financial sector reached LBP11.5tn ($128m) at end-2024, down by 1.5% from LBP11.6tn ($130m) at end-September 2024. Also, claims on the resident financial sector in Lebanese pounds amounted to LBP282bn at end-2024, constituting an increase of 30% from LBP217.1bn three months earlier; while claims on the resident financial sector in foreign currency totaled $124.8m at end-2024, down by 2.1% from $127.5m at end-September 2024. Further, claims on the non-resident financial sector reached $20.5m at the end of 2024 and grew by 20.5% from $17m at end-September 2024. Also, claims on the public sector stood at LBP16.5bn at end-2024 and dropped by 83.4% from LBP99.7bn at end-September 2024; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, amounted to LBP1,218.2bn at end-2024 and surged by 32.8% from LBP917bn at end-September 2024. In parallel, currency and deposits with local and foreign central banks reached LBP2.5tn ($27.4m) relative to LBP4.1tn ($45.5m) at the end of September 2024.

On the liabilities side, deposits of resident customers stood at LBP12.9tn ($144.4m) at the end of 2024, constituting a decrease of 35.6% from LBP20.1tn ($224.4m) at the end of September 2024. Deposits of resident customers in Lebanese pounds amounted to LBP190bn at end-2024, representing a rise of 94% from LBP98bn three months earlier; while deposits of resident customers in foreign currency totaled $142.3m at end-2024 and decreased by 36.3% from $223.3m at end-September 2024. Also, deposits of non-resident customers reached $4.22m at the end of 2024 and regressed by 8.7% from $4.62m at end-September 2024. Further, liabilities to the resident financial sector amounted to LBP9.2tn ($102.75m) at end-2024, constituting a surge of 127.3% from LBP4.05tn ($45.2m) at end-September 2024. Liabilities to the resident financial sector in Lebanese pounds totaled LBP314.4bn at end-2024 and regressed by 3% from LBP324.1bn at end-September 2024, while liabilities to the resident financial sector in foreign currency reached $99.2m at end-2024 and rose by 138.6% from $41.6m at end-September 2024. In addition, liabilities to the non-resident financial sector amounted to $33.4m at end-2024 and increased by 8.8% from $30.7m at end-September 2024. Also, public sector deposits totaled LBP383.7bn at end-2024 relative to LBP477.1bn at end-September 2024, while issued debt securities stood at LBP1,261.2bn relative to LBP998.3bn three months earlier. Further, the aggregate capital account of financial institutions was LBP8.2tn ($91.7m) at end-2024 compared to LBP6.3tn ($71m) at end-September 2024.

Ratio Highlights

(in % unless specified)	2022e	2023e	2024e	Change*
Nominal GDP ($bn)	24.9	24.3	32.8	8.5
Public Debt in Foreign Currency / GDP	246.6	177.3	134.5	(42.8)
Public Debt in Local Currency / GDP	13.5	4.3	2.3	(2.0)
Gross Public Debt / GDP	260.1	181.6	136.8	(44.8)
Trade Balance / GDP	(13.6)	(12.7)	(9.5)	3.2
Exports / Imports	24.9	24.3	28	(3.7)
Fiscal Revenues / GDP	5.5	12.9	12.5	(0.4)
Fiscal Expenditures / GDP	11.9	13.3	13.1	(0.2)
Fiscal Balance / GDP	(6.4)	(0.4)	(0.6)	(0.2)
Primary Balance / GDP	(5.4)	0.7	0.4	(0.3)
Gross Foreign Currency Reserves / M2	13.4	138.7	692.5	553.8
M3 / GDP	34.0	56.0	210.6	154.6
Commercial Banks Assets / GDP	37.8	83.0	312.7	229.7
Private Sector Deposits / GDP	28.1	68.3	269.6	201.3
Private Sector Loans / GDP	4.5	6.0	17.2	11.2
Private Sector Deposits Dollarization Rate	76.1	96.3	99.1	2.8
Private Sector Lending Dollarization Rate	50.7	90.9	97.7	6.8

**change in percentage points 24/23;*
Source: Banque du Liban, Insitute of International Finance, Byblos Research Estimates & Calculations
Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

National Accounts, Prices and Exchange Rates

	2022e	2023e	2024e
Nominal GDP (LBP trillion)	675.0	2,082.0	2,943.0
Nominal GDP (US$ bn)	24.9	24.3	32.8
Real GDP growth, % change	1.3	-1.1	-7.0
Private consumption	2.5	-3.2	-14.9
Public consumption	2.5	2.0	14.6
Private fixed capital	-16.7	6.1	-30.6
Public fixed capital	93.0	27.7	105.1
Exports of goods and services	11.0	3.7	3.8
Imports of goods and services	22.3	20.8	22.0
Consumer prices, %, average	171.2	221.3	45.2
Official exchange rate, average, LBP/US$	1,507.5	15,000	89,500
Parallel exchange rate, average, LBP/US$	30,313	86,362	89,500
Weighted average exchange rate LBP/US$	27,087	85,805	89,700

Source: Insitute of International Finance

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Ratings	C	NP	Stable	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	Outlook
Moody's Ratings	Negative

Source: Moody's Ratings

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