

# LEBANON THIS WEEK

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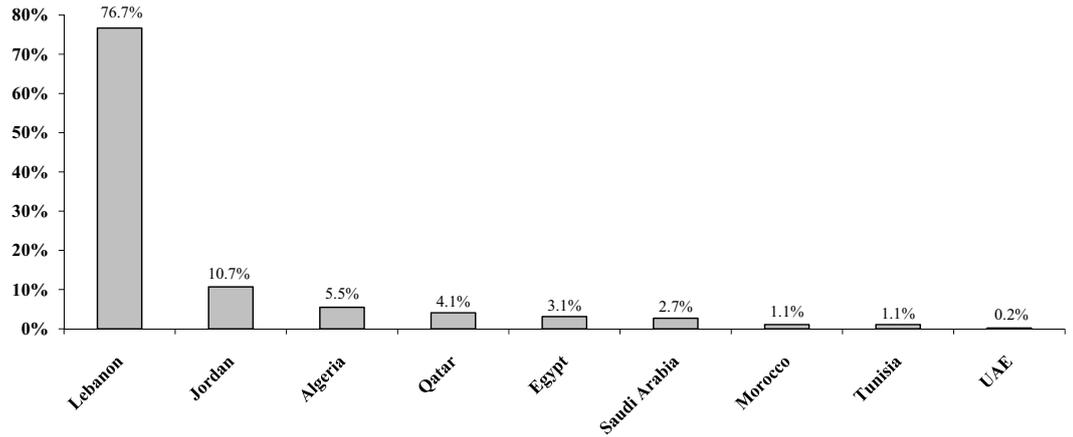
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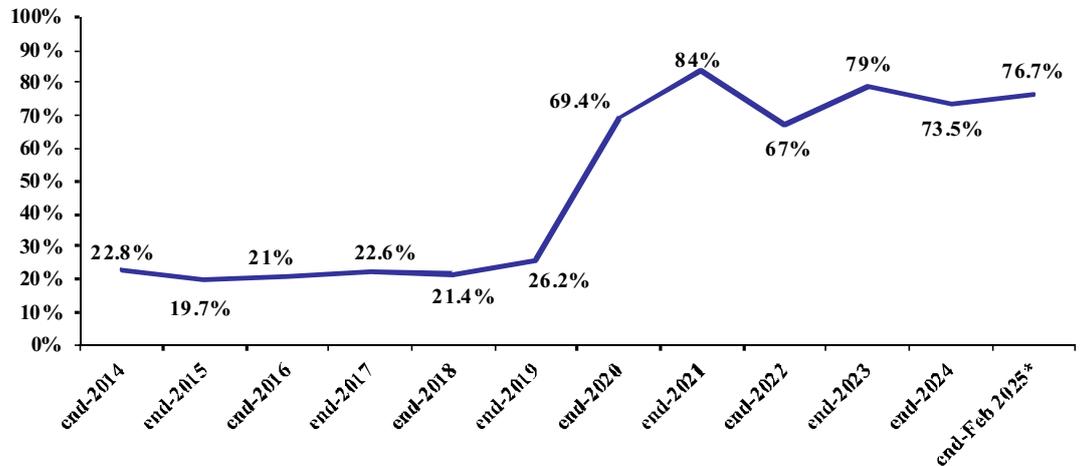
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## Charts of the Week

Official Gold Reserves in Select Arab Countries at end-February 2025 (% of GDP)\*



Official Gold Reserves in Lebanon (% of GDP)\*



\*in percent of 2025 GDP

Source: Institute of International Finance, Banque du Liban, National Accounts, Byblos Bank

## Quote to Note

"Financial support from multilateral organizations and bilateral partners will be important to the success of any reform plan."

*S&P Global Ratings, on the need to attract external funding to sustain structural reforms and the recovery of the Lebanese economy*

## Number of the Week

**70%:** Market capitalization of the Beirut Stock Exchange at the end of February relative to 2025 GDP

## Lebanon in the News

\$m (unless otherwise mentioned)	2022	2023	2024	% Change*	Dec-23	Nov-24	Dec-24
Exports	3,492	2,995	2,707	-9.6%	240,037	177,565	212,165
Imports	19,053	17,524	16,902	-3.5%	1,302,640	1,306,294	1,185,226
Trade Balance	(15,562)	(14,529)	(14,195)	-2.3%	(1,062,603)	(1,128,729)	(973,061)
Balance of Payments	(3,197)	2,237	6,437	187.7%	591.3	(984.4)	(792.4)
Checks Cleared in LBP**	27,146	4,396	877	-80.0%	404	43	69
Checks Cleared in FC**	10,288	3,292	1,299	-60.5%	183	93	81
Total Checks Cleared**	37,434	7,688	2,176	-71.7%	587	136	150
Fiscal Deficit/Surplus	-	380.5	297.4	-21.8%	-	-	-
Primary Balance	-	-	-	-	-	-	-
Airport Passengers	6,360,564	7,103,349	5,624,402	-20.8%	481,470	151,073	379,910
Consumer Price Index	171.2	221.3	45.2	-79.6%	192.3	15.4	18.1

\$bn (unless otherwise mentioned)	Dec-23	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	% Change*
BdL FX Reserves	9.64	10.51	10.65	10.22	10.10	10.09	4.6%
In months of Imports	-	-	-	-	-	-	-
Public Debt	-	-	-	-	-	-	-
Bank Assets	115.25	104.56	103.88	103.40	103.02	102.76	-10.8%
Bank Deposits (Private Sector)	94.75	90.41	89.54	89.21	88.93	88.65	-6.4%
Bank Loans to Private Sector	8.32	6.59	6.04	6.07	5.99	5.65	-32.1%
Money Supply M2	6.72	1.25	1.23	1.22	1.22	1.46	-78.3%
Money Supply M3	77.75	70.69	69.88	69.64	69.39	69.26	-10.9%
LBP Lending Rate (%)	3.97	5.11	3.99	6.78	6.78	5.61	41.3%
LBP Deposit Rate (%)	0.55	0.86	0.93	2.34	1.17	3.58	550.9%
USD Lending Rate (%)	1.95	2.59	1.48	1.97	4.41	3.70	89.7%
USD Deposit Rate (%)	0.03	0.04	0.02	0.03	0.03	0.03	0.0%

\*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 %
BLOM GDR	5.69	(9.8)	61,258	1.7%	Jun 2025	6.25	18.5	1,888.03
Solidere "A"	102.10	(3.4)	19,765	41.8%	Nov 2026	6.60	18.5	129.33
Solidere "B"	101.90	(4.1)	9,641	27.1%	Mar 2027	6.85	18.5	104.07
Audi Listed	2.74	(0.4)	8,802	6.6%	Nov 2028	6.65	18.5	52.41
Audi GDR	2.35	0.0	5,000	1.2%	Feb 2030	6.65	18.5	37.26
Byblos Common	1.01	0.0	-	2.3%	Apr 2031	7.00	18.5	29.70
BLOM Listed	7.00	0.0	-	6.2%	May 2033	8.20	18.5	21.77
HOLCIM	86.00	0.0	-	6.9%	July 2035	12.00	18.5	16.97
Byblos Pref. 09	29.99	0.0	-	0.2%	Nov 2035	7.05	18.5	16.53
Byblos Pref. 08	25.00	0.0	-	0.2%	Mar 2037	7.25	18.5	14.55

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

Source: Refinitiv

	Mar 10-14	Mar 3-7	% Change	February 2025	February 2024	% Change
Total shares traded	115,916	570,083	(79.7)	801,588	1,129,048	(29.0)
Total value traded	\$3,444,869	\$4,935,670	(30.2)	\$22,449,444	\$65,758,842	(65.9)
Market capitalization	\$24.42bn	\$25.12bn	(2.8)	\$24.45bn	\$17.99bn	35.9

Source: Beirut Stock Exchange (BSE)



### Lebanon ranks 132<sup>nd</sup> globally, eighth in Arab region in terms of bribery risks

TRACE, a non-profit international business association that aims to assess the multidimensional nature of bribery, compliance and good governance, ranked Lebanon in 132<sup>nd</sup> place among 194 countries, territories and autonomous regions around the world and in eighth place among 19 Arab countries on its Bribery Risk Matrix (BRM) for 2024. Lebanon ranked in the 32<sup>nd</sup> percentile worldwide in 2024, which means that 68% of jurisdictions have a lower risk of bribery than Lebanon, while it ranked in the 63<sup>rd</sup> percentile among Arab economies, which means that 37% of Arab countries have a lower risk of bribery than Lebanon. Also, Lebanon came in 25<sup>th</sup> place among 50 lower middle-income countries (LMICs) included in the matrix. In comparison, the survey ranked Lebanon in 127<sup>th</sup> place among 194 jurisdictions around the world, in fifth place among 19 Arab countries, and in 24<sup>th</sup> place among 50 LMICs in 2023. Based on the same set of countries included in the 2023 and 2024 BRM, Lebanon's global rank deteriorated by five spots, its Arab rank decreased by two notches and its LMIC rank regressed by one spot from 2023.

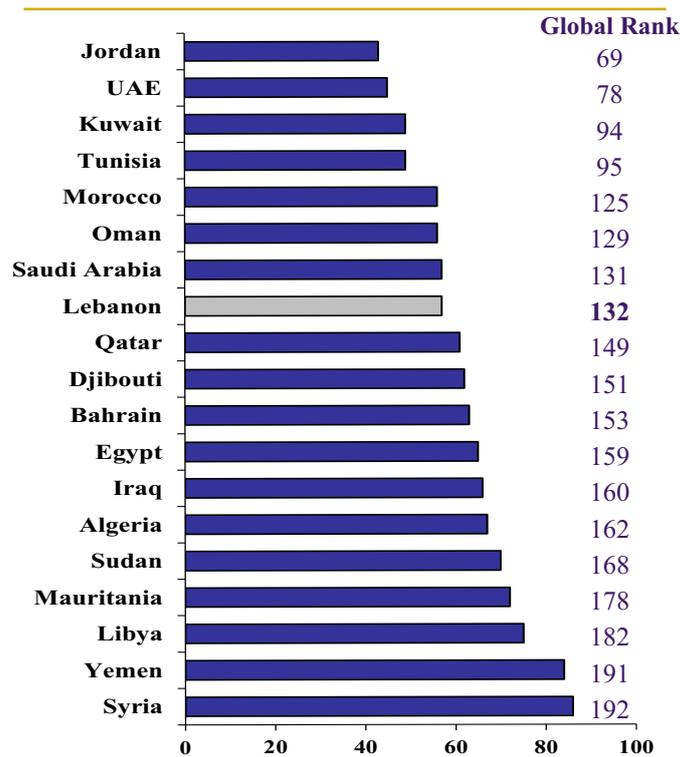
The BRM aims to quantify bribery risks in a given country and to help companies gauge the risks of encountering bribery practices in the public sector of jurisdictions where they aim to conduct business. It is a composite of 65 variables that are grouped in four risk categories that are Business Interactions with Government, Anti-Bribery Deterrence and Enforcement, Government and Civil Service Transparency, and Capacity for Civil Society Oversight. The rankings are based on scores that range from zero to 100 points, with a score of 100 points reflecting the highest risk of graft. The overall score of a country is the weighted average of the scores on each of the four categories. The first category carries a weight of 40%, the second has a weight of 15%, while the third and fourth categories carry weights of 22.5% each.

Globally, Lebanon had a higher risk of bribery than Oman, Türkiye and Saudi Arabia, and a lower bribery risk level than Honduras, Uzbekistan and Niger among economies with a GDP of \$10bn or more. Also, Lebanon had a higher risk of bribery than India, Morocco and Honduras, and a lower risk level than Uzbekistan, Côte d'Ivoire and Pakistan among LMICs; while it had a higher risk of bribery than Jordan, the UAE, Kuwait, Tunisia, Morocco and Oman in the Arab world. Lebanon received a score of 57 points in the 2024 survey, unchanged from the 2023 index. Lebanon's score came higher than the global average score of 48.7 points and the LMICs' average score of 56.9 points, but it was lower than the Arab region's average score of 62.3 points, which means that Lebanon's bribery risk level is higher than the global average and the LMICs, but lower than Arab levels. Further, it was higher than the Gulf Cooperation Council's (GCC) average score of 55.2 points and lower than the non-GCC Arab countries' average score of 65.5 points, which means that Lebanon's bribery risk level is higher than the GCC average, but lower than the non-GCC Arab economies on average.

The survey classifies countries in five categories that are "very low", "low", "moderate", "high", and "very high" risk of bribery, and indicated that Lebanon came in the "high" risk segment, along with 49 countries and jurisdictions. The survey considered that Lebanon has a low quality of anti-bribery dissuasion and of anti-bribery enforcement, a poor level of governmental transparency, a medium level of financial transparency, a medium level of media freedom and quality, and a medium degree of civil society engagement.

Further, Lebanon tied with Niger and Egypt, had a lower risk of bribery than Benin and Burkina Faso, and a higher risk level than the Dominican Republic and Guinea globally on the Business Interactions with Government category. This factor captures the immediate links between a company and public officials, and measures the frequency of interaction, the societal expectations surrounding bribery, and the rent-seeking leverage a public official may exercise. Lebanon had a lower risk level than Qatar, Bahrain, Sudan, Iraq, Algeria, Yemen, Mauritania, Libya and Syria among Arab countries.

**Bribery Risk Matrix for 2024**  
Scores & Rankings of Arab Countries



Source: TRACE, Byblos Research

**Components of the 2024 Bribery Risk Matrix for Lebanon**

	Global Rank	LMICs Rank	Arab Rank	Lebanon Score	Global Ave Score	LMICs Ave Score	Arab Ave Score
Business Interactions with Government	114	20	9	55.0	50.6	58.1	56.6
Anti-Bribery Deterrence and Enforcement	167	42	14	75.0	52.0	60.0	72.1
Government and Civil Service Transparency	153	35	12	66.0	50.0	59.5	66.2
Capacity for Civil Society Oversight	102	14	2	41.0	42.0	49.9	61.7

Source: TRACE, Byblos Research

### Lebanese government requests agreement with IMF

Following a fact-finding mission to Lebanon, the International Monetary Fund (IMF) welcomed the Lebanese authorities' request to reach an agreement with the IMF to support their efforts to address Lebanon's significant economic challenges. It considered that the Lebanese economy remains in a state of severe stagnation, and pointed out that the damages to infrastructure and housing, as well as the population displacement from the war between Israel and Hezbollah, have further exacerbated the existing challenges. It noted that humanitarian and reconstruction needs are substantial and require coordinated international support. It added that Lebanon continues to host a large number of Syrian refugees, which adds a significant burden to its economy, and that the banking sector crisis is hampering economic activity and the extension of credit.

Further, it said that the authorities' recent policy actions have helped maintain some degree of economic stability. It noted that the inflation rate declined and the exchange rate stabilized following the shift of the fiscal balance from a deficit to a surplus since mid-2023, driven by Banque du Liban's ending of monetary financing and of foreign exchange subsidies. It pointed out that the collection of public revenues has improved despite the conflict, which has supported essential public expenditures, but added that pressures on public spending intensified in the second half of 2024. However, it considered that these measures are insufficient to address the ongoing economic, financial, and social challenges. As such, it stressed the importance of implementing a comprehensive strategy for economic rehabilitation in order to restore economic growth, reduce unemployment, and improve social conditions.

In addition, the IMF said that it will remain in close contact with the Lebanese authorities to help them develop a comprehensive economic reform program that focuses on fiscal and debt sustainability, the restructuring of the financial sector, the drivers of economic growth, the reforms and governance of state-owned enterprises, as well as improving the provision of data to raise transparency and inform policy-making.

In parallel, the IMF reached a Staff-Level Agreement (SLA) with Lebanese authorities in April 2022 on a comprehensive economic reforms program that could be supported by a \$3bn 46-month Extended Fund Arrangement (EFF).

The IMF stated at the time that the economic reforms program has to include targeted and time-bound measures across five main pillars that consist of reforming state-owned enterprises, especially in the energy sector, to improve service delivery without draining public funds; enhancing transparency and accountability by strengthening the governance, anti-corruption, and the anti-money laundering and combating the financing of terrorism frameworks; reforming public finances to ensure debt sustainability and to provide space for social spending and reconstruction; restructuring the financial sector to restore confidence and support the recovery; as well as establishing a credible monetary and exchange rate system.

Further, the IMF indicated that, first, the Cabinet has to approve a bank restructuring strategy that recognizes and addresses upfront the losses in the sector, while protecting small depositors and limiting recourse to public resources. Second, Parliament has to approve an appropriate emergency bank resolution legislation in order to restructure the banking sector. Third, initiating an externally assisted bank-by-bank evaluation for the 14 largest banks by signing the terms of references with a reputable international firm. Fourth, Parliament has to adjust the banking secrecy law to bring it in line with international standards. Fifth, completing the special purpose audit of the BdL's foreign asset position. Sixth, the Cabinet needs to approve a medium-term fiscal and debt restructuring strategy, in order to restore debt sustainability, instill credibility in economic policies and create fiscal space for additional social and reconstruction spending. Seventh, Parliament has to enact the 2022 budget. Eighth, BdL has to unify the prevailing multiple exchange rates and to implement formal capital controls in order to support this measure. But the Lebanese authorities implemented only two of the prior actions in the SLA.

### Surveyed economists project Lebanon's real GDP growth rate at 3.4% in 2025

Bloomberg's quarterly survey of economists and analysts about the outlook on the Lebanese economy projected economic activity to grow by 3.4 % in 2025 relative to an earlier forecast of a real GDP contraction of 4.2% in the December 2024 survey. The individual forecasts for 2024 ranged from a growth rate of 0.7% to a pickup in economic activity of 7% for the current year, with a median real GDP growth rate of 3.4% for 2025. Also, the poll indicates that the consensus forecast among 50% of participants is that real GDP will improve by more than 4% this year. Bloomberg conducted the poll in March 2025, and the survey's results are based on the opinions of eight economists and analysts based in Lebanon and abroad.

Further, participants forecast the average inflation rate in Lebanon at 20.7% in 2025 compared to a projection of 48.2% in the December 2024 survey. The opinions of surveyed analysts differed on the magnitude of the increase in consumer prices in 2025, with expectations ranging from 8% to 36% and a median inflation rate of 21.3% for 2025. Also, 62.5% of participants predicted that the inflation rate would range between 15% and 25% this year.

In addition, surveyed analysts projected Lebanon's fiscal deficit at 1.5% of GDP in 2025 compared to a previous forecast of 1.9% of GDP in the December 2024 survey. The projections of polled economists for the fiscal balance ranged from a deficit of 2.7% of GDP to a deficit of 0.5% of GDP in 2025, with a median deficit of 1.3% of GDP. Further, the survey's participants forecast the current account deficit at 18.1% of GDP in 2025 compared to a previous forecast of a deficit of 15.3% of GDP in December 2024 survey. The polled analysts expected the current account deficit to range from 8% of GDP to 35.7% of GDP in 2025, with a median deficit of 17.4% of GDP for the year.



### Trade deficit narrows by 38% to \$8bn in first 11 months of 2024

Figures issued by the International Monetary Fund Direction of Trade Statistics show that total imports to Lebanon reached \$11.73bn in the first 11 months of 2024, constituting a decline of 30.2% from \$16.81bn in the same period of 2023; while aggregate exports stood at \$3.71bn and decreased by 3.4% from \$3.84bn in the first 11 months of 2023. As such, the trade deficit narrowed by 38.2% to \$8.03bn in the covered period due to declines of \$5.1bn in imports and of \$129m in exports. The coverage ratio, or the exports-to-imports ratio, was 31.6% in the first 11 months of 2024 relative to 22.8% in the same period of 2023.

Further, imports reached \$3.43bn in the first quarter, \$3.34bn in the second quarter and \$3.31bn in the third quarter of the year, while exports stood at \$968.1m in the first quarter, at \$995m in the second quarter and at \$1.1bn in the third quarter of 2024. Imports dropped by 22.5% in the first quarter, by 26% in the second quarter and by 31.2% in the third quarter of 2024 from the corresponding quarters of previous year; while exports decreased by 2.1% in the first quarter, and increased by 7.8% in the second quarter and by 1.5% in the third quarter of 2024 from the corresponding quarters of 2023. Also, imports totaled \$744.1m in November 2024, constituting declines of 20.3% from \$933.9m in the preceding month and of 42% from \$1.28bn in the same month of 2023; while exports stood at \$320.3m in November 2024, representing decreases of 1% from \$323.5m in October 2024 and of 15.4% from \$378.6m in November 2023.

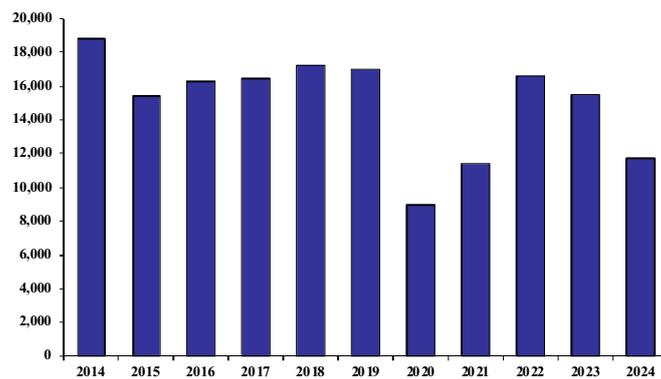
Lebanese imports from the Eurozone stood at \$4.1bn in the first 11 months of 2024 and accounted for 35% of total, followed by imports from the Emerging & Developing Europe region with \$1.63bn (14%), and from the MENA region with \$1.34bn (11.4%). In addition, Lebanese imports from the Emerging & Developing Europe region dropped by 33.5% from \$2.45bn in the first 11 months of 2023, followed by those from the MENA region that contracted by 31.7% from \$1.96bn, and imports from the Eurozone that decreased by 17.7% from \$4.98bn in the same period of 2023.

On a country basis, China was the main source of imports to Lebanon with \$1.5bn in the first 11 months of 2024 and accounted for 12.7% of the total, followed by Egypt with \$618m (5.3%), the UAE with \$254m (2.2%), and Saudi Arabia with \$165m (1.4%). Also, imports from Saudi Arabia dropped by 55% from \$367m in the same period of 2023, followed by imports from the UAE that contracted by 50% from \$508m, from China that declined by 22.4% from \$1.92bn, and from Egypt that regressed by 2.5% from \$634m.

In parallel, Lebanese exports to the Middle East and North Africa (MENA) region amounted to \$1.26bn in the first 11 months of 2024, or 34% of the total, followed by exports to the Eurozone with \$556m (15%), and to Sub-Saharan Africa with \$412m (11%). Lebanese exports to the Eurozone increased by 17.4% from \$473m in the first 11 months of 2023, followed by exports to Sub-Saharan Africa countries that grew by 6.4% from \$388m, while exports to the MENA region dropped by 25.3% from \$1.68bn in the same period of 2023.

On a country basis, Lebanese exports to the UAE reached \$519m, or 14% of the total, in the first 11 months of 2024, followed by exports to Switzerland with \$484m (13%), to the U.S with \$170m (4.6%), to Kuwait with \$65m (1.7%), and to Saudi Arabia with \$2m (0.1%). Also, Lebanese exports to Switzerland surged by 349.7% in the first 11 months of 2024, exports to Saudi Arabia rose by 29%, those to the U.S increased by 10.7%, exports to Kuwait grew by 0.7%, while those to the UAE dropped by 32.8% from the same period of 2023.

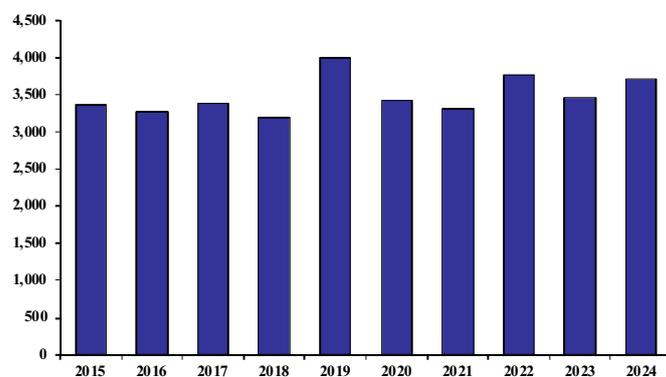
#### Lebanese Imports (US\$m)\*



\*in first 11 months of each year

Source: IMF Direction of Trade Statistics, Byblos Research

#### Lebanese Exports (US\$m)\*



\*in first 11 months of each year

Source: IMF Direction of Trade Statistics, Byblos Research

### 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 92,825 individuals remain displaced outside their cadaster of origin, and that 21 shelters across Lebanon are providing accommodation to 1,761 internally displaced persons (IDPs) as at March 12, 2025. Further, it stated that a total of 957,604 IDPs who have been staying in shelters and in other facilities due to the war, have returned to their homes since the cessation of hostilities on March 12, 2025.

Also, it noted that 17 Primary Health Care Centers (PHCCs) and one hospital in the south of the country are currently out of service. Moreover, it indicated that Israeli air raids have damaged 46 water facilities, 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 62,900 individuals, including 6,200 children and pregnant lactating women (PLW), obtained micronutrient supplements. It added that 14,600 caregivers received infant and young child feeding, nutrition, and early childhood development services, while 16,100 children and PLW were screened for acute malnutrition.

Further, it noted that core relief covered the distribution of 795,000 items that include mattresses, blankets, pillows and sleeping bags, while 331,600 persons in collective shelters received non-food-items. Further, healthcare support consisted of the distribution of 140 trauma emergency surgical kits, while 22 collective shelters have been linked with PHCCs. In addition, hygiene support to the displaced population included the distribution of 2.4 million liters of bottled water, 67 million liters of trucking water, as well as 148,400 family hygiene kits and 51,800 dignity kits. Also, water establishments received 1.02 million liters of fuel oil for water pumping. Moreover, it said that about 22,900 households obtained emergency cash for protection since October 2023. It added that 91,900 children, caregivers and women at risk received information and awareness on protection services. Also, it pointed out that 72,300 individuals obtained community-based psychosocial support, and that 37,400 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.

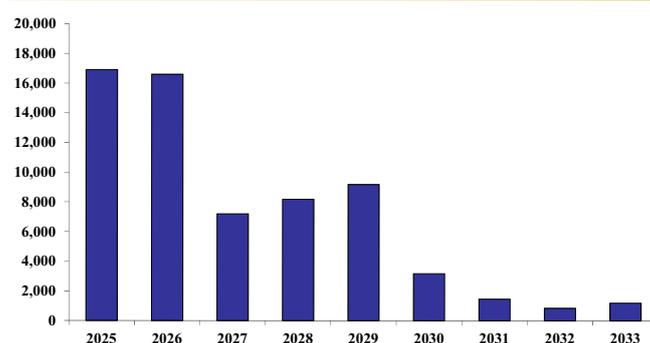
### Nearly 76% of Treasury securities in Lebanese pounds have seven-year maturities or longer at end-January 2025

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds stood at LBP64,766bn at the end of January 2025, compared to LBP67,165bn at end-2024 and to LBP68,045bn at end-January 2024. The securities were equivalent to \$723.6m at the end of January 2025 based on the exchange rate of LBP89,500 per US dollar, according to the BdL Central Council's Decision No. 48/4/24 dated February 15, 2024. The weighted interest rate on Lebanese Treasury securities was 6.53% in January 2025, unchanged from January 2024.

Also, the distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP30,124bn and accounted for 46.5% of aggregate securities denominated in Lebanese pounds at the end of January 2025, followed by seven-year Treasury securities with LBP14,480bn (22.4%), five-year Treasury bonds with LBP8,475bn (13%), three-year Treasury securities with LBP4,616bn (7%), 12-year Treasury securities with LBP3,076bn (4.7%), two-year Treasury bonds with LBP2,578bn (4%), and 15-year Treasury bonds with LBP1,417bn (2.2%). As such, 75.8% of outstanding Treasury securities have seven-year maturities or longer and 89% have five-year maturities or more.

In parallel, LBP2,399bn in outstanding Treasury securities denominated in Lebanese pounds matured in January 2025. The distribution of maturing securities shows that 38.4% consisted of 10-year Treasury bonds, 25% were two-year Treasury securities, 14.9% consisted of five-year Treasury bonds, 12.5% were three-year Treasury bonds, and 9.2% were seven-year Treasury bills. According to ABL, LBP16,919bn in outstanding Treasury securities in Lebanese pounds mature in the remainder of 2025.

### Projected Maturities of Treasury Securities in LBP\* (LBP billions)



\*as at end-January 2025

Source: Association of Banks in Lebanon, Byblos Research

### Lebanon accounts for 0.7% of the Arab region's purchasing power parity GDP

The United Nations Economic and Social Commission for Western Asia (ESCWA) indicated that Lebanon's economic position in the Arab region deteriorated between 2017 and 2023, as the size of its economy shrank by 85% in purchasing power parity (PPP) terms between 2017 and 2023. As such, it indicated that Lebanon regressed from the seventh richest Arab country in 2017 to the 12<sup>th</sup> wealthiest Arab economy in 2021 and to the 15<sup>th</sup> richest among 20 Arab economies in 2023. It noted that Lebanon's contribution to the region's overall economic output regressed from \$127.4bn, or 2.1% of regional GDP in 2017 in PPP terms to \$49.5bn, or 0.7% of the total by 2021 due to the eruption of the economic and financial crisis in late 2019, the depreciation of the exchange rate of the Lebanese pound, and the impact of the COVID-19 pandemic on economic activity. It added that the Arab region's PPP-based GDP increased from \$6.068 trillion in 2017 to \$7.067 trillion in 2021, as the real size of all Arab countries grew during the covered period, except for Lebanon and Syria whose real income decreased.

Also, it pointed out that Lebanon came in 13<sup>th</sup> place among 20 Arab economies in terms of per capita income in 2021, as it preceded Djibouti, Mauritania, Palestine, Sudan, Comoros, Syria, and Somalia, and trailed Qatar, the UAE, Bahrain, Kuwait, Saudi Arabia, Oman, Egypt, Algeria, Iraq, Tunisia, Jordan, and Morocco. Further, it said that investment expenditures per capita in Lebanon declined by 92% between 2017 and 2021 compared to an average decrease of 12% in per capita investments across the Arab region during the covered period. As such, it stated that Lebanon's rank in investment expenditures per capita declined from seventh place in the region in 2017 to 17<sup>th</sup> place in 2021.

In addition, it noted that the proportion of PPP-based investment expenditures for Lebanon dropped from 2.7% of regional PPP-based investments in 2017 to 0.2% of the region's total investments in 2021, causing the country's regional investment rank to drop from 10<sup>th</sup> place in 2017 to 16<sup>th</sup> place in 2021. It said that the share of government spending on goods and services that are directly consumed to provide public services decreased from 1.7% of the region's PPP-based government spending in 2017 to 1.3% of PPP-based government spending in 2021, while the proportion of household consumption on goods and services intended for daily living declined from 3% of the region's PPP-based household consumption in 2017 to 1.1% of PPP-based household consumption in 2021.

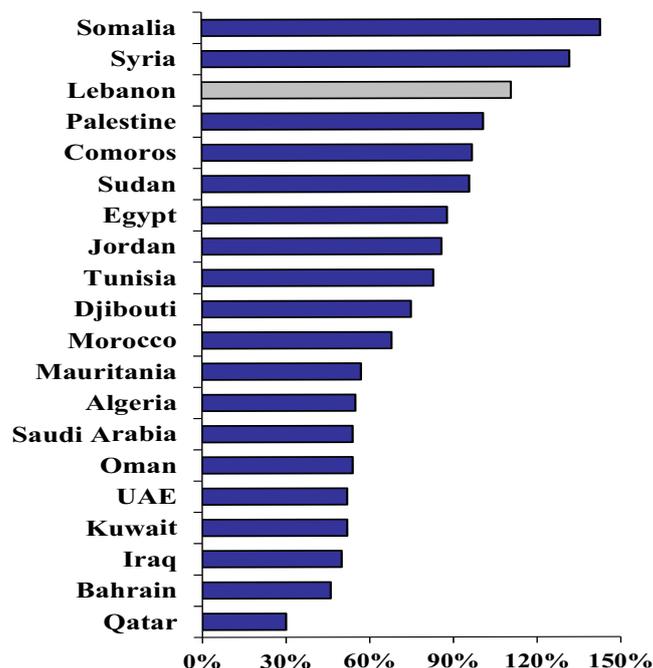
In parallel, it indicated that Lebanon's Actual Individual Consumption (AIC) was equivalent to 111% of its PPP-based GDP, and indicating that household consumption exceeded the country's total economic output given that Lebanon relied heavily on imports or external support to meet consumption needs, as domestic production could not meet the level of household consumption. As such, it stated that Lebanon ranked in third place among 20 Arab countries in AIC as a proportion of GDP in 2021, as it trailed Somalia (143% of GDP) and Syria (132% of GDP). Also, it said that food and non-alcoholic beverages accounted for 25% of PPP-based GDP of consumption in 2021, followed by housing, water, electricity, and fuels (23% of GDP), education (7% of GDP), and healthcare (6% of GDP).

Further, it pointed out that Lebanon's rank decreased from sixth place in the region in terms of material prosperity in 2017, ahead of Oman and behind the other five Gulf Cooperation Council countries, to ninth place in 2021, reflecting its worsening economic conditions. It indicated that the Price Level Index (PLI) of Lebanon stood at 58 in 2021, constituting the seventh lowest PLI in the Arab world and lower than the region's average of 65. The PLI, which is the ratio of the PPP to the corresponding market exchange rate, is used to compare the price levels of goods and services across countries. It noted that the price level for food and non-alcoholic beverages expenditures in Lebanon reached 115 in 2021, indicating that that prices in this category are 15% higher than the average reference level of 100 worldwide. It added that the price level of actual healthcare expenditures stood at 29 and the price level of actual education expenditures was 27, lower than the average reference level of 100 globally.

Also, it said that Lebanon's PLI for investments declined from 53.1 in 2017 to 23.8 in 2021, largely due to the rapid depreciation of the exchange rate of the Lebanese pound. Lebanon's PLI for Gross Fixed Capital Formation was 95%, close to the world average in 2021, ranking it as the second most expensive Arab country for investments after Palestine. Lebanon shifted from being the least expensive country for investments in 2017 globally to the 39<sup>th</sup> most expensive country in 2021.

Moreover, it pointed out that Lebanon returned to being the seventh most expensive country in terms of household spending on goods and services for daily living in the Arab region in 2023, a position it had previously occupied in 2017, after falling to 10<sup>th</sup> place in 2019 and 2021.

### Actual Individual Consumption of Arab Countries in 2021 (% of PPP-based GDP)



Source: ESCWA, Byblos Research

### **Ministry of Finance clarifies details of fixed assets and inventory revaluation**

The Ministry of Finance issued Decision 339/1 dated March 12, 2025 that specifies the details of implementing the provisions related to the revaluation of fixed assets and its amendments, authorizing income taxpayers to conduct an exceptional revaluation of their inventory and fixed assets, and adopting an exceptional treatment for positive and negative exchange rate differentials resulting from accounts receivables and payables in foreign currency and from financial accounts in foreign currency.

Article 1 stipulates that this decision specifies the detailed application of the provisions related to the revaluation of fixed assets stipulated in Article 2 of Law No. 330 dated December 4, 2024.

Article 2 indicates that natural and legal persons that declare and pay their income tax on the basis of actual profits and that are required to maintain regular accounting in accordance with legal or regulatory texts, including those who have previously conducted a valuation or estimation process in accordance with the provisions of Article 45 of the Income Tax Law, with the exception of holding firms, offshore companies, and foreign companies that do not operate in Lebanon but that own real estate in the country, may conduct an exceptional annual revaluation of all tangible, intangible, and financial fixed assets, such as real estate, construction on land belonging to others, equipment, machinery, shares, participation interests, and debt securities issued by joint-stock companies, among others. It noted that the revaluation is applicable from the end of the 2022 business year, with the depreciation of the revalued assets beginning from the start of 2023 and continuing until the end of the 2026 business year.

It pointed out that the revaluation process covers the assets mentioned in the preceding paragraph of this article that are recorded in the institution's books on a date prior to January 1 of each year for firms following the calendar year, and on a date prior to the first day of the first month of each year for companies that follow a special fiscal year in closing their accounts.

Article 3 noted that taxpayers that declare and pay their taxes according to a special fiscal year must adhere to the provisions of Decision No. 645/1 dated June 4, 2024 about the need to start their special fiscal year at the beginning of the second, third, or fourth quarter of the calendar year, starting from the 2025 business year. It added that in case of non-compliance, the tax administration will convert their fiscal year to the calendar year.

Article 4 stipulates that companies that declare and pay their taxes on a lump-sum or estimated profit basis may benefit from the exceptional revaluation of fixed assets if they can provide documents showing the date of ownership or possession of these assets and the cost of each asset. It noted that the date must precede January 1 of each year for firms that close their accounts on a calendar year basis, and before the first month of the tax year for each of those years for companies that close their accounts according to a special fiscal year.

Article 5 indicates that banks operating in Lebanon may conduct an exceptional revaluation of tangible, intangible, and financial fixed asset, provided that it does not conflict with the provisions of the Code of Money and Credit and other regulatory and implementation texts issued by Banque du Liban.

Article 6 states that the company must submit a request for the revaluation of fixed assets, accompanied by a report from a sworn real estate appraiser for real estate assets and a report from a licensed accounting expert affiliated with the Lebanese Association of Certified Public Accountants for other assets, within the deadline specified for submitting the annual declaration of business results.

Article 7 indicates that the exceptional revaluation process of real estate assets in Lebanon will be carried out by a sworn real estate appraiser in Lebanon and by a certified real estate expert in the country where the property is located if the real estate assets are in a different country. It said that the revaluation report must include the new value in Lebanese pounds and the revalued assets must not exceed their market price on the date of the revaluation.

Further, it stipulated that firms that adopt the calendar year that begins on January 1 and ends on December 31 must use an exchange rate of LBP42,000 per US dollar in the revaluation of fixed assets in foreign currency on December 31, 2022, while companies that adopt a special fiscal year must use the exchange rate that prevailed on the date of the end of the 2022 fiscal year.

It indicated that joint-stock companies must use an exchange rate of LBP42,000 per dollar for the year that ends on August 31, 2022, and LBP38,500 per dollar for the year that ends on September 30, 2022. It said that joint-stock companies and other taxpayers subject to taxation based on actual profit must adopt an exchange rate of LBP36,500 per dollar for the year that ends on October 31, 2022 and LBP41,000 per dollar for the year that ends on November 30, 2022. It indicated that taxpayers who adopt the calendar year and taxpayers who adopt a special fiscal year must use the exchange rate of LBP89,500 per dollar for the end of each 2023 and 2024. It added that the exchange rate for the end of each 2025 and 2026 is according to the actual value at the end of those years for taxpayers who adopt the calendar year, and according to its actual market value on the date of the end of each of these two years for taxpayers who adopt a special fiscal year.

### **Government to enforce attendance of public sector staff**

The Council of Ministers issued Circular 8/2025 dated March 5, 2025 to all public administrations about their cooperation to implement a comprehensive system for supervising the attendance of employees and workers.

First, it asked all public administrations to cooperate with the firm Creative Hardware For Integrated Products (CHIP), the company that the government mandated to implement the project, to facilitate the work of their teams during their field visits to the designated locations in order to install the attendance devices. It asked the public administration to facilitate the teams' access to suitable locations to install the fingerprint devices, in addition to taking all the logistical and administrative measures that ensure the implementation of the work according to the signed contract. It said that the government aims to reorganize various public administrations in order to improve the quality of work, increase employee productivity, and facilitate citizens' transactions based on the contract signed between the Office of the Minister of State for Administrative Reform and CHIP on December 19, 2024

Second, it urged the public administrations to maintain the safety of the fingerprint devices after their installation, with each ministry or public administration bearing the responsibility of maintaining the protection of these devices. It noted that the devices are an essential tool for recording the arrivals and departures of staff, which, in turn, will be used for calculating the salaries and financial compensation of employees.

Third, it requested public administrations to not tamper with or damage the devices, under the threat of imposing penalties of taking legal action against perpetrators.

Fourth, it urged all public administrations to ensure that the devices are properly used and said that each department is responsible for any shortcoming in their maintenance or for any negligence in preventing any acts of vandalism that may affect them. It indicated that the CHIP is responsible for maintaining the fingerprint machines for one year and the phone applications for three years, after which the maintenance responsibility will be transferred to the concerned administration.

Finally, it said that the Central Inspection Administration is tasked with monitoring the proper implementation of this circular and ensuring compliance.

### **Beirut airport to install digital gates**

The Ministry of Public Works and Transport launched on March 7, 2025, the Beirut Airport Digital Gates Project at the Beirut-Rafic Hariri International Airport (HIA), in collaboration with the International Organization for Migration (IOM). It said that the project aims to improve security verification processes, optimize passenger movement, and modernize operations at the airport by installing 30 digital gates. Also, it pointed out that the German Federal Police provided €500,000 in funding for the project and Denmark contributed \$250,000 through the IOM.

Further, it indicated that Black Delta Defence, an international company specializing in security solutions, defense equipment, and telecommunications, implemented the \$1.1m project. It noted that the project aims to install 30 digital gates that include six pre-security boarding gates to streamline passenger movement, 24 gates at the General Security area to enhance security and passport control procedures, and a queuing flow management system to optimize efficiency and reduce congestion.

In parallel, the IOM said that it trained 50 airport security personnel from the Lebanese Armed Forces, the General Security, and the Internal Security Forces on document security and fraud detection, in partnership with the Center for the Reinforcement of Airport Security, a key training facility in Lebanon for aviation security.

Figures released by the HIA show that 5.62 million passengers utilized the airport (arrivals, departures and transit) in 2024, constituting declines of 20.8% from 7.1 million passengers in 2023 and of 11.6% from 6.4 million passengers in 2022. The number of arriving passengers reached 2.76 million passengers in 2024, as they contracted by 20.6% from 3.48 million passengers in 2023 and by 11.4% from 3.12 million passengers in 2022; while the number of departing passengers totaled 2.86 million in 2024, constituting decreases of 21% from 3.6 million passengers in 2023 and of 11% from 3.21 million passengers in 2022.

### Balance sheet of investment banks at LBP80 trillion at end-2024

Figures released by Banque du Liban (BdL) show that the consolidated balance sheet of investment banks in Lebanon reached LBP79.9 trillion (tn) at the end of 2024, or the equivalent of \$892.7m, constituting decrease of 9.1% from LBP87.9tn (\$981.8m) at end-September 2024 and compared to LBP76.1tn (\$850m) at end-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 stood at LBP7.3tn (\$82.1m) at the end of 2024 and regressed by 5% from LBP7.7tn (\$86.5m) at end-September 2024. Further, claims on resident customers in Lebanese pounds totaled LBP682.5bn at end-2024, constituting a decrease of 5% in the fourth quarter of the year, while claims on resident customers in foreign currency amounted to LBP6.7tn (\$74.5m) at end-2024 and regressed by 6.3% from end-September 2024 and by 6.6% from LBP7.1tn (\$79.7m) at the end of June 2024. Also, claims on non-resident customers stood at LBP795.8bn (\$8.9m) at the end of 2024, representing a drop of 36.2% from end-September 2024 and a decrease of 35.5% from the end of June 2024. Further, claims on the resident financial sector reached LBP8.15tn (\$91m) at end-2024 and increased by 2.2% from LBP7.9tn (\$89m) at the end of September 2024. Claims on the resident financial sector in Lebanese pounds amounted to LBP4.9tn at the end of 2024 and surged by 27% in the fourth quarter of the year, while claims on the resident financial sector in foreign currency totaled LBP3.2tn (\$36.24m) at end-2024 and decreased by 21% from end-September 2024.

In addition, claims on the non-resident financial sector reached LBP5.2tn (\$58m) at the end of 2024, constituting a decrease of 23% from end-September 2024 and an increase of 25% from end-June 2024. Also, claims on the public sector stood at LBP1.47bn at end-2024 and rose by 88.2% in the fourth quarter of the year; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, amounted to LBP12.8tn at the end of 2024 and increased by 22.7% from LBP10.5tn at the end of September 2024. In parallel, currency and deposits with local and foreign central banks reached LBP31.5tn (\$351.5m) at the end of 2024 and declined by 18% from LBP38.4tn (\$429.3m) at the end of September 2024.

On the liabilities side, deposits of resident customers stood at LBP32.8tn (\$366.3m) at the end of 2024, constituting an increase of 2% from LBP32.2tn (\$359.3m) at the end of September 2024. Deposits of resident customers in Lebanese pounds amounted to LBP6,298.3bn at end-2024 and surged by 60.6% from end-September 2024, while deposits of resident customers in foreign currency reached LBP26.5tn (\$296m) at the end of 2024 and decreased by 6.2% in the fourth quarter of the year. Also, deposits of non-resident customers totaled LBP8.1tn (\$90m) at the end of 2024, and declined by 9.6% from LBP8.96tn (\$100.1m) at end-September 2024 and by 5% from the end of June 2024. Further, liabilities to the resident financial sector amounted to LBP5.4tn (\$60m) at end-2024 and dropped by 57.5% from LBP12.7tn (\$142.2m) at end-September 2024. Liabilities to the resident financial sector in Lebanese pounds totaled LBP1,646.1bn at end-2024 and decreased by 25.7% in the fourth quarter of the year, while liabilities to the resident financial sector in foreign currency reached LBP3.8tn (\$42m) at end-2024 and dropped by 64.2% from LBP10.5tn (\$117.4m) at end-September 2024.

In addition, liabilities to the non-resident financial sector amounted to LBP6.71tn (\$75m) at end-2024 and declined by 5% from three months earlier. Also, public sector deposits totaled LBP762.6bn at the end of 2024 relative to LBP798.8bn at the end of September 2024. Further, the aggregate capital account of financial institutions stood at LBP15tn (\$167m) at the end of 2024 relative to LBP14.2tn (\$159.1m) at end-November 2024, to LBP13.8tn (\$154.m) at end-September 2024, and to LBP11.7tn (\$130.7m) at end-June 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, Institute of International Finance, Byblos Research Estimates & Calculations

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

## National Accounts, Prices and Exchange Rates

	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: Institute 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

Banking Sector Ratings	Outlook
Moody's Ratings	Negative

Source: Moody's Ratings



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