800 ISSUES+
Issue 860 | April 7-12, 2025

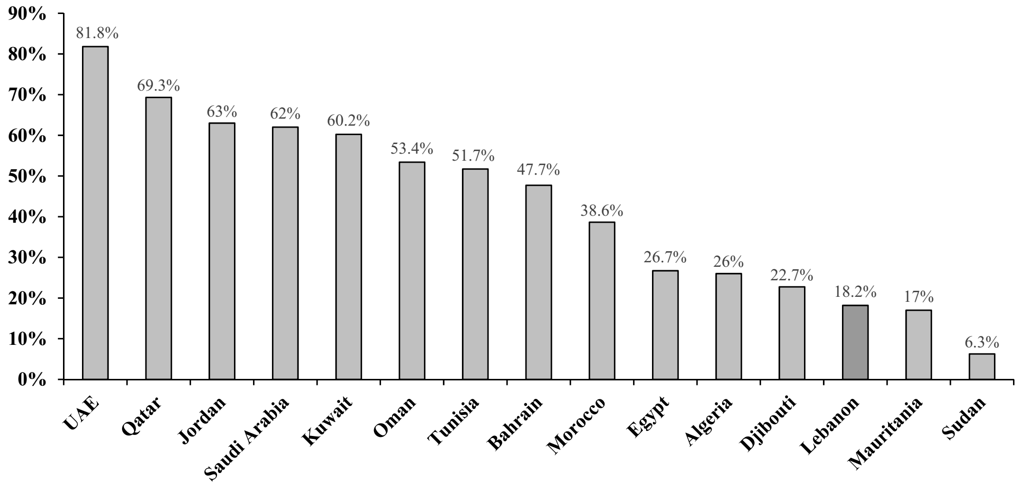
BYBLOS BANK SAL
Economic Research & Analysis Department

LEBANON THIS WEEK

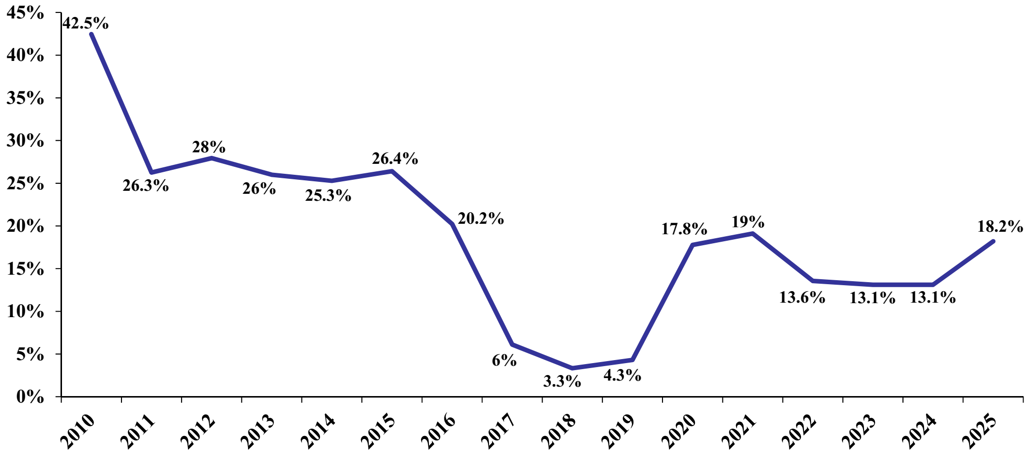
In This Issue

Charts of the Week

Percentile Rankings of Arab Countries in terms of Government Integrity for 2025*



Percentile Rankings of Lebanon in terms of Government Integrity



**The Heritage Foundation defines Government Integrity as the level of government intervention in economic activity and the degree of corruption that follows*
Source: Heritage Foundation, Index of Economic Freedom for 2025, Byblos Bank

Quote to Note

"Lebanon requires a fundamental shift in policies in the context of a comprehensive reforms program that is homegrown and approved by the International Monetary Fund, and which enjoys the support of the Lebanese people."

The Institute of International Finance, on the need for any reform plan to have broad-based domestic support for its successful implementation

Number of the Week

111.5%: Banque du Liban's liquid foreign currency and gold reserves at the end of March relative to Lebanon's projected nominal GDP for 2025

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
Byblos Common	1.01	0.0	10,000	2.6%
Solidere "A"	91.10	1.8	9,785	41.7%
Audi Listed	2.62	0.4	9,000	7.1%
Solidere "B"	91.00	9.6	5,574	27.0%
BLOM Listed	4.41	(37.0)	5,000	4.3%
Audi GDR	2.40	(5.1)	2,165	1.3%
HOLCIM	79.00	6.6	500	7.0%
BLOM GDR	5.89	0.0	-	2.0%
Byblos Pref. 09	29.99	0.0	-	0.3%
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	15.3	3,509.92
Nov 2026	6.60	15.3	157.79
Mar 2027	6.85	15.3	124.82
Nov 2028	6.65	15.3	60.65
Feb 2030	6.65	15.3	42.65
Apr 2031	7.00	15.3	33.81
May 2033	8.20	15.3	24.65
July 2035	12.00	15.3	19.15
Nov 2035	7.05	15.3	18.65
Mar 2037	7.25	15.3	16.39

Source: Refinitiv

	April 7-11	April 2-4	% Change	March 2025	March 2024	% Change
Total shares traded	42,574	1,449,809	(97.1)	1,626,857	797,200	104.1
Total value traded	$1,514,680	$5,274,659	(71.3)	$16,678,927	$14,485,247	15.1
Market capitalization	$21.87bn	$21.65bn	1.0	$23.53bn	$17.82bn	32.1

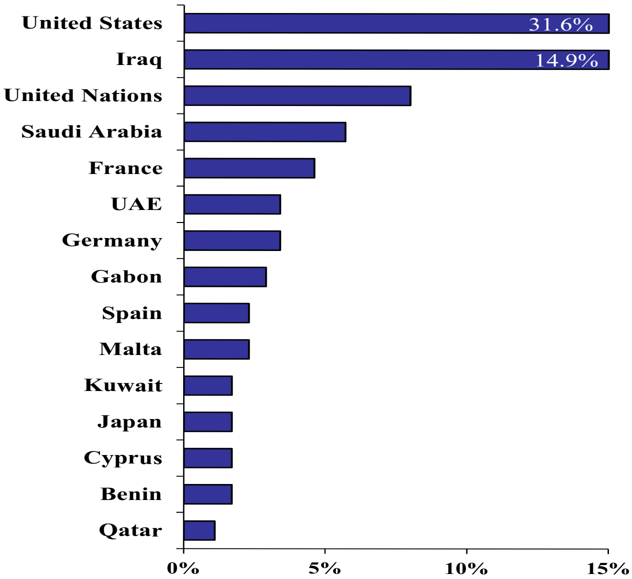
Source: Beirut Stock Exchange (BSE)

Banque du Liban lifts banking secrecy on 113 cases suspected of money laundering and other crimes in 2024

The Special Investigation Commission (SIC) against money laundering and terrorism financing issued its annual report detailing its actions related to tracing money generated from illegal activities in Lebanon in 2024. Established by Banque du Liban as an independent legal entity, the SIC's mandate is to investigate suspected money-laundering and terrorism financing operations, as well as to monitor compliance with the rules and procedures of Law 318, the anti-money laundering law that the Lebanese Parliament enacted in April 2001 and that it modified to become Law 44 in November 2015.

The report indicated that the SIC received 620 suspected cases in 2024 compared to 527 suspected cases in 2023, 469 suspected cases in 2022, 404 cases in 2021, 463 suspected cases in 2020, 637 cases in 2019, 489 suspected cases in 2018, 597 cases in 2017, 470 suspected cases in 2016, 432 cases in 2015, 277 suspected cases in 2014, 301 cases in 2013, and 284 suspected cases in 2012. Also, it said that it received 456 cases, or 73.5% of the total, from local sources, and 164 cases or 26.5% of the total from international sources in 2024. In turn, the SIC referred 495 suspected cases to the judicial authorities, while 48 cases are still pending and the remaining 77 cases did not fall within the framework of Law 44. Further, the authorities lifted the banking secrecy on 113 cases, with 69 of those cases referred from foreign governments and organizations and 44 cases from domestic sources. The remaining 382 cases were related to information requests in 2024. In comparison, the Lebanese authorities lifted the banking secrecy on 96 cases in 2023, 64 cases in 2022, on 36 cases in 2021, on 29 cases in 2020, on 55 cases in 2019, on 30 cases in 2018, on 48 cases in 2017, and on 42 cases in 2016.

Sources of Request for Assistance*
(from Foreign Countries and Organizations)



**Percentage of total foreign requests*
Source: Special Investigation Commission, Byblos Research

The SIC said that it investigated 572 out of the 620 suspected cases, or 92.3% of the total in 2024, relative to 94% of cases in 2023, 92.3% of cases in 2022, 90.6% of cases in 2021, 83% of cases in 2020, 86.7% of cases in 2019, 85% of cases in 2018, 86% of cases in 2017, 85% of cases in 2016, 77.5% of cases in 2015, 73.6% of cases in 2014, 84.7% of cases in 2013 and 67.3% of cases in 2012. Excluding 182 administrative assistance cases from the Banking Control Commission, the SIC received 83 cases related to terrorism or terrorism financing that accounted for 19% of suspected cases in 2024, followed by narcotics trafficking with 69 cases (15.8%), corruption with 50 cases (11.4%), fraud with 49 cases (11.2%), embezzlement of private funds with 43 cases (9.8%), forgery with 30 cases (6.8%), cybercrime with 26 cases (6%), tax evasion with 19 cases (4.3%), smuggling and incitation to debauchery with three cases each (1.2% each), kidnapping with two cases (0.5%), insider trading, extortion, sexual exploitation, illegal arms trade with one case each (0.2% each); while the remaining 57 suspected cases (13%) did not fall under a specific category.

In cases related to terrorism or terrorism financing, the SIC received 62 names (17 cases) from domestic sources and 561 names (66 cases) from foreign parties. The breakdown of local sources shows that the police supplied 40 names (2 cases), money transfer operators provided 12 names (12 cases), banks submitted eight names (one case), financial institutions supplied one name (one case), and ministries provided one name (one case). Also, the distribution of foreign sources reveals that foreign ministries and embassies delivered 518 names (40 cases), financial investigation units supplied 25 names (11 cases), the United Nations Security Council provided 16 names (14 cases), and the Interpol delivered two names (one case).

Further, the SIC indicated that it received 211 suspicious transactions reports, 430 requests for assistance, and one case that was not categorized. Further, Lebanon received 174 foreign requests for assistance, with 31.6% of the requests coming from North America, 28.2% from the Middle East & the Arabian Gulf countries, 19.5% from Europe, 8% from Africa, 8% from the United Nations, 2.3% from Asia, 1.7% from South America, and 0.6% from Australia.

In parallel, the SIC's Compliance Unit examined a number of institutions in order to ensure their full compliance with Law 44. It covered 100 money dealers (34% of total money dealers), 29 insurance firms (63% of insurers), 19 banks (33% of banks in Lebanon), 14 specialized lending entities or comptoirs (67% of comptoirs), 13 brokerage firms (93% of brokers), 12 financial institutions (33% of total financial institutions), and seven money transfer operators (37% of MTOs).

Council of Ministers approves banking resolution framework

The Council of Ministers issued Decision 1 dated April 12, 2025 that approved the draft law to restructure the banking sector in Lebanon, which consists of 37 clauses that address the general framework of restructuring and/or liquidating banks, and endorsed a decree to forward the draft law to Parliament.

Article 3 stipulates that the objectives of the draft law consist of strengthening the stability of the financial sector, ensuring the continuity of the key functions of banks, protecting deposits, and limiting the use of public funds in the restructuring of the sector. Article 4 says that the content of the law applies to Lebanese banks, including their branches abroad, unless the rule or regulations of foreign countries state otherwise, as well to foreign banks operating in the country or their branches in Lebanon.

Article 5 amends Article 10 of Law 28/67 about the Higher Banking Authority (HBA). It said that the HBA will consist of Banque du Liban's (BdL) governor, one of his vice governors, the head of the Banking Control Commission of Lebanon (BCCL), a legal expert in financial and banking affairs with at least 10 years of experience, the head of the National Deposits Guarantee Institution (NDGI), as well as two experts in banking, or finance, or in auditing, or in forensic audit. Article 6 details the conditions that the HBA's members must meet in order to be devoid of any conflict of interest in their work.

Article 7 stipulates that the HBA will take the decision to restructure or liquidate a bank based on an assessment report that the BCCL prepares and sends to the HBA, and that recommends whether to restructure the bank or to liquidate it. Also, it noted that the assessment aims to determine the net asset value of the bank and the size of its losses, and that the process can start with an interim assessment until the valuation is properly completed by independent evaluators. Further, it states that, in the case of the restructuring of a bank, the HBA will issue a decision that includes the instruments and tools that the bank has to use, as well as the measures that the bank needs to abide by throughout the restructuring period. It said that, in the case of liquidation, the HBA will issue a decision to de-list the bank from the list of banks at BdL, which will result in its liquidation, and will be followed by a decision to appoint a liquidator. Article 10 states that the banks' valuation will be based on international valuation standards and on international financial reporting standards, while taking into consideration local prudential measures.

Article 12 says that the BCCL will assess if a bank is insolvent or could become insolvent, and if there are any alternative measures, such as the economic recovery plan or any intervention by supervisory authorities, that can prevent the insolvency of the bank, based on the following criteria: the bank's inability or possible inability to comply with the minimum required regulatory capital within the set deadline; its potential inability to comply with the minimum required liquidity by the set deadline; the bank's inability to meet its liabilities when they mature; its possible inability to maintain proper governance and risk management practices; the bank's inability to restore the elements of profitability and maintain them; and its inability to comply with the conditions that allowed it to receive a banking license, including the significant breaching of prevailing rules and regulations. Article 13 states that the HBA can implement any of the following measures or use any of the following instruments to reform a bank. It said that the measures include a bail-in by reducing the bank's regulatory capital and liabilities, and/or converting liabilities into capital instruments; recapitalizing the bank by shareholders, the parent company, or new investors; transferring some or all the bank's assets and liabilities to another institution; and transferring the bank's ownership by merging it with another institution.

Article 14 details the general principles for restructuring the banking sector. It noted that these principles include the hierarchy of claims by creditors; the private funds' absorption of losses proportionately to the hierarchy of the composition of the funds; the absorption by the bank's creditors of losses proportionately within the classification of liabilities; the equal treatment of creditors within the same category; the equal treatment of shareholders within the same category; and the protection of depositors based on the prospective provisions of the upcoming gap law. It added that, in case the "bail-in" approach is used, the measure will be implemented on customer deposits based on the "principle of single depositor". Also, the law excludes some liabilities from the conversion of liabilities into capital instruments that consist of the deposits of the National Social Security Fund, the NDGI, the retirement and mutual funds of judges, syndicates, schools, universities, as well as the funds of all security forces and of all the institutions related to the Ministry of Defense. It also excludes the deposits of foreign embassies but not their employees, the deposits of Arab, regional and international organizations, taxes due, payments due to the main service providers, and "fresh" funds. Article 18 mandates the Ministry of Finance, the Capital Markets Authority, the Insurance Control Commission, BdL, the BCCL, the Real Estate Registry, the Commercial Registry, the Midclear Corporation, the NDGI, and any other party related to the implementation of this law, to cooperate with the HBA. It said that each of the above parties has to submit to the HBA, within the timeframe that the latter determines, any data, information, recommendations and approvals that it may need.

Article 29 stipulates that the provisions of Article 15 of Law 110 dated November 7, 1991 allow for establishing of a special tribunal in Beirut that has the prerogative to resolve any conflict that arises between a creditor, including depositors, and the liquidator about the debt owed by the bank under liquidation. It said that any pending case at the Lebanese Court of First Instance about a conflict between a creditor, including depositors, and the concerned bank, without a final ruling on the case, will be submitted to the special tribunal within one month of the appointment of a liquidator for the bank. Article 31 says that all decisions that the HBA issues are subject to appeal in front of the special tribunal.

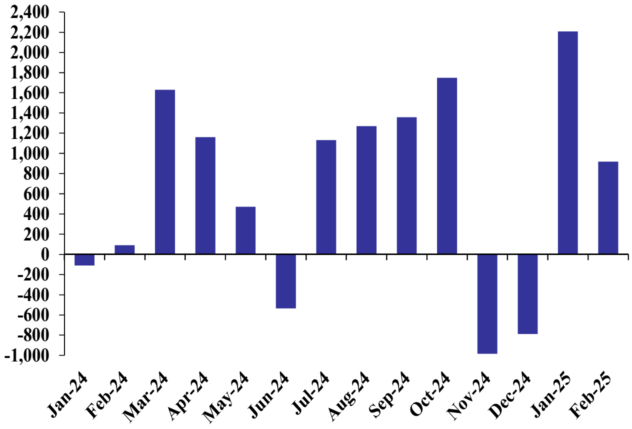
Other articles in the draft law cover the prerogatives of the HBA; the prerogatives of the BCCL in the context of restructuring the banks; the mechanism to appoint a bank liquidator or a committee of liquidators and their role and prerogatives; the appointment of a temporary administrator and his/her responsibilities and prerogatives; the penalties on persons who do not abide by this law; and the role of the NDGI, among others.

Net foreign assets of financial sector up $3.1bn in first two months of 2025

Figures issued by Banque du Liban (BdL) show that the net foreign assets of the financial sector, which are a proxy for Lebanon's balance of payments, increased by $3.13bn in the first two months of 2025, compared to a decrease of $21.5m in the same period of 2024 and an increase of $1.64bn in the first two months of 2023.

The cumulative surplus in the first two months of 2025 was caused by increases of $2.68bn in the net foreign assets of BdL and of $449.4m in those of banks and financial institutions. Further, the net foreign assets of the financial sector rose by $919.1m in February 2025 compared to increases of $2.21bn in January 2025 and of $89.6m in February 2024. The February increase was caused by a surge of $753.1m in the net foreign assets of BdL and by an increase of $166m in those of banks and financial institutions.

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



**change in each month*
Source: Banque du Liban, Byblos Research

The cumulative rise in BdL's net foreign assets reserves in first two months of 2025 is due mainly to increases of $2.28bn in BdL's gold reserves and of $393.5m in its foreign currency reserves. Also, the slow pace of increase in the banks' net foreign assets in the covered period is mostly due to the improvment in their foreign liabilities, driven mainly by increases of $25.1m in liabilities to the non-resident customer deposits, of $351.3m in claims on non-resident financial sector and of $31.8m in non-resident financial sector liabilities.

BdL said that it started in January 2024 to include monetary gold, the non-resident foreign securities held by BdL, and the foreign currencies & deposits with correspondent banks and international organizations as part of its foreign assets; while it excluded the Lebanese government's sovereign bonds and its loans in foreign currency to resident banks and financial institutions from the entry. It attributed the modifications to its adoption of the IMF's methodology as stipulated in the latter's Sixth Edition of the Balance of Payments and International Investment Position Manual and in the Monetary & Financial Statistics Manual & Compilation Guide. It added that the changes are in line with the BdL Central Council's Decision Number 37/20/24 on September 13, 2024.

Food Price Index up 8% year-on-year in February 2025

The Ministry of Economy & Trade's Market Food Price Index (MFPI) reached 137.2 in February 2025, constituting increases of 2.4% from 134 in January 2024 and of 8% from 127 in February 2024. The prices of beverages surged by 16.3% in February 2025 from the same month of 2024, followed by a rise in the prices of fruits (+14.7%), of fats & oils (+11.6%), fresh poultry (+10.8%), dairy products (+10.4%), pulses (+8.6%), cereals (+7.9%), canned fish (+7.8%), condiments (+3.2%), and vegetables & tubers (+2.7%). In contrast, the price of eggs dropped by 10.4% annually in February 2025, followed by a decline of 3% in the price of sugar.

Also, the prices of fruits rose by 10.6% in February 2025 from January 2025, followed by increases in the cost of dairy products (+5.3%), fats & oils (+3.1%), beverages (+2.7%), vegetables & tubers (+2.1%), fresh poultry (+1.8%), canned fish (+1.3%), and cereals (+0.5%). In contrast, the prices of eggs declined by 1.9% month-on-month, followed by decreases in the prices of pulses (-0.7%), sugar (-0.4%), and condiments (-0.3%).

In addition, the index increased by 13% in the Akkar governorate in February 2025 from February 2024, by 11% in each of the Baalbeck-Hermel, the North and the South governorates, by 9% in each of the Nabatieh and the Mount Lebanon governorates, by 6% in the Bekaa governorate, and by 5% in the Beirut governorate.

Also, food prices increased by 11% in the Nabatieh governorate in February 2025 from the previous month, by 5% in the North governorate, by 3% in th Akkar governorate, and by 2% in each of the Mount Lebanon, Bekaa and Beirut governorates. In contrast the index regressed by 1% month-on-month in each of Baalbeck-Hermel and the South governorates.

The ministry considered that the impact of the Israeli war is still negatively affecting prices in the Nabatieh governorate despite the cessation of hostilities arrangement last November. It added that the effects of the conflict, mass displacement, and the economic deterioration during the past year had a comparatively more severe impact on prices in the Akkar, North and Baalbeck-Hermel governorates than in other governorates.

The ministry and the World Food Program launched the MFPI in July 2024 to monitor the prices of food items across the country. The index is a measure of the average change over time in prices in US dollars for 65 essential food items from a sample of about 1,000 stores located across Lebanon's eight governorates, and is calculated as the weighted average of price changes for each item. The base month for the index is January 2023. The food basket consists of beverages, canned fish, cereals, condiments, dairy, eggs, fats & oils, fresh poultry, fruits, pulses, sugar, and vegetables & tubers.

OMSAR rolls out comprehensive roadmap for public sector reforms

The Office of the Minister of State for Administrative Reform (OMSAR) indicated that its strategy for the public sector consists of three main pillars that are administrative reforms, fighting corruption, and digital transformation.

First, it said that it aims to upgrade the public sector through initiatives that rebuild capacities, enforce meritocracy, and reduce obstructive bureaucracy. It suggested reforming government institutions to enhance their efficiency, transparency, and by adopting modern management practices. It stressed the importance of a transparent, merit-based system for filling civil service vacancies, and of phasing out job allocations that are based on sectarian considerations. It proposed streamlining government processes, reducing bureaucratic delays, as well as ensuring faster citizen-centered service delivery. Also, it pointed out that it finalized the design of a clear and inclusive modality for recruitment of senior positions across the public administration. However, it noted that the process of implementing the recruitment mechanism, as well as modernizing and restructuring the public administration, is currently underway.

Further, it presented three options for reforming the public administration that are the holistic, sequential, and piloting approaches. First, it said that the holistic approach consists of a complete overhaul of the public administration through a step-by-step comprehensive restructuring process that covers all entities, but it noted that this approach requires significant time and resources. Second, it pointed out that the sequential approach focuses on reviewing one entity as a model for replication and scale up. It considered that this approach is more feasible and manageable than the holistic method and has shorter timelines, but it added that it carries risks such as fragmented efforts and the inconsistent application of guidelines. Third, it indicated that the piloting approach consists of reviewing generic functions, such as planning, performance monitoring, digital transformation, policy, innovation and behavioral science; followed by scaling these efforts within priority ministries. It noted that this approach allows early learning and scaling based on tested models, but said that it requires strong follow-up for its expansion.

Second, it stressed the need to ensure the coordinated and effective implementation of the current National Anti-Corruption Strategy, alongside the participatory implementation of a new anti-corruption strategy for the 2026-30 period to raise the levels of transparency and accountability and to address impunity. It called for reinvigorating anti-corruption agencies, for the full implementation of accountability mechanisms across all sectors, and for supporting ongoing investigations into financial crimes, the explosion at Port of Beirut, and the mismanagement of public funds. It urged the authorities to promote open government policies, improve public access to information, and digitize records to promote greater transparency.

In addition, it indicated that key initiatives of the anti-corruption pillar include developing and adopting a new national anti-corruption strategy (NACS) for the 2026-30 period, developing and launching the NACS's third progress report, conducting a peer review of the United Nations Convention against Corruption (UNCAC), finalizing and launching the Youth Action Plan; updating the Task Team on Citizens and Youth Engagement to support the NACS, establishing a Task Team on integrating gender perspectives into policies, programs, and practices, establishing a Task Team to promote Private Sector Integrity, establishing a Task Team on Sectoral Corruption Risk Management, and updating the Task Team on the compliance of anti-corruption laws with international standards.

Third, it stressed the importance of accelerating the digitalization of the government and the economy by translating the digital transformation strategy into a clear implementation plan, updating the legal framework, and achieving progress on digital public infrastructure. It recommended modernizing public administrations by expanding e-government services and introducing digitally accessible services.

Iraq extends supply of fuel oil to Lebanon

The Ministry of Energy and Water announced that it has signed a contract with the Iraqi government to extend for one year the country's oil supply agreement with Iraq. It indicated that the new extension, which took effect on March 1, 2025, covers a quantity ranging from 1.5 million tons to 2 million tons over a one year period, which is 500,000 tons more than the amount specified in the previous contract. Lebanon requested to extend the fuel oil supply contract that the two sides signed in July 2021 for Lebanon to import fuel oil from Iraq.

The ministry said that the extension allows Lebanon to utilize the full quantity of 1.5 million tons of fuel oil stipulated in the contract by securing shipments of 125,000 tons per month during this period. It added that the Iraqi government approved the possibility of increasing the supply to 2 million tons annually, based on the ministry's proposal to raise the quantity. It indicated that the supply enables the generation of electricity for public facilities and consumers, and supplies between four and six hours of power per day. It noted that power supply could rise to up to eight hours per day if the annual imports of fuel oil from Iraq increases to 2 million tons under the renewed contract.

The Council of Ministers approved on September 7, 2023 the request of the ministry to renew the agreement with the Iraqi government to supply 1.5 million tons of fuel oil to state-owned Électricité du Liban (EdL), as well as to swap the Iraqi heavy fuel oil with 'Grade A' fuel oil and/or 'Grade B' fuel oil and gas oil for the benefit of EdL.

The ministry announced earlier in 2023 that it has signed on July 21, 2023 a Memorandum of Understanding (MoU) with the Iraqi Ministry of Oil for the latter to supply Lebanon with oil derivatives. The ministry indicated that the MoU stipulates the completion of the implementation of the current agreement and the delivery of all the remaining quantities of fuel oil by the end of September 2023; the renewal of the fuel oil agreement for an additional year, with an increase in the annual quantities delivered to 1.5 million tons instead of the one million tons in the current agreement; as well as the conclusion of a new agreement to supply Lebanon with an annual quantity of 2 million tons of heavy fuel oil, which the ministry will exchange in accordance with the specifications of power production plants in Lebanon. In addition, the two ministries agreed at the time to form a joint committee to discuss the details of these contracts in order to submit them to the relevant authorities in the two countries and approve them according to the prevailing laws.

In July 2021, the Lebanese authorities reached a deal for one year with their Iraqi counterparts that allows the Lebanese government to buy one million tons of heavy fuel oil from Iraq and to resell the oil through monthly spot tenders on behalf of EdL in order to meet power production needs in the country. The ministry said that the Iraqi heavy fuel oil is unsuitable for Lebanon's power plants, so the Lebanese government has been exchanging the imports with refined fuel oil through tenders to swap the Iraqi heavy fuel oil with 'Grade B' fuel oil.

On August 11, 2022, the Iraqi government agreed to extend the fuel oil agreement with Lebanese authorities for one year under the same conditions of the current arrangement. The volume is equivalent to one third of Lebanon's fuel oil needs for electricity production.

In addition, the ministry announced on May 16, 2023 that it has reached an agreement with the Iraqi Ministry of Oil to double the quantities of oil derivatives that Iraq has been supplying to Lebanon for the benefit of EdL. It indicated that the new quantity of fuel oil will increase the monthly supply of fuel to the country from 80,000 tons to 160,000 tons per month, or 1.92 million tons of fuel oil annually, which aims to increase the provision of of electricity to eight to 10 hours per day, up from four to five hours per day at the time.

Lebanon humanitarian Fund allocates $29.6m in emergency funding to address crisis needs

The Lebanon Humanitarian Fund (LHF) indicated that it has allocated $29.6m in funding in December 2024, in addition to the $12m disbursed in October 2024, in order to expand humanitarian response efforts in Lebanon. It said that the funding aims to address urgent needs among Lebanese citizens, displaced Syrians, Palestinian refugees, and migrants, focusing on the individuals affected by the conflict and displacement.

The LHF disbursed $29.6m across 33 projects, which consisted of 16 projects that totaled $12.1m managed by national non-governmental organizations (NNGOs) and 17 projects that amounted to $17.5m managed by international NGOs (INGOs). It said that the NNGOs received 44% of the total funding from direct and indirect funding sources, including 41% in direct allocations and 3% in sub-grants. Further, the LHF indicated that it provided assistance to 155,741 females, or 33% of the targeted population, as well as to 113,159 girls (24%), 101,043 boys (22%), and 100,387 males (21%).

It noted that the appeal consisted of $4.9m for healthcare assistance that accounted for 16.6% of the total allocated funds at the end of 2024, followed by food security with $4.5m (15.2%); education with $3.9m (13.2%); basic assistance with $3.5m (11.8%); water, sanitation and hygiene (WASH) with $3.4m (11.5%); shelters with $3.1m (10.5%); gender-based violence with $2.4m (8.1%); protection with $2m (6.8%); child protection with $1.3m (4.4%); nutrition with $0.6m (2%).

Also, the LHF stated that it has allocated $7.1m to the South governorate, or 24% of the total allocated budget in December 2024, followed by the Mount Lebanon governorate with $5.4m (18.2%), as well as the governorates of Nabatieh with $5.3m (18%), Baalbeck-Hermel with $4.7m (16%), the North with $2.5m (8.4%), the Bekaa with $2.2m (7.4%), Akkar with $1.4m (4.7%), and Beirut with $1m (3.4%).

Lebanese Economic Organizations launch reforms plan

The Lebanese Economic Organizations (LEO), the entity that groups the representatives of most economic sectors in the country, launched a comprehensive reforms plan that consists of seven pillars. First, it stressed the importance of the normal functioning of State institutions, and called on holding successive parliamentary sessions to approve all the reforms-related draft laws and legislation. It stated that the sovereignty of the State on all its territory is the only choice for a prosperous and bright future for Lebanon.

Second, it called on political parties to fully abide by the Constitution and to renounce the disruptive policies of past years that served narrow political goals and objectives. It also urged the authorities to comply with the strict and absolute separation of powers in compliance with the Constitution.

Third, it called for restructuring the government's institutions and administrations. It urged the authorities to reform the judiciary, ensure its independence, and activate it at all levels. It stressed the need to support, strengthen, equip, and enhance the capabilities of the Lebanese Armed Forces to enable them to carry out their duties and responsibilities in full by extending the authority and sovereignty of the state over its entire territory, implementing UN Resolution 1701, and protecting the borders. Also, it urged the authorities to restructure the public sector based on scientific foundations and the introduction of modern working methods; and streamlining the public sector by reducing the number of public sector employees to ensure the sector's effectiveness and proficiency. It called for eliminating political interference in the public sector; developing working mechanisms in ministries and state institutions and their management; adopting automation and e-signature; establishing regulatory authorities for the electricity, telecommunications, and civil aviation sectors; adopting a one-stop shop for various permits and licenses; privatizing the management of public utilities through international tenders to ensure their reform and development, improve their services, and increase their revenues; activating the implementation of the Public-Private Partnership Law, and adopting Build-Operate-Transfers agreements for sectors controlled by the State; revitalizing the Civil Service Council to supervise the recruitment process in the public sector within criteria based on efficiency, scientific and educational qualifications; and activating the work of the Public Procurement Authority and implementing the Public Procurement Law.

Fourth, it urged the authorities to develop and implement a fair and credible economic, financial and social recovery program to restructure the financial sector, come up with swift solutions to address the issue of deposits in a way that preserves depositors' rights, address the issue of the public debt and the Eurobonds, reach an agreement with the International Monetary Fund on a funded reforms program, give high priority to the issue of removing Lebanon from the list of "jurisdictions under increased monitoring" by responding quickly to the requirements set by the Financial Action Task Force, and prioritize the financial sustainability of the government budget. Also, it stressed the importance of identifying sources of long-term concessional financing for private sector companies, implementing decrees for the new social security law, finding a fair solution for end-of-service indemnities, updating the legislative framework related to customs, tax, investment promotion, banks and public sector restructuring laws, as well as the law to establish free economic zones for the information technology sector; implementing the Social Security Law, the Competition Law, and the Food Safety Law; and combating counterfeiting, smuggling. and tax evasion.

Further, it stressed the need to support and stimulate the industrial and agricultural sectors by providing a basket of tax incentives, extending low cost financing, prioritizing local products in public procurement, stimulating exports, launching and activating the Lebanese Export Development Agency, in addition to other incentives that already exist and that can be developed. Also, it recommended reviewing the trade agreements that Lebanon has signed with its trading partners and adopt the principle of reciprocity; as well as to stimulate the tourism, healthcare, educational, and the information technology sectors, which would affirm Lebanon's identity and role in the region. Also, it urged the authorities to improve the business environment and investment climate in the country. In addition, it recommended investing in public assets based on the study developed by the LEO; prioritizing Lebanon's economic interests when setting and deciding policies with other countries; and addressing the state of infrastructure, which includes electricity, highway networks, roads, transportation, water, telecommunications, and Internet, among others, as the quality of infrastructure is essential for the economy's productivity and competitiveness. In addition, it stressed the importance of developing and expanding the Beirut-Rafic Hariri International Airport, operating other existing airports in Lebanon to serve civil transportation, rebuilding the Port of Beirut, and developing the other Lebanese ports.

Fifth, it called for achieving sustainable social development by supporting and providing access to education for all by strengthening public schools and the Lebanese University; reducing the unemployment and poverty rates; developing a pension system to private sector retirees, and implementing the healthcare card to provide citizens access to medical care and hospitalization.

Sixth, it stressed the need to rehabilitate Lebanon's relations with other Arab states and the international community. Seventh, it urged the authorities to respond to climate issues, as it considered that Lebanon must respond to all the requirements and commitments set by the United Nations Climate Change Conference in order to engage in the global effort to address climate change and improve the conditions of life of the Lebanese related to climate, pollution, and the environment.

SIC takes measure in compliance with AML/CFT guidelines

The Special Investigation Commission (SIC) against money laundering and terrorism financing issued Notification No. 29 on March 13, 2025 addressed to all companies and institutions trading in jewelry and precious metals in Lebanon that are mentioned in Article 5 of Law 44 on Combating Money Laundering and Terrorist Financing dated November 24, 2015.

It requested all companies and institutions trading in jewelry and precious metals to download on their mobile phones, laptops, computers, or other electronic devices the application related to international and local sanctions that the Syndicate of Expert Goldsmiths and Jewelers in Lebanon launched, in order to activate the application of Targeted Financial Sanctions without any delays.

It attributed its decision to the fact that the parties and individuals that are not subject to the Banking Secrecy Law of September 3, 1956 and that are mentioned in Article 5 of Law 44 have to comply with the provisions of Article 4 of the law, and with the regulatory texts and the recommendations that the SIC issues to implement the law's provisions. It also attributed its decision to articles 5 and 6 of Law 44, to the recommendations of the Financial Action Task Force (FATF), and to the decision that the SIC took during its meeting on March 13, 2025. The notification went into effect upon its publication in the Official Gazette on March 27, 2025.

The FATF, the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), announced on October 25, 2024 that it placed Lebanon on its list of "jurisdictions under increased monitoring". It 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.

In its February 2025 update, the FATF indicated that, in October 2024, 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 indicated 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 addition, the FATF indicated that it does not call for the application of enhanced due diligence measures to "jurisdictions under increased monitoring", and that its standards do not envisage de-risking, or cutting-off entire classes of customers, but they call for the application of a risk-based approach. It added that the local authorities should make sure that the flow of funds for humanitarian assistance, legitimate NPO activity, and remittances are neither disrupted nor discouraged.

Lebanon in the News

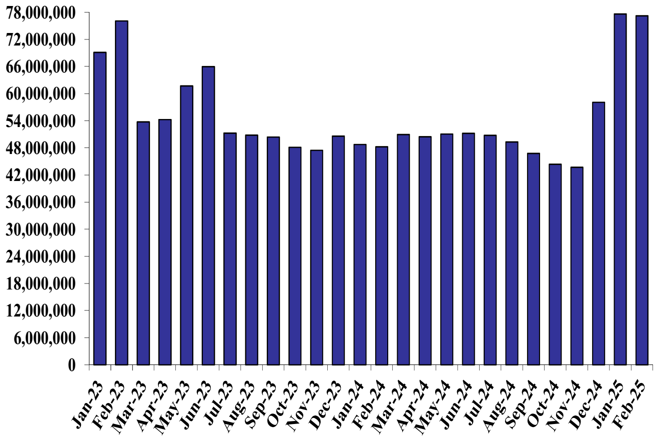
Currency in circulation up 60% in 12 months ending February 2025

Figures released by Banque du Liban (BdL) show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP119,055.1bn at the end of February 2025, constituting an increase of 16% from LBP102,718.3bn at the end of 2024 and of 42.8% from LBP83,364.4bn at end-February 2024. Currency in circulation stood at LBP77,193.2bn at the end of February 2025, as it increased by 33% from LBP58,077.3bn at end-2024 and by 60% from LBP48,241.5bn at end-February 2024.

Also, demand deposits in Lebanese pounds stood at LBP41,862bn at the end of February 2025, as they decreased by 6.2% in the first two months of 2025 and rose by 19.2% from end-February 2024.

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP156,388bn at the end of February 2025, constituting increases of 19.4% from LBP130,986bn at end-2024 and of 59% from LBP98,399.7bn a year earlier. Term deposits in Lebanese pounds stood at LBP37,333bn at the end of February 2025 and surged by 32% from LBP28,267.6bn at end-2024 and by 148.3% from LBP15,035.3bn at end-February 2024.

Currency in Circulation (LBP millions)



Source: Banque du Liban, Byblos Research

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, stood at LBP6,223.7 trillion (tn) at the end of February 2025, with deposits in foreign currency totaling LBP6,036.6tn and debt securities of the banking sector amounting to LBP30,726.4bn at end-February 2025. In parallel, M3 increased by LBP25,299.2bn in the first two months of 2025 due to a jump of LBP279,703bn in the net foreign assets of deposit-taking institutions and an increase of LBP10,236.7bn in other items, which were offset by a decline of LBP245,427bn in claims on the public sector and a contraction of LBP19,213.4bn in claims on the private sector.

BdL indicated that its net foreign assets include monetary gold, the non-resident foreign securities held by BdL, and the foreign currencies and deposits with correspondent banks and international organizations; while they exclude the Lebanese government's sovereign bonds and BdL's loans in foreign currency to resident banks and financial institutions.

BdL issued Basic Circular 167/13612 dated February 15, 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. BdL requested banks and financial institutions, in line with the provisions of International Accounting Standard 21, to convert their foreign currency monetary assets and liabilities and non-monetary assets classified by fair value or by equity method at the exchange rate published on BdL's electronic platform at the date of the preparation of the financial statements. It added that the decision is applicable as of January 31, 2024. BdL had modified on February 1, 2023 the official exchange rate of the Lebanese pound against the US dollar from LBP1,507.5 per dollar to LBP15,000 per dollar, as part of the measures to unify the multiple exchange rates of the dollar that prevail in the Lebanese economy.

Weak statistical capacity undermining economic transparency

The Institute of International Finance (IIF) considered that Lebanon's economic database has deteriorated in the past four years due to low levels of staff attendance at most ministries and at the Central Administration of Statistics, as well as to the inadequate allocation of qualified human resources for the compilation and estimation of reliable and timely national accounts and public finance statistics. As a result, it indicated that these conditions have undermined economic analysis of the Lebanese economy, given that reliable and timely statistics are key to effective policymaking and analysis. It noted that senior government officials have recently indicated that Lebanon's nominal GDP stands at between $22bn and $26bn for 2024 compared to the IIF's estimate of $32.7bn. It expected the International Monetary Fund (IMF) to report a figure of about $32bn for 2024 in its World Economic Outlook database that it will release during its Spring meetings that start on April 21, 2025.

Further, it said that the quality and timeliness of fiscal accounts have deteriorated, given the significant delays in the release of fiscal data due to the lack of adequate technical staff at the Ministry of Finance, as the latest detailed fiscal figures are available until 2021 only. Also, it pointed out that the fiscal figures do not include the foreign-financed capital expenditures and the due arrears. It stated that that the government based the projections of its figures in the budgets for 2024 and 2025 on significantly underestimated nominal GDP figures in Lebanese pounds and in US dollars, which resulted in the underestimation of public revenues. It considered that reliable assumptions of nominal GDP and of the average inflation rates are crucial for preparing government revenues and expenditures.

In addition, it indicated that in case Lebanon implements deep reforms, which would generate adequate financial assistance from international donors, Lebanon's real GDP growth rate would reach 4.6% in 2025 following and average 6.2% annually in the 2025-29 period. Further, it forecast Lebanon's nominal GDP to increase from $32.7bn in 2024 to $37.9bn in 2025, $41.4bn in 2026, $45.5bn in 2027, $49.5bn in 2028, and $52.8bn in 2029. Also, it anticipated the inflation rate to decline from an average of 45.2% in 2024 to 12.6% in 2025, 7.7% in 2026, 5.5% in 2027, 3.7% in 2028, and 3.4% in 2029.

In parallel, the World Bank ranked Lebanon in 140th place among 186 countries and in 14th place among 20 Arab countries on its Statistical Performance Indicators (SPI) for 2022. Also, Lebanon came in 38th place among 53 lower middle-income countries (LMICs) included in the survey. The SPI index measures the capacity and maturity of national statistical systems by assessing the use of data, the quality of services, the coverage of topics, the sources of information, and the infrastructure and availability of resources. The SPI is based on 51 indicators that are grouped into five pillars that are Data Use, Data Services, Data Products, Data Sources, and Data Infrastructure. A country's score is the simple average score of the five pillars and ranges from one to 100 points, with a score of 100 points reflecting a better statistical system. The countries included in the SPI represent 99.2% of the world's population.

Globally, Lebanon had a better statistical system than Afghanistan, Guyana and Iraq, and a less advanced system than Iran, Nigeria and Guinea among economies with a GDP of $10bn or more. It also ranked ahead of Cameroon, Tajikistan and Angola, and trailed Iran, Nigeria and Guinea among LMICs, while it preceded Iraq, Djibouti, Sudan, Yemen, Syria and Libya among Arab countries. Lebanon received a score of 58.5 points on the 2022 survey, down from 59.9 points in 2021. Also, Lebanon's score came lower than the global average score of 68.8 points, the LMICs' average score of 62.8 points and the Arab average score of 61.5 points. Further, Lebanon's score was lower than the Gulf Cooperation Council (GCC) countries' average score of 70.5 points, but came higher than the average score of non-GCC Arab countries that stood at 57.6 points.

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 93,306 individuals remain displaced outside their area of origin, and that 18 shelters across Lebanon are providing accommodation to 1,400 internally displaced persons (IDPs) as at March 24, 2025. Further, it stated that a total of 965,360 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 November 27, 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 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 11.04 million meals in collective shelters, 274,000 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 75,400 individuals, including 7,900 children and pregnant lactating women (PLW), obtained micronutrient supplements. It added that 16,100 caregivers received infant and young child feeding, nutrition, and early childhood development services, while 21,900 children and PLW were screened for acute malnutrition.

Further, it noted that core relief covered the distribution of 811,700 items that include mattresses, blankets, pillows and sleeping bags, while 379,600 persons in collective shelters received non-food-items. Further, healthcare support consisted of 140 trauma emergency surgical kits, while 22 collective shelters have been linked with PHCCs. In addition, hygiene support to the displaced population included 2.5 million liters of bottled water, 67 million liters of trucking water, as well as 165,700 family hygiene kits and 57,300 dignity kits. Also, water establishments received 1.02 million liters of fuel oil for water pumping. Moreover, it said that about 27,600 households obtained emergency cash for protection since October 2023. It added that 114,300 children, caregivers and women at risk received information and awareness on protection services. Also, it pointed out that 85,300 individuals obtained community-based psychosocial support, and that 37,500 children received educational supplies and/or learning materials.

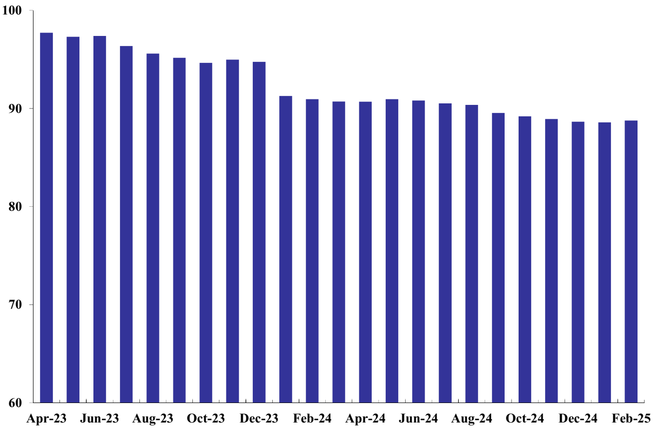
In addition, it indicated that the Baalbek Disaster Risk Management reported that approximately 88,530 Syrians arrived from Syria to Lebanon since December 8, 2024, including 30,938 residing in 186 informal collective shelters, and 57,592 Syrians who are not residing in shelters, as of March 24, 2025.

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.

Private sector deposits at $88.8bn at end-February 2025

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at LBP9,207.3 trillion (tn), or the equivalent of $102.9bn, at the end of February 2025 compared to LBP9,231.6tn ($103.1bn) at end-2024 and to LBP9,319.4tn ($104.1bn) at end-February 2024. Loans extended to the private sector totaled LBP512tn at the end of February 2025, with loans to the resident private sector reaching LBP434tn and credit to the non-resident private sector amounting to LBP77.91tn at the end of the month. Loans extended to the private sector in Lebanese pounds reached LBP11.54tn, as they regressed by 0.3% from LBP11.58tn at the end of 2024; while loans in foreign currency totaled $5.59bn at end-February 2025 and decreased by 4% from $5.82bn at the end of 2024. The figures reflect Banque du Liban's (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. It also indicated that it revised the figures for December 2024.

Private Sector Deposits (US$bn)



Source: Banque du Liban, Byblos Research

In nominal terms, credit to the private sector in Lebanese pounds declined by LBP37.9bn in the first two months of 2025 and increased by LBP981.3bn from a year earlier, while lending to the private sector in foreign currency decreased by $225.8m in the covered period and dropped by $1.48bn from end-February 2024. Further, loans extended to the private sector in Lebanese pounds contracted by LBP16tn (-58%) and loans denominated in foreign currency dropped by $35.5bn (-86.4%) since the start of 2019. The dollarization rate of private sector loans regressed from 98.4% at the end of February 2024 to 97.7% at end-February 2025. The average lending rate in Lebanese pounds was 7.59% in February 2025 compared to 2.47% a year earlier, while the same rate in US dollars was 4.29% relative to 2.55% in February 2024.

In addition, claims on non-resident financial institutions stood at $5.04bn at the end of February 2025, constituting increases of $351.3m (+7.5%) from the end of 2024 and of $674.1m (+15.4%) from end-February 2024. Also, claims on non-resident financial institutions dropped by $4.1bn (-44.8%) from the end of August 2019 and by $6.95bn (-58%) since the start of 2019. Further, deposits at foreign central banks totaled $675.8m, constituting an increase of $49.2m (+8%) in the first two months of 2025 and a decrease of $73.6m (-9.8%) from a year earlier. Also, cash in vault in LBP totaled LBP7,611.1bn compared to LBP7,179.8bn at end-2024 and to LBP8,490bn at end-February 2024. In addition, the banks' claims on the public sector amounted to LBP230.86tn at end-February 2025, representing increases of 10.8% from LBP208.4tn end-2024 and of 10.5% from LBP209tn end-February 2024. Also, the banks' holdings of Lebanese Treasury bills stood at LBP8.3tn, while their holdings of Lebanese Eurobonds reached $2.47bn net of provisions at end-February 2025, relative to $2.19bn a year earlier. Further, the deposits of commercial banks at BdL stood at LBP7,091.2tn at the end of February 2025, or $79.23bn, compared to LBP7,122.4tn at the end of 2024 ($79.58bn).

In parallel, private sector deposits totaled LBP7,945.3tn, or $88.77bn, at the end of February 2025. Deposits in Lebanese pounds reached LBP77.1tn at end-February 2025, as they increased by 13.5% from end-2024 and by 49.2% from a year earlier; while deposits in foreign currency stood at $87.9bn and improved by 0.03% in the first two months of 2025 and decreased by 2.7% from end-February 2024. Resident deposits accounted for 76.4% and non-resident deposits represented 23.6% of total deposits at end-February 2025. Private sector deposits include about $3bn in "fresh" funds.

In addition, private sector deposits in Lebanese pounds surged by LBP9,177.5bn and foreign currency deposits increased by $26m in the first two months of 2025, while private sector deposits in Lebanese pounds rose by LBP25,410bn and foreign currency deposits dropped by $2.46bn from a year earlier. Also, aggregate private sector deposits in Lebanese pounds increased by LBP4.3tn (+6%) and foreign currency deposits declined by $36.3bn (-29.2%) from end-August 2019, while total private sector deposits in Lebanese pounds regressed by LBP124.7bn (-0.2%) and foreign currency deposits dropped by $35.2bn (-28.6%) since the start of 2019. The dollarization rate of private sector deposits regressed from 99.4% at the end of February 2024 to 99% at the end of February 2025.

Further, the liabilities of non-resident financial institutions reached $2.54bn at the end of February 2025, increasing by 1.3% from $2.5bn at end-2024 and decreasing by 7% from $2.73bn at end-February 2024. Also, the average deposit rate in Lebanese pounds was 2.86% in February 2025 compared to 0.94% a year earlier, while the same rate in US dollars was 0.08% in February 2025 relative to 0.04% in February 2024. In addition, the banks' aggregate capital base stood at LBP414.7tn ($4.63bn) at the end of February 2025 compared to LBP428.5tn ($4.8bn) at the end of 2024.

Bank Audi completes sale of Turkish subsidiary

Bank Audi sal, one Lebanon's listed banks, announced on March 26, 2025 that it has completed the sale of its stake in Odeabank A.Ş., its subsidiary in Türkiye, to ADQ Financial Services, an indirect subsidiary of the sovereign wealth fund Abu Dhabi Developmental Holding Company PJSC (ADQ). It indicated that the transactions received the necessary regulatory approvals, including from the Banking Regulatory and Supervisory Authority and the Competition Authority in Türkiye.

ADQ signed on October 14, 2024 a definitive agreement with Bank Audi to acquire 96% of the latter's share capital in Odeabank A.Ş. The bank indicated that other investors, which include the International Finance Corporation, IFC FIG Investment Company sarl, and the European Bank for Reconstruction and Development (EBRD), have also agreed to sell their respective interests in the share capital of Odeabank to ADQ.

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

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

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

In parallel, Fitch Ratings upgraded the long-term foreign- and local-currency Issuer Default Ratings (IDRs) of Odeabank from 'B-' to 'BB-', and removed the IDRs from Rating Watch Positive (RWP). It also maintained the 'stable' outlook on the long-term foreign- and local currency ratings. It also affirmed the bank's short-term foreign- and local-currency IDRs at 'B'. It attributed the upgrade to the completion of the acquisition of Odeabank by ADQ Financial Services and its wholly owned subsidiaries that are indirectly owned by ADQ, which reflects a potential shareholder support from ADQ to the bank in case of need. However, it downgraded the bank's Viability Rating (VR) from 'b-' to 'ccc+', due to the deterioration of the bank's regulatory capital ratios, its concentration in the Turkish operating environment, its limited franchise, as well as its weak, but stabilizing, asset quality. It added that the VR also takes into account the bank's reasonable funding and liquidity profile, as well as its limited refinancing risk.

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

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut – Lebanon
Tel: (961) 1 338 100
Fax: (961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Boulevard Bischoffsheim 1-8
1000 Brussels
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293