

LEBANON THIS WEEK

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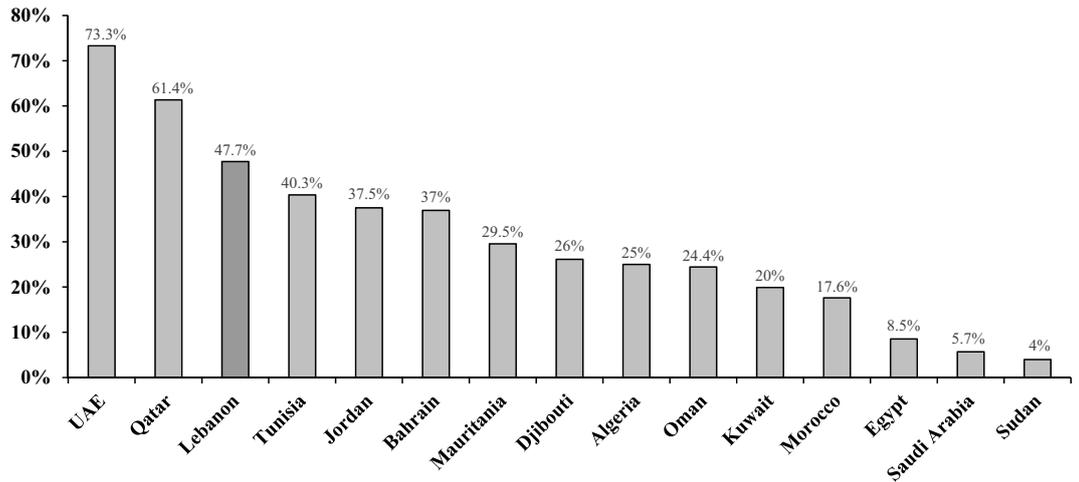
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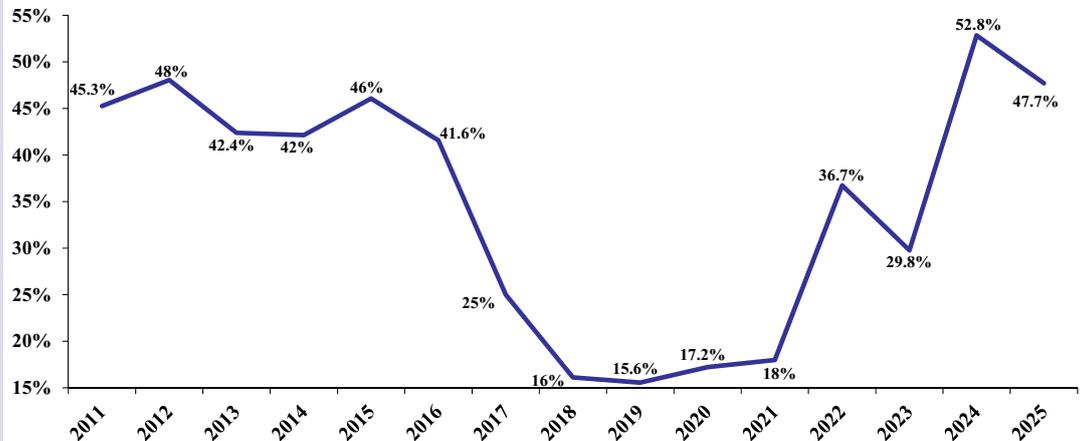
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Charts of the Week

Percentile Rankings of Arab Countries in terms of Labor Freedom for 2025*



Percentile Rankings of Lebanon in terms of Labor Freedom



*The Heritage Foundation defines labor freedom as the ability of individuals to work and businesses to hire with minimal restrictions on wage regulations, hiring and firing policies, and working hours

Source: Heritage Foundation, Index of Economic Freedom for 2025, Byblos Bank

Quote to Note

"Domestic politics and the unfolding security situation may continue to distract the government from implementing reforms."

Standard Chartered Bank, on the need for the Lebanese authorities to prioritize structural reforms

Number of the Week

4.7%: Projected real growth rate of activity in the agriculture sector in Lebanon in 2025, according to the World Bank

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 %
Audi Listed	2.75	0.0	15,750	7.8%	Jun 2025	6.25	16.9	177,333.33
Solidere "B"	81.80	(1.1)	10,421	25.5%	Nov 2026	6.60	16.9	167.68
BLOM GDR	6.05	(5.5)	6,000	2.1%	Mar 2027	6.85	16.9	129.37
Solidere "A"	86.45	3.5	5,478	41.5%	Nov 2028	6.65	16.9	59.93
Byblos Pref. 09	29.99	0.0	105	0.3%	Feb 2030	6.65	16.9	41.60
Audi GDR	2.25	0.0	-	1.3%	Apr 2031	7.00	16.9	32.77
HOLCIM	79.20	0.0	-	7.4%	May 2033	8.20	16.9	23.73
Byblos Common	0.91	0.0	-	2.5%	July 2035	12.00	16.9	18.36
BLOM Listed	5.17	0.0	-	5.3%	Nov 2035	7.05	16.9	17.88
Byblos Pref. 08	25.00	0.0	-	0.2%	Mar 2037	7.25	16.9	15.69

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

Source: Refinitiv

	June 2 -5	May 26 -30	% Change	May 2025	May 2024	% Change
Total shares traded	37,754	291,513	(87.0%)	2,398,966	495,504	384.1
Total value traded	\$1,400,221	\$4,584,758	(69.5%)	\$48,065,990	\$25,233,203	90.5
Market capitalization	\$20.85bn	\$20.64bn	1.0	\$20.64bn	\$17.12bn	20.5

Source: Beirut Stock Exchange (BSE)



Tourism receipts down 16% to \$4.7bn in 2024

Figures released by Banque du Liban (BdL) show that revenues generated from tourism activity in Lebanon, defined by BdL as "Travel Services", totaled \$4.65bn in 2024, constituting a decrease of 16.3% from \$5.56bn in 2023. Tourism revenues stood at \$1.1bn in the first quarter, \$1.43bn in the second quarter, \$1.45bn in the third quarter, and \$670.2m in the fourth quarter of 2024. They decreased by 3.5% in the first three months of 2024, by 2.1% in the second quarter, while they dropped by 21% in the third quarter and by 40% in the fourth quarter of 2024 from the corresponding quarters of the previous year. BdL's figures are the only official data on receipts from tourism activity in Lebanon and on tourism spending abroad by Lebanese citizens.

Tourism receipts in Lebanon averaged \$6.05bn in the 2002-24 period and peaked at \$8.6bn in 2019. Tourism revenues in 2024 posted their lowest level since 2021 when they reached \$3.14bn. Tourism receipts were equivalent to 16.4% of GDP in 2024 relative to 23.6% of GDP in 2023.

In parallel, outbound tourism spending from Lebanon reached \$3.52bn in 2024, constituting a decrease of 5.5% from \$3.73bn in 2023. It totaled \$807.4m in the first quarter, \$980.8m in the second quarter, \$1.14bn in the third quarter, and \$589m in the fourth quarter of 2024. Also, outbound tourism expenditures increased by 2.4% in the first quarter and by 6% in the second quarter, while they declined by 6.2% in the third quarter and by 25.8% in the fourth quarter of 2024 from the same quarters in 2023.

Outbound tourism spending averaged \$3.91bn during the 2002-24 period, and peaked at \$6.34bn in 2019. Outbound tourism expenditures in 2024 reached their lowest level since 2022 when they reached \$3.19bn. Outbound tourism outlays were equivalent to 12.4% of GDP last year compared to 15.8% of GDP in 2023.

As such, net tourism receipts totaled \$1.13bn in 2024 and dropped by 38% from \$1.83bn in 2023. They stood at \$289m in the first quarter, \$453.85m in the second quarter, \$309m in the third quarter and \$81.3m in the fourth quarter of 2024. Also, net tourism receipts decreased by 17% in the first quarter, by 16% in the second quarter, by 50.2% in the third quarter and by 75% in the fourth quarter of 2024 from the corresponding quarters of 2023. Further, net tourism receipts averaged \$2.14bn in the 2002-24 period and peaked at \$3.43bn in 2003, and posted last year their lowest level since 2020 when they reached \$682.2m. They were equivalent to 4% of GDP in 2024 relative to 7.8% of GDP in 2023.

IMF calls for accelerating structural reforms

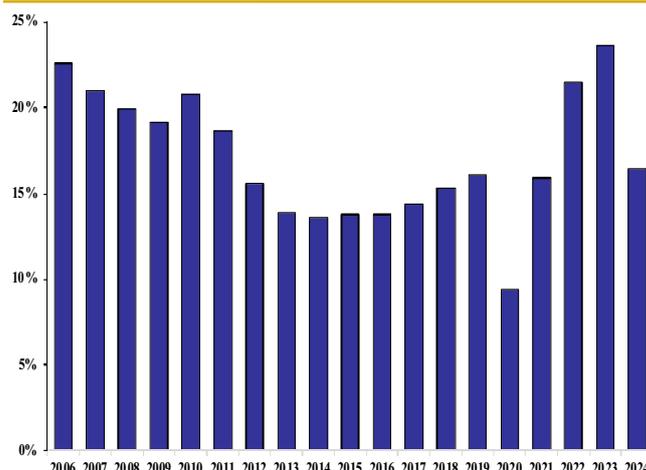
In its end-of-mission statement, the International Monetary Fund (IMF) indicated that it held productive discussions with the Lebanese authorities on a comprehensive economic reform program that aims to restore macroeconomic sustainability and to support financing for reconstruction. It stated that discussions covered restoring the viability of the banking sector and protecting depositors to the maximum extent possible, achieving fiscal and debt sustainability, enhancing social safety nets and rebuilding institutional capacity, establishing credible monetary and exchange rate policy frameworks, strengthening governance and transparency, enhancing the anti-money laundering and combating the financing of terrorism regime, and reforming state-owned enterprises.

Further, it considered the rehabilitation of the banking system to be a priority to rebuild confidence, shift the economy away from the prevailing cash-based transactions, and restart credit to the private sector. It pointed out that the government has made some progress recently by amending the banking secrecy law and submitting a new bank resolution draft law to Parliament, and urged the latter to enact the legislation in order to restore banking intermediation. Also, the mission said that it collaborated with the authorities on their emerging bank restructuring and deposit recovery strategy, but it noted that the strategy needs to be aligned with international standards and debt sustainability requirements.

Further, the IMF called on the authorities to mobilize public revenues and rationalize expenditures, along with improving fiscal transparency and public financial management, as part of a medium-term fiscal framework, in order to strengthen public finances and create fiscal space for increased social spending and capital expenditures. It added that the authorities must fully offset any additional expenditures in the upcoming 2026 budget through corresponding revenues, particularly by strengthening enforcement and compliance in the tax and customs administration, given the limited fiscal space and available financing. Also, it noted that the medium-term fiscal framework should support the restructuring of the Eurobonds to restore debt sustainability. It added that the country's reconstruction needs require significant support from external partners on highly concessional terms. Also, it stressed the need to improve support to Lebanon to help the country manage the ongoing challenge of hosting a large refugee population.

In parallel, the IMF expected the discussions with the authorities to continue on developing a comprehensive reforms plan, and reaffirmed its commitment to supporting Lebanon, in line with its mandate and policies.

Tourism Receipts (in % GDP)



Source: Banque du Liban, Central Administration of Statistics, World Bank, Byblos Research

Banque du Liban's liquid foreign reserves at \$11.1bn, gold reserves at \$30.4bn at end-May 2025

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP8,390 trillion (tn) on May 31, 2025, relative to LBP8,408tn on May 15, 2025, to LBP8,400.8tn at end-April 2025, to LBP8,318.7tn at the end of 2024, and to LBP8,397tn at end-May 2024. BdL indicated that it revised its balance sheet figures starting on October 15, 2024 in accordance with international standards. It said that it changed the classification of "Foreign Assets" to "Foreign Reserve Assets" in order to present non-resident and liquid foreign assets only, while it reclassified the "other resident and/or illiquid items" to its "Securities Portfolio" or to the "Loans to the Local Financial Sector" entries.

BdL's Foreign Reserve Assets stood at \$11.11bn on May 31, 2025, compared \$11.17bn at mid-May 2025, to \$11.06bn at end-April 2025 and to \$9.87bn at end-May 2024. Also, they increased by \$252.8m in January, by \$141.1m in February, by \$198.7m in March 2025, by \$331.7m in April 2025, and by \$50.4m in May 2025. As such, BdL's Foreign Reserve Assets increased by \$974.6m in the first five months of 2025 and by \$2.54bn between the end of July 2023 and the end of May 2025, despite a decline of \$530.3m in the fourth quarter of 2024. The dollar figures are based on the exchange rate of the Lebanese pound of LBP89,500 per US dollar starting on February 15, 2024, according to the BdL Central Council's Decision No. 48/4/24 dated February 15, 2024.

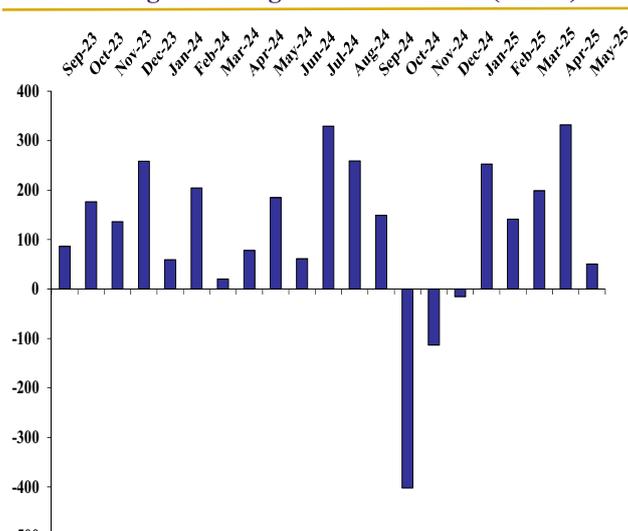
Further, the value of BdL's gold reserves reached an all-time high of \$30.4bn on May 31, 2025 compared to \$29.3bn at mid-May 2025. Also, BdL's securities portfolio totaled LBP554,311.6bn at end-May 2025 relative to LBP554,311.7bn on May 15, 2025. BdL noted that the securities portfolio includes Lebanese Eurobonds that had a market value of \$914.4m on May 31, 2025 relative to \$913.7m at mid-May 2025 and to \$895m at end-April 2025. Prior to the modifications, BdL included the nominal value of its Lebanese Eurobonds portfolio in the foreign assets item. In addition, loans to the local financial sector stood at LBP40,789bn at end-May 2025 compared to at LBP41,166.8bn at mid-May 2025.

Moreover, Deferred Open-Market Operations totaled LBP160,071bn on May 31, 2025 relative to LBP157,664.2bn on May 15, 2025. BdL said that, based on the Central Council's decision 23/36/45 of December 20, 2023, it has started to present all deferred interest costs originating from open-market operations under this new line item. As a result, it transferred all deferred interest costs included in the "Other Assets" and "Assets from Exchange Operations" entries to the new item. Therefore, the item "Other Assets" stood at LBP26,178.6bn (\$292.5m) at end-May 2025 relative to LBP25,638.5bn (\$286.5m) two weeks earlier.

Also, the Revaluation Adjustments item on the asset side reached LBP2,407,173bn at end-May 2025 relative to LBP2,519,528bn at mid-May 2025. It consists of a special account called the "Exchange Rate Stabilization Fund", in which BdL recorded all the transactions related to foreign exchange interventions to stabilize the exchange rate starting in 2020 and that had a balance of LBP165.16tn at end-May 2025 relative to LBP164.92tn at mid-May 2025. It also consists of a special account in the name of the Treasury that stood at LBP2,242.01tn at end-May 2025 compared to LBP2,354.6tn at mid-May 2025. Further, the balance sheet shows that BdL's loans to the public sector totaled LBP1,486,745bn at end-May 2025 relative to LBP1,486,730bn two weeks earlier, which include an overdraft of \$16.52bn at end-May 2025, unchanged from mid-May 2025.

On the liabilities side, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP78,139bn on May 31, 2025 compared to LBP77,778bn at mid-May 2025, and represented an increase of 32.5% from LBP58,987.2bn at end-May 2024. Further, the deposits of the financial sector reached LBP7,579.5tn, or the equivalent of \$84.7bn, at end-May 2025, relative to \$84.9bn at mid-May 2025 and \$87bn at end-May 2024; while public sector deposits at BdL totaled LBP629,875bn at the end of May 2025 compared to LBP628,990.4bn at mid-May 2025 and to LBP612,326.1bn at end-April 2025.

Change in Foreign Reserve Assets* (US\$m)



*month-on-month change

Source: Banque du Liban, Byblos Research

Size of shadow economy equivalent to 20% of GDP

EY's 2025 global survey of the shadow economy in 131 countries around the world estimated the size of the shadow economy in Lebanon to be equivalent to 19.6% of GDP in 2023, compared to the global average of 11.8% of GDP based on the currency demand methodology and to the worldwide level of 19.3% of GDP based on the arithmetic average of country levels approach. It added that the size of the shadow economy in Lebanon increased by the equivalent of 3.5% of GDP between 2000 and 2023 and by 1.9% of GDP in the 2019-23 period, while it expanded by 4.5% of GDP in the 2013-23 period. In nominal terms, the size of the shadow economy in Lebanon stood at \$4.6bn based on a nominal GDP of \$23.6bn for 2023 as estimated by the International Monetary Fund. Globally, the nominal size of the shadow economy was \$12.6 trillion in 2023 based on the currency demand approach and \$20.5 trillion based on the arithmetic average.

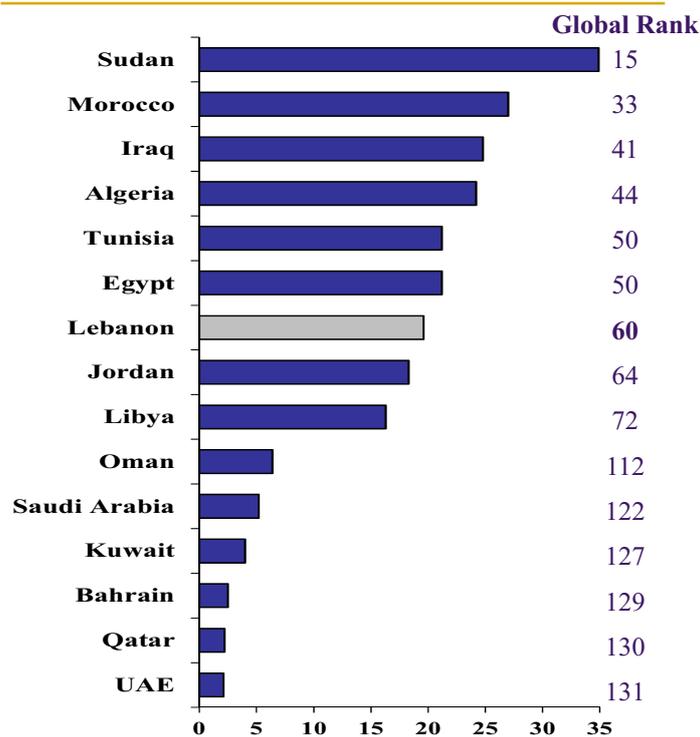
EY defined the shadow economy as the non-observed or unregistered economy, which includes unreported economic activity of registered and unregistered entities. It said that these transactions occur without invoices or fiscal receipts, as they remain undocumented and untaxed. The survey measures the size of the shadow economy in a country as a percentage of GDP in 2023 and its evolution during the 2000-23 period. It used the currency demand approach, which examines patterns in cash usage across different economies to estimate unreported transactions to quantify economic activities that occur outside formal regulations, such as informal labor, tax evasion, and unregistered businesses. The methodology is based on 73 variables that include the level of governance in the public sector, currency in circulation, the unemployment rate, the legal enforcement of contracts, licensing restrictions, business regulations, the level of corruption, tax revenues, the personal income tax rate, digital payments, domestic credit to private sector, the level of education, and the net migration rate.

It noted that the shadow economy contributes to the tax gap, which is the difference between the total amount of taxes owed by individuals and businesses to the government and what is actually paid by those who comply with tax laws. It pointed out that the impact of the shadow economy and tax gap extends beyond financial discrepancies, given that it has severe long-term negative effects, such as the loss of government revenues, lower quality and quantity of public goods and services, distorted competition, deterrents to investment and economic growth, as well as the degradation of economic institutions and social attitudes. Further, it said that the lack of data, weak law enforcement, the low level of governance in the public sector, high tax burdens, and economic hardship contribute to a large shadow economy. The survey covered 97.2% of global GDP and 95.6% of the global population.

In parallel, EY ranked the level of the shadow economy in Lebanon as the 60th highest globally, the seventh highest among 15 Arab economies, and the second lowest among 31 lower middle-income countries (LMICs) included in the survey. Globally, the level of the shadow economy in Lebanon is higher than in Ukraine (19.3% of GDP), Armenia (18.9% of GDP) and Bosnia and Herzegovina (18.6% of GDP), and is lower than in Sri Lanka (20.1% of GDP), El Salvador (19.9% of GDP) and Turkmenistan (19.7% of GDP) among economies with a GDP of \$10bn or more. Also, the size of the shadow economy in Lebanon was lower than in Egypt, Tunisia, Algeria, Iraq, Morocco, and Sudan among Arab countries. In addition, the size of the shadow economy in Lebanon was lower than the average of LMICs that stood at 26.5% of GDP and the Northern Africa average of 24.1% of GDP, while it came higher than the Middle East average of 8.2% of GDP. The level of the shadow economy in Sierra was equivalent to 64.5% of GDP, the highest in the world, while it was 2.1% of GDP in UAE, the lowest level globally.

The study considered that the tools to reduce the size of the shadow economy include increasing taxpayers' trust towards the public administration and the tax system, addressing the challenge of informal businesses, making better use of available technologies, leveraging external data sources for strategic benefits, and enhancing comprehensive government strategies and fostering international cooperation.

Size of Shadow Economy in Select Arab Countries
(in % of 2023 GDP)



Source: EY, Byblos Research

Lebanon receives IMF technical assistance between February and April 2025

The International Monetary Fund's Middle East Technical Assistance Center (METAC) indicated that Lebanon received technical assistance during the fiscal year that ended in April 2025. METAC provided technical assistance projects in financial supervision and regulation, public financial management, revenue administration, and real sector statistics to Lebanon in the fourth quarter of FY2024/25, or between February and April 2025.

In terms of financial supervision and regulation, METAC assisted the Banking Control Commission of Lebanon (BCCL) to strengthen its supervisory capacity in the assessment of the asset classification and provisioning levels of banks. It said that it provided BCCL's examiners a series of capacity-building sessions in order to improve their skills to review and evaluate the sustainability of the banks' business models, and covered the entire process from licensing to supervision, in alignment with the Basel Core Principles. It added that it helped members of the BCCL to assess and maintain the quality of the financial institutions' various asset categories in line with international standards, including a thorough review of their participations in subsidiaries and associates, investments in financial securities and real estate portfolios, and making careful adjustments to the book value of assets.

In terms of public financial management, METAC delivered, in collaboration with the Institute of Finance (IoF), a budget-costing workshop about costing techniques that are widely used in other countries to strengthen the budget's credibility and ensure the equal treatment of line ministries and agencies, as well as to improve alignment with government priorities. It said that more than 60 staff members from the budget and finance function learned key practices that support the budget preparation process and the practical use of baselines that are essential for establishing a reliable Medium-Term Fiscal Framework and a Medium-Term Budget Framework.

In terms of revenue administration, METAC trained auditors to improve their Excel skills in order to analyze large amounts of accounting data. It indicated that the training establishes a foundation for future activities with the IoF that cover general audit techniques; computer assisted and risk-based auditing; and specific soft skills required for value-added tax and Large Taxpayers Office auditors. It added that it delivered a transfer pricing workshop to help the Ministry of Finance develop comprehensive transfer pricing regulations by implementing a wide-ranging transfer pricing regime and fundamental provisions for the income tax law.

In terms of real sector statistics, METAC reviewed the work that the Central Administration for Statistics completed since the previous mission, identified potential improvements, and helped plan the remaining work required to allow the publication of the final Construction Cost index by July 2025.

The IMF established METAC in Beirut in October 2004 to serve Afghanistan, Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Palestine, Sudan, Syria, Tunisia, and Yemen. The center's mandate is to assist in capacity-building, facilitate the reform process in member countries, and support the region's integration in the world economy.

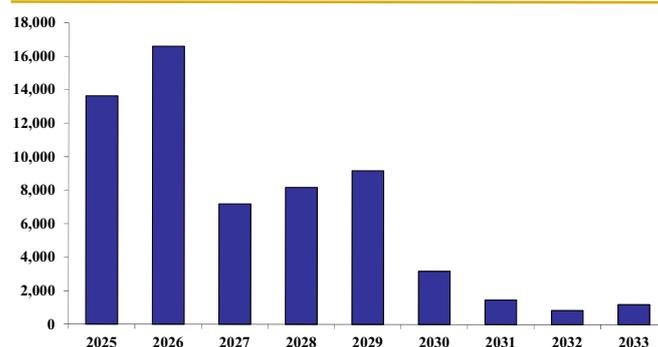
More than 90% of Treasury securities in Lebanese pounds have five-year maturities or longer at end-April 2025

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds stood at LBP61,485bn at the end of April 2025, compared to LBP62,161bn at end-March 2025 and to LBP84,980bn at end-April 2024. The securities were equivalent to \$687m at the end of April 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 April 2025 compared to 6.36% in April 2024.

Also, the distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP29,612bn and accounted for 48.2% of aggregate securities denominated in Lebanese pounds at the end of April 2025, followed by seven-year Treasury bonds with LBP13,478bn (22%), five-year Treasury securities with LBP7,919bn (13%), three-year Treasury bills with LBP3,805bn (6.2%), 12-year Treasury bonds with LBP3,076bn (5%), two-year Treasury securities with LBP2,178bn (3.5%), and 15-year Treasury bonds with LBP1,417bn (2.3%). As such, 77.4% of outstanding Treasury securities have seven-year maturities or longer and 90.3% have five-year maturities or more.

In parallel, LBP676bn in outstanding Treasury securities denominated in Lebanese pounds matured in April 2025. The distribution of maturing securities shows that 44.4% consisted of seven-year Treasury bonds, 29.7% were three-year Treasury bills, and 26% consisted of five-year Treasury securities. According to ABL, LBP13,638bn 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-April 2025

Source: Association of Banks in Lebanon, Byblos Research

Government exempts pharmaceutical firms from VAT on imported raw materials

The Customs Higher Council issued Decision 33/2025 dated May 6, 2025 that amended Decision 43/2022 of May 19, 2022 about updating the Customs Tariffs in accordance with the Harmonized System. It said that the amendment exempts imported raw materials used directly in the manufacturing of pharmaceutical products from the value-added tax. The decision stipulates that the Customs Higher Council added Code 3206.49 to the list of raw materials that are essential to the pharmaceutical industry. The Code 3206.49 covers inorganic or mineral coloring matter and preparations used for coloring various substances, excluding certain categories such as paints, enamels, and luminophores. The Code 3206.49 falls under the Harmonized Tariff Schedule (HTS), which classifies goods for international trade. In addition, it said that it took its decision based on the approval of the Ministry of Public Health and the Ministry of Industry to amend the list of codes for raw materials used in the production of pharmaceuticals. Further, it pointed out that the decision goes into effect upon its publication in the Official Gazette.

Figures released by the Lebanese Customs Administration show that the import of pharmaceutical products to Lebanon reached \$736.7m in 2024, constituting an increase of 18.6% from \$621.3m in 2023. In comparison, the U.S. Department of Commerce's Country Commercial Guide for Lebanon estimates the local production of pharmaceuticals at \$150m annually.

War in South drags down construction activity in third quarter of 2024

Banque du Liban's quarterly business survey about the opinions of business managers shows that the balance of opinions for general construction activity reached -41 in the third quarter of 2024, compared to -31 in the previous quarter and to -47 in third quarter of 2023. The deterioration in the balance of opinions reflects the impact of the war between Israel and Hezbollah that started in October 2023 and that continued throughout the third quarter of 2024. They also reflect the absence of major new projects, low investments in the sector, delays in the implementation of reforms to restore confidence, the lack of project financing, as well as the relative adjustment of the private sector to the ongoing crisis.

The business survey covers the opinions of managers of construction enterprises about their businesses, in order to depict the evolution of a number of key economic variables. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in a particular indicator and the proportion of those who reported a decline in the same indicator. The balance of opinions for construction activity was -42 in the third quarter of 2024 compared to -29 in the preceding quarter and to -50 in the third quarter of 2023, and reached its sixth highest quarterly level since the start of the economic crisis. The balance of opinions about construction activity was -21 in the North, -41 in the Bekaa, -42 in the South, and -64 in Beirut & Mount Lebanon.

Also, the balance of opinions about public works stood at -29 in the third quarter of 2024 compared to -46 in the second quarter of 2024 and -47 in the third quarter of 2023. The opinions about the level of public works stood at zero in the Bekaa, -18 in the North, -75 in Beirut & Mount Lebanon, and -80 in the South.

In addition, the balance of opinions about the portfolio of projects was -76 in the third quarter of 2024 relative to -60 in the preceding quarter and to -69 in the third quarter of 2023, and reached its ninth highest quarterly level since the fourth quarter of 2019. The balance of opinions about the portfolio of projects was -48 in the North, -79 in Beirut & Mount Lebanon, -89 in the South, and -96 in the Bekaa. Further, the balance of opinions about construction costs reached +56 in the third quarter of 2024, compared to +46 in the preceding quarter and +45 in the third quarter of 2023.

In parallel, the balance of opinions about investments in the sector was 26% in the third quarter of 2024, compared to 27% in the preceding quarter and to 21% in the third quarter of 2023. The balance of opinions about investments was 84% in the North, 25% in the South, 20% in the Bekaa, and 2% in Beirut & Mount Lebanon.

Also, the balance of opinions about the number of employees in the sector was -50 in the third quarter of 2024 compared to -47 in the preceding quarter and to -68 in the third quarter of 2023. It reached its fifth highest quarterly level since the fourth quarter of 2019. The balance of opinions about the number of employees was -40 in the Bekaa, -47 in the South, -51 in the North, and -59 in Beirut & Mount Lebanon.

Construction and Public Work Activity: Evolution of Opinions				
Aggregate results	Q3-21	Q3-22	Q3-23	Q3-24
General activity	-67	-18	-47	-41
Construction	-67	-18	-50	-42
Public works	-66	-25	-47	-29
Portfolio of projects	-96	-72	-69	-76
Construction costs	43	71	45	56
Investments (% of yes)	17%	23%	21%	26%

Source: Banque du Liban Business Survey for Third Quarter of 2024

Money supply up 25% in 12 months ending May 29, 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 LBP111,997bn on May 29, 2025, constituting a decrease of 2.6% from LBP115,035bn on May 22, 2025 and an increase of 24.5% from LBP89,943bn on May 29, 2024. M1 contracted by LBP3,038.3bn during the week ending May 29, 2025 due to decreases of LBP2,787.86bn in demand deposits and of LBP250.44bn in currency in circulation.

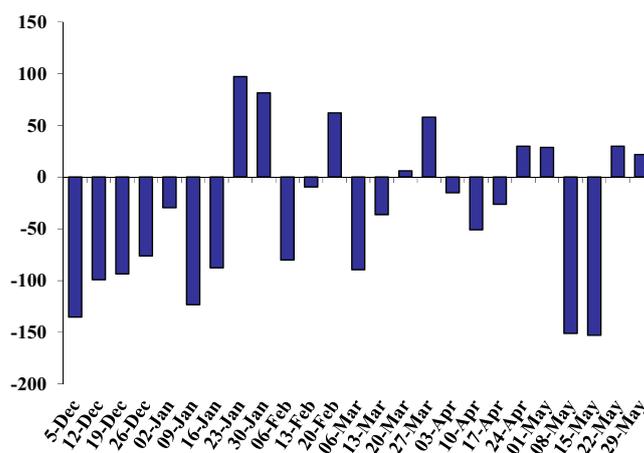
In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, totaled LBP145,735bn on May 29, 2025, representing a decline of 2.2% from LBP148,951bn on May 22, 2025 and an increase of 35.7% from LBP107,362bn a year earlier. Money supply M2 declined by LBP3,215.1bn in the week ending May 29, 2025, while it rose by LBP38,373.2bn year-on-year.

Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, reached LBP6,145.3 trillion (tn) on May 29, 2025, and decreased by LBP1,259.5bn, or by 0.02%, during the week ending May 29, 2025, compared to LBP6,376.2tn on May 29, 2024. Also, BdL indicated that deposits denominated in foreign currency grew by \$21.85m in the week ending May 29, 2025. The surge in M3 is due to the impact of the new exchange rate of the Lebanese pound against the US dollar of LBP89,500 per dollar that BdL started to use on February 8, 2024 for money supply figures.

Also, money supply M4, which includes M3 and Treasury bills held by the non-banking system, including accrued interest, totaled LBP6,152.7tn on May 29, 2025, constituting a decrease of LBP1,730bn (-0.03%) from LBP6,154.5tn a week earlier and relative to LBP6,396.8tn on May 29, 2024. BdL stated that the Treasury bills portfolio held by the non-banking sector decreased by LBP470.5bn during the week ending May 29, 2025.

BdL issued 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. 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.

Weekly Change in Foreign Currency Deposits (USm)



Source: Banque du Liban, Byblos Research

Balance sheet of investment banks at LBP83 trillion at end-March 2025

Figures released by Banque du Liban (BdL) show that the consolidated balance sheet of investment banks in Lebanon reached LBP83.1 trillion (tn) at the end of March 2025, or the equivalent of \$928m, constituting a decrease of 2% from LBP81.4tn (\$909.1m) at end-2024 and compared to LBP72.7tn (\$812.84m) at end-March 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 LBP5.8tn (\$65.1m) at the end of March 2025 and decreased by 20.7% in the first quarter of the year. Further, claims on resident customers in Lebanese pounds totaled LBP582.4bn at end-March 2025, constituting a decrease of 14.7% from LBP682.5bn at end-2024, while claims on resident customers in foreign currency amounted to LBP5.2tn (\$58.6m) at end-March 2025 and declined by 21.3% from end-2024 and by 28.8% from LBP7.4tn (\$82.2m) at the end of March 2024. Also, claims on non-resident customers stood at LBP780.8bn (\$8.72m) at the end of March 2025, representing a decrease of 2% from end-2024 and a drop of 35% from the end of March 2024.

Further, claims on the resident financial sector reached LBP9.1tn (\$101.6m) at end-March 2025 and increased by 13.2% from LBP8.04tn (\$89.8m) at the end of 2024. Claims on the resident financial sector in Lebanese pounds amounted to LBP3.3tn at the end of March 2025 and decreased by 32.2% from LBP4.9tn at end-2024, while claims on the resident financial sector in foreign currency totaled LBP5.77tn (\$64.5m) at end-March 2025 and jumped by 84.4% from LBP3.13tn (\$35m) at end-2024.

In addition, claims on the non-resident financial sector reached LBP8.2tn (\$91.7m) at the end of March 2025, constituting increases of 23.4% in the first quarter of the year and of 60% from LBP5.1tn (\$57.4m) at end-March 2024. Also, claims on the public sector stood at LBP1.9bn at end-March 2025 and rose by 28.7% in the first quarter of 2025; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, amounted to LBP12.3tn at the end of March 2025 and regressed by 4.5% from LBP12.9tn at the end of 2024. In parallel, currency and deposits with local and foreign central banks reached LBP31.4tn (\$351m) at the end of March 2025 compared to LBP26.2tn (\$292.3m) a year earlier.

On the liabilities side, deposits of resident customers stood at LBP29.97tn (\$335m) at the end of March 2025, constituting a decrease of 8.6% from LBP32.8tn (\$366.3m) at the end of 2024. Deposits of resident customers in Lebanese pounds amounted to LBP2,961.5bn at end-March 2025 and dropped by 53% during the first quarter of the year, while deposits of resident customers in foreign currency reached LBP27tn (\$301.8m) at the end of March 2025 and increased by 2% from end-2024.

Also, deposits of non-resident customers totaled LBP7.97tn (\$89m) at the end of March 2025, as they declined by 1.6% from LBP8.1tn (\$90.5m) at end-2024 and by 6.5% from the end of March 2024. Further, liabilities to the resident financial sector amounted to LBP4.99tn (\$55.8m) at end-March 2025 and decreased by 7.8% from LBP5.4tn (\$60.5m) at end-2024 and increased by 14% from LBP4.38tn (\$49m) at end-March 2024. Liabilities to the resident financial sector in Lebanese pounds totaled LBP3,021.4bn at end-March 2025 and surged by 83.6% from end-2024, while liabilities to the resident financial sector in foreign currency reached LBP1.97tn (\$22m) at end-March 2025 and dropped by 47.7% from LBP3.8tn (\$42.1m) at end-2024.

In addition, liabilities to the non-resident financial sector amounted to LBP8.47tn (\$94.6m) at end-March 2025 and increased by 3.7% from three months earlier. Also, public sector deposits totaled LBP1,125.4bn at the end of March 2025 relative to LBP762.6bn at the end of 2024. Further, the aggregate capital account of financial institutions stood at LBP19.2tn (\$214.5m) at the end of March 2025 relative to LBP15tn (\$167.5m) at end-2024, and to LBP11tn (\$122.1m) at end-March 2024.

Corporate Highlights

Net profits of Syrian affiliates of Lebanese banks at SYP48.7bn in 2024 on unrealized foreign exchange gains

Preliminary financial results issued by the affiliates of six Lebanese banks operating in Syria show that their aggregate net profits reached SYP376.4bn in 2024 relative to net earnings of SYP3,127.4bn in 2023. The depreciation of the Syrian pound from SYP12,562 against the US dollar at the end of 2023 to SYP14,796.5 per dollar at the end of 2024 resulted in unrealized foreign exchange gains on the banks' structural positions of SYP327.7bn in 2024. As such, the net profits of the six banks in US dollar terms totaled \$27.5m in 2024 compared to net earnings of \$389m in 2023, given that the exchange rate of the Syrian pound to the US dollar depreciated from an average of SYP8,039.5 per dollar in 2023 to SYP13,673.6 per dollar in 2024. As a result, the aggregate net income of the six banks becomes SYP48.7bn, or \$3.6m, in 2024 when excluding foreign exchange gains and losses on structural positions, relative to profits of SYP29.5bn or \$3.7m in the previous year.

The profits of Banque BEMO Saudi Fransi dropped by SYP787.8bn in 2024, followed by a decline of SYP582.3bn in the net income of Shahba Bank, a decrease of SYP422bn in the earnings of Fransabank Syria, a reduction of SYP394.7bn in the earnings of Bank of Syria & Overseas, a contraction of SYP298.3bn in the net income of Syria Gulf Bank, the affiliate of First National Bank, and a downturn of SYP265.9bn in the earnings of Bank Al-Sharq, the affiliate of Banque Libano-Française.

In parallel, the banks' aggregate assets reached SYP18,178.5bn at the end of 2024 and increased by 25.3% from SYP14,511.6bn at end-2023. The rise in assets was due to a jump of SYP2,368.7bn (+38%) in the assets of Banque BEMO Saudi Fransi, a surge of SYP559.4bn (+25.5%) in those of Syria Gulf Bank, a growth of SYP373.2bn (+16.3%) in the assets of Bank of Syria & Overseas, a rise of SYP250bn (+27%) in those of Bank Al Sharq, an increase of SYP94.2bn (+7.4%) in the assets of Shahba Bank, and an uptick SYP21.4bn (+1.3%) in those of Fransabank Syria. In US dollar terms, the assets of the six banks increased from \$1.16bn at the end of 2023 to \$1.23bn at end-2024, although the Syrian pound depreciated from SYP12,562 against the US dollar at the end of 2023 to SYP14,797 per dollar at the end of 2024.

In addition, the aggregate shareholders' equity of the six banks stood at SYP4,385.2bn at the end of 2024 compared to SYP4,039.2bn a year earlier. In US dollar terms, the banks' shareholders' equity was \$296.4m at end-2024 and decreased by 7.8% from \$321.5m at end-2023. The six banks have yet to publish their detailed financial results for 2024.

Results of Affiliates of Lebanese Banks in Syria for 2024 (SYPbn)

	Net Earnings		Total Assets	Shareholder's Equity
	2023	2024		
Banque BEMO Saudi Fransi	894.1	106.2	8,578.9	1,197.6
Bank of Syria & Overseas	493.4	98.6	2,657.6	723.8
Fransabank Syria	448.0	26.1	1,649.3	621.2
Shahba Bank	598.7	16.4	1,368.4	789.6
Al Sharq	312.3	46.4	1,174.3	449.5
Syria Gulf Bank	381.0	82.7	2,750.1	603.6

Source: Banks' financial statements

Foreign investments of financial sector at \$1.64bn at end-2024

Figures issued by Banque du Liban (BdL) show that the net investment portfolio of Lebanese banks and financial institutions in foreign debt and equity securities totaled \$1.64bn at the end of 2024, constituting an increase of 18% from \$1.39bn at end-2023. According to BdL, the figures cover the net assets of resident banks and financial institutions in foreign tradable debt and equity instruments, on behalf of their clients and on a custodial basis mostly.

Investments in long-term debt securities stood at \$1.1bn at end-2024 and accounted for 67.3% of the total, followed by placements in equities at \$476m, or 29%, and investments in short-term debt securities at \$58m (3.5%). Investments in short-term debt securities surged by 141.7% and investments in long-term debt securities increased by 41.4%, while placements in equities decreased by 18.5% from end-2023.

The investments of commercial banks in long-term debt securities totaled \$546m and accounted for 49.5% of the financial sector's aggregate investments in such securities at the end of 2024. The net investments of medium- and long-term banks followed with \$317m, or 28.7% of the total, then insurance companies with \$230m (21%), and financial institutions with \$10m (0.9%).

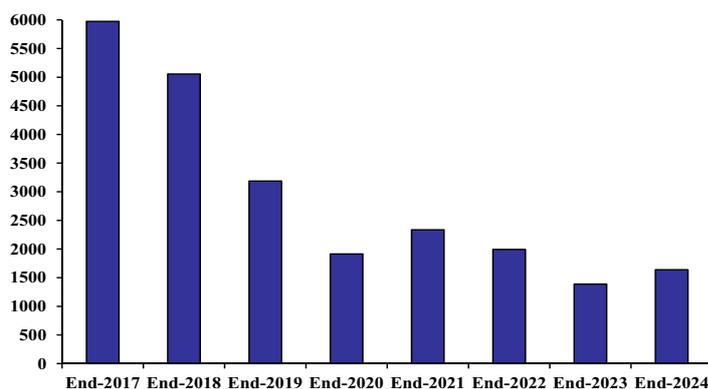
Further, medium- and long-term banks' investments in equities reached \$178m and represented 37.4% of the financial sector's investments in such securities at the end of 2024. Commercial banks followed with \$138m or 29% of the total, then insurers with \$108m (22.7%), and financial institutions with \$52m (11%).

In parallel, insurance firms had \$54m invested in short-term debt securities and accounted for 93% of the financial sector's total investments in such securities at the end of 2024, followed by financial institutions and medium and long-term banks with \$2m each (3.4% of the total each), and commercial banks with \$1m (1.7%).

In addition, the distribution of investments by destination shows that the United States was the main recipient of foreign investments of banks and financial institutions operating in Lebanon with \$527.4m, or 32.2% of the total as at the end of 2024. The United Kingdom followed with \$339.1m (20.7%), then France with \$168.7m (10.3%), Switzerland with \$142.5m (8.7%), and Canada with \$67.2m (4.1%), while other countries accounted for the remaining 24%.

Regionally, Saudi Arabia and Jordan were the main destinations of foreign investments of banks and financial institutions operating in Lebanon with \$49.1m and \$32.8m, respectively, at end-2024.

Foreign Investments of Financial Sector (US\$m)



Source: Banque du Liban, Byblos Research

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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