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LEBANON THIS WEEK

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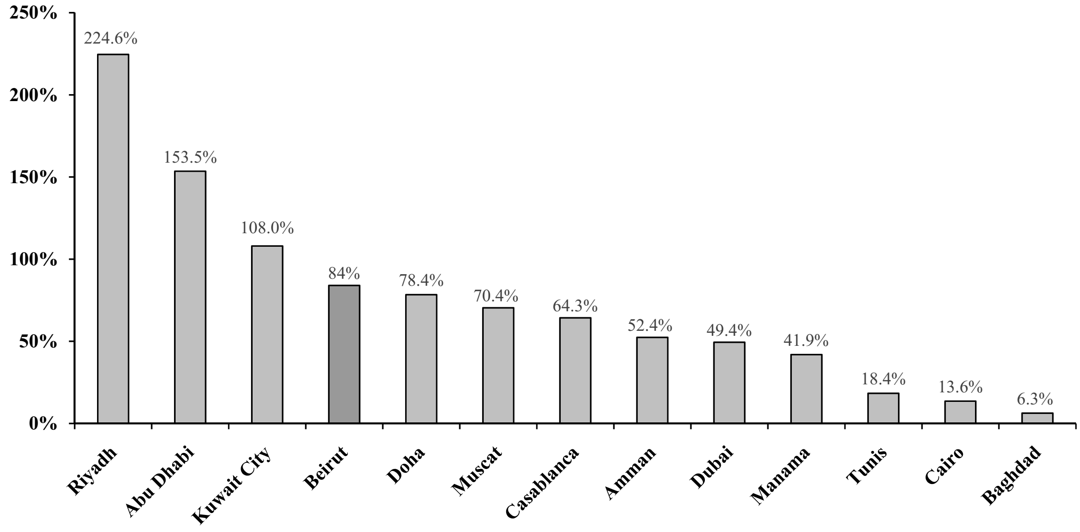
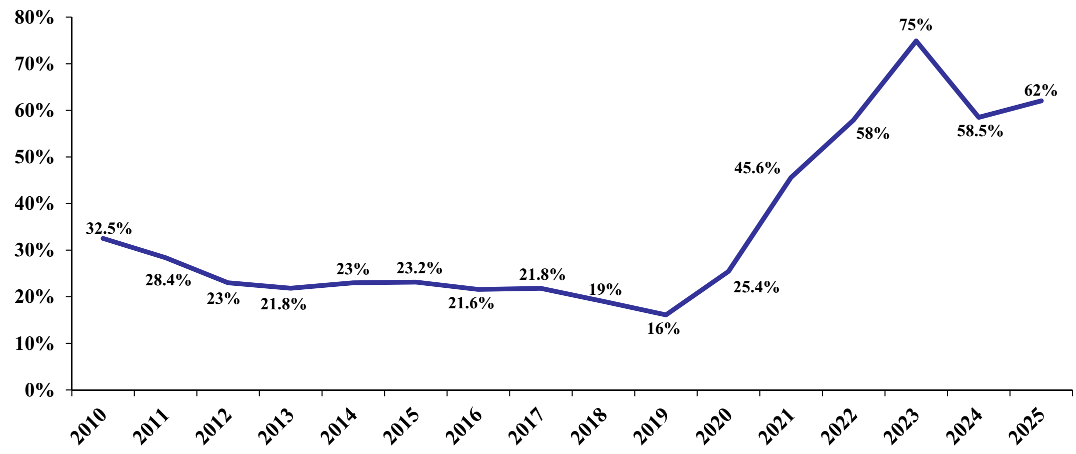
Charts of the Week

Stock Market Capitalization of Select Arab Markets at end-June 2025 (in % of 2025 GDP)



Stock Market Capitalization of the Beirut Stock Exchange (in % of GDP)*



**at the end of June of each year*

Source: Arab Federation of Capital Markets, Institute of International Finance, International Monetary Fund, Byblos Bank

Quote to Note

"The importance of reaching an agreement with the International Monetary Fund is not because it is an external condition, but because it is a necessary sign of confidence to the international financial community that Lebanon has started to recover from the crisis."

Mr. Hervé Magro, the ambassador of France to Lebanon, on the value-added for Lebanon to conclude an agreement with the International Monetary Fund

Number of the Week

122%: Value of Banque du Liban's aggregate gold and foreign currency reserves at the end of June, relative to the country'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
Audi Listed	2.75	9.6	82,082	7.7%
Solidere "B"	82.05	(8.0)	26,931	25.3%
Solidere "A"	87.55	2.9	14,601	41.5%
BLOM GDR	6.55	9.2	8,605	2.3%
HOLCIM	76.00	17.6	1,186	7.0%
Audi GDR	2.55	0.0%	-	1.4%
Byblos Common	1.05	0.0%	-	2.8%
Byblos Pref. 09	29.99	0.0%	-	0.3%
BLOM Listed	5.17	0.0%	-	5.3%
Byblos Pref. 08	25.00	0.0%	-	0.2%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Nov 2026	6.60	19.4	164.58
Mar 2027	6.85	19.4	125.12
Nov 2028	6.65	19.4	56.46
Feb 2030	6.65	19.4	38.93
Apr 2031	7.00	19.4	30.57
May 2033	8.20	19.4	22.07
May 2034	8.25	19.4	19.46
July 2035	12.00	19.4	17.04
Nov 2035	7.05	19.4	16.59
Mar 2037	7.25	19.4	14.55

Source: Refinitiv

	July 8-11	Jun 30 - Jul 4	% Change	June 2025	June 2024	% Change
Total shares traded	133,405	85,365	56.3	496,925	477,018	4.2
Total value traded	$3,907,260	$5,380,429	(27.4)	$10,857,127	$18,325,430	(40.8)
Market capitalization	$21.08bn	$20.90bn	0.9	$23.52bn	$16.54bn	42.1

Source: Beirut Stock Exchange (BSE)

Banque du Liban signs agreement with U.S. firm to strengthen regulatory controls

Banque du Liban (BdL) announced on July 14, 2025 that it signed a cooperation agreement with the U.S.-based K2 Integrity Holdings, Inc., a company specializing in the fields of global risk management, compliance, and financial crimes investigations. It said that the agreement is in line with BdL's efforts to combat the expansion of the cash economy and to confront illicit and fraudulent activities in all their forms. It added that this step is part of BdL's efforts to remove Lebanon from the Financial Action Task Force's (FATF) list of "jurisdictions under increased monitoring".

Further, it pointed out that K2 Integrity will provide BdL the required technical and advisory support to adopt and implement measures that aim to strengthen Lebanon's anti-money laundering and combating the financing of terrorism (AML/CFT) framework. It noted that BdL will rely on the company's experience and global reach to design and execute a detailed action plan that aims to identify systemic weaknesses, close regulatory gaps, and work towards restoring domestic and international confidence in Lebanon's financial system.

In addition, K2 Integrity has extensive experience in advising central banks, governments, commercial and investment banks, and financial and FinTech service providers in over 100 countries worldwide. K2 Integrity's experts possess in-depth knowledge of international standards, global best practices, and regulatory requirements specific to each country, particularly across Europe, the Middle East, and Africa region, which includes 28 countries that adhere to European Union directives, in addition to compliance with U.S. laws governing financial crimes such as the USA PATRIOT Act, the Bank Secrecy Act, and regulations from the Office of Foreign Assets Control.

The FATF, the global standard-setting body for AML/CFT, announced on June 13, 2025 that it has maintained Lebanon on its list of "jurisdictions under increased monitoring", or on its "grey list". The organization placed Lebanon on the list in October 2024 and said at the time that jurisdictions under increased monitoring work actively with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. It added that when the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes.

Further, it indicated that, 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 stated 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.

Further, the European Commission announced on June 10, 2025 that it has added Lebanon, along with nine other countries, to its list of "high-risk third-party country jurisdictions" regarding AML/CFT concerns. It considered that the 10 jurisdictions have strategic deficiencies in their national AML/CFT regimes, and added that the European Union entities covered by the anti-money laundering framework are required to apply enhanced vigilance in transactions involving these countries. Further, it noted that the updated list takes into account the work of the FATF against money laundering and terrorism financing and, in particular, its lists of "jurisdictions under increased monitoring" in February, June and October 2024, as well as in February 2025. The European Commission indicated that it carefully considered the concerns regarding its proposal of the list of high-risk third-country jurisdictions and conducted a thorough technical assessment, based on specific criteria and a well-defined methodology, which include information collected through the FATF, bilateral dialogues and on-site visits to the jurisdictions in question, and improved consultation with the member states of the European Union and the European Parliament.

Lebanon in the News

World Bank maintains Lebanon in lower middle-income category

In its annual review of the income classifications of economies around the world, the World Bank (WB) maintained Lebanon in the lower middle-income country (LMIC) category as of July 1, 2025, the start of the bank's fiscal year.

The WB moved Lebanon from the upper middle-income country (UMIC) category to LMIC status as of July 1, 2022. It attributed its decision at the time to the decline of Lebanon's gross national income (GNI) per capita, measured in US dollars, while the country also experienced a sharp depreciation of its exchange rate in 2021. The WB classified Lebanon as an LMIC from 1987 until 1996 when its GNI per capita ranged from the $481-$1,940 bracket in 1987 to the $786-$3,115 bracket in 1996. It then upgraded Lebanon to UMIC status in 1997, where it remained until 2020 when its GNI per capita ranged from the $3,126-$9,655 segment in 1997 to the $4,096-$12,695 bracket in 2021. It noted that the GNI per capita of LMICs ranged from $1,085 to $4,255 in 2021 and increased to the $1,136-$4,495 bracket in 2024. It added that Lebanon's GNI per capita peaked at $8,700 in 2018 before declining to $3,730 in 2023, the latest available figure.

For operational and analytical purposes, the WB classifies 189-member countries and 28 other economies with populations that exceed 30,000 persons in income groups according to their GNI per capita. The groups consist of low-income countries that it defines as economies with a GNI per capita of $1,135 or less; lower middle-income economies whose GNI per capita ranges from $1,136 to $4,495; upper middle-income countries that have a GNI per capita between $4,496 and $13,935; and high-income economies whose per capita GNI exceeds $13,935. The figures for the income brackets cover the 2024 calendar year. Lebanon, along with 49 other countries, in the LMIC category, which includes Djibouti, Egypt, Jordan, Mauritania, Morocco, Tunisia, and the West Bank and Gaza, among others. As such, the WB classified eight Arab countries in LMICs.

The WB said the economists in its country units around the world estimate the GNI per capita of a country and convert it from the latter's local currency to the US dollar using the World Bank Atlas method. It added that its demographers estimate the size of the population of each economy from a variety of sources, including the United Nation's biennial World Population Prospects. It noted that a country's income classification can change for two reasons. First, it indicated that factors such as economic growth, inflation, exchange rates and population growth, in addition to revisions to national accounts, influence the level of the Atlas GNI per capita for each country. Second, it said that in order to keep income classification thresholds fixed in real terms, it adjusts them annually for inflation using the International Monetary Fund's Special Drawing Rights deflator, which is a weighted average of the GDP deflators of China, Japan, the United Kingdom, the United States, and the Eurozone.

The WB reassigns countries to income groups on July 1 of each year, which is the start of its fiscal year, based on the estimate of their GNI per capita for the previous calendar year. It noted that a country remains in its income group for the entire fiscal year, even if it revises the GNI per capita of an economy in the meantime.

According to the WB, the Middle East, North Africa, Afghanistan and Pakistan region consists of eight high-income economies, four upper-middle income countries, eight lower-middle income economies, and three low-income countries. It grouped Bahrain, Kuwait, Malta, Oman, Qatar, Saudi Arabia, the UAE, and Israel in the high-income bracket; it placed Algeria, Iran, Iraq, and Libya in the UMIC segment; it included Djibouti, Egypt, Jordan, Lebanon, Morocco, Pakistan, Tunisia, and the West Bank & Gaza, in the LMIC category; and it put Afghanistan, Syria and Yemen in the low-income segment. The WB recently included Afghanistan and Pakistan in the same group as countries in the Middle East and North Africa region.

Foreign financial support contingent on progress in structural reforms

Standard Chartered Bank (SCB) considered that the current Lebanese government has made gradual progress on Lebanon's economic stabilization plan. It said that the recent engagement with the International Monetary Fund (IMF), signs of economic improvement, and favorable political developments that include the enactment of the 2025 budget and the amendments to the banking secrecy law are positive indicators for the country. However, it considered that progress on the public debt's restructuring would require the formulation of a medium-term economic plan, the implementation of key structural reforms, and a restructuring of the banking sector, which would be crucial for further IMF involvement and a potential financing program. It noted that bilateral support from Gulf Cooperation Council states and other friendly countries is likely to depend on an IMF-backed program and on tangible progress on the restructuring of the banking sector and of the public debt. But it said that elevated geopolitical instability in the region could further slow Lebanon's reforms progress, although a decline in Iran’s influence could represent a long-term advantage for the country.

In parallel, SCB maintained its "Market Weight" recommendation on Lebanon's Eurobonds, along with Abu Dhabi, Dubai, Egypt, Kuwait, Morocco, Oman, Qatar, Saudi Arabia, and the UAE in the Middle East and North Africa region. Last January, it changed its recommendation on Lebanon's Eurobonds from "Under Weight" to "Market Weight", given that risks have become more balanced than before. It attributed its decision to the resolution of the presidential deadlock after a 26-months stalemate and to the designation of a Prime Minister, which should support investor sentiment. It considered that the market expects the government's formation to accelerate development aid, trigger Lebanon's re-engagement with the IMF, and allow creditors to start the public debt's restructuring process. But it anticipated the restructuring of the Eurobonds to be protracted and to face delays in the next one to two years, while it noted that investors do not have details yet on the distribution of financial losses.

Customs receipts at LBP40,942.3bn in first four months of 2025

Figures released by Banque du Liban indicate that customs revenues totaled LBP40,942.3bn in the first four months of 2025, or $457.5m, compared to LBP13,973.6bn ($156.1m) in the same period of 2024, to LBP5,825.2bn in first four months of 2023, and to LBP655.1bn in the same period of 2022. Customs receipts increased by 193% in the first four months of 2025 from the same period last year, relative to a jump of 140% in the first fourth month of 2024, and to a surge of 789.2% in the first four months of 2023.

Further, customs revenues reached LBP3,612.3bn in January, LBP3,361bn in February, LBP10,596bn in March, and LBP23,373.1bn in April 2025. In comparison, they stood at LBP3,487.8bn in January, LBP3,280.7bn in February, LBP3,246.1bn in March, and at LBP3,959bn in April 2024. This constituted increases of 3.6% in January, of 2.4% in February, of 226.4% in March, and of 490.4% in April 2025 from the corresponding months of 2024.

In addition, figures issued by Lebanese Customs Administration show that total imports reached $6.32bn in the first four months of 2025 and increased by 15.7% from $5.46bn in the same period of 2024; while aggregate exports totaled $1.16bn in the first fourth month of 2025 and increased by 18% from $982m in the same period of 2024. Imports totaled $1.43bn in January, $1.4bn in February, $1.54bn in March, and $1.94bn in April 2025. In comparison, imports stood at $1.37bn in January, $1.35bn in February, $1.25bn in March and $1.49bn in April 2024. As such, imports increased by 3.9% in January, by 4.2% in February, by 23.6% in March and by 30.3% in April 2025 from the corresponding months of the preceding year. Also, non-hydrocarbon imports increased by $567m, or by 14%, to $4.6bn in the first four months of 2025; while the imports of oil & mineral fuels rose by 190.7m,or by 13.2%, to $1.64bn in the covered period.

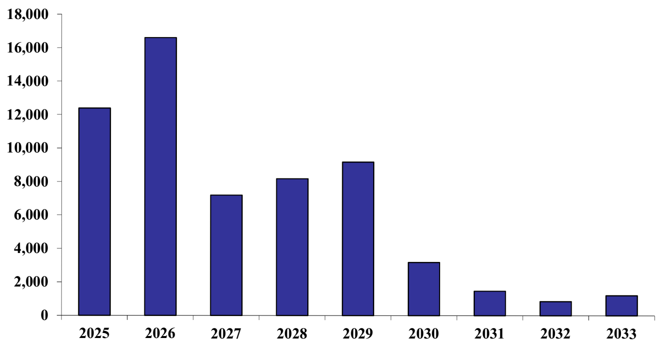
In parallel, the increase in customs revenues in 2023 and 2024 is due to the modification of the exchange rate of the Lebanese pound at customs, as the Ministry of Finance adjusted the exchange rate of the Lebanese pound to the US dollar for customs purposes in the fourth quarter of 2022 from LBP1,507.5 to LBP15,000 per dollar, as well as to LBP45,000 per dollar in the first quarter of 2023, and to LBP60,000 per dollar from May 2 until May 12, 2023. Further, it increased the monthly average exchange rate of the Lebanese pound for calculating the taxes and fees at customs on imported goods and products to LBP86,000 per dollar starting on May 13, 2023. As such, the ministry said that the exchange rate for the currencies of Lebanon's main import sources became LBP86,000 for the US dollar, LBP93,832 for the euro, LBP106,697 for the British pound, LBP94,910 for the Swiss franc, LBP23,415 for the UAE dirham, LBP12,493 the Chinese yuan, LBP4,466 for the Turkish lira, LBP2,781 for the Egyptian pound, LBP1,049 for the Indian rupee, and LBP646.8 for the Japanese yen, among others. Also, Banque du Liban announced on December 19, 2023 that it has modified the exchange rate of the US dollar on the Sayrafa platform from LBP85,500 per dollar to LBP89,500 per dollar.

More than 90% of Treasury securities in Lebanese pounds have five-year maturities or longer at end-May 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 LBP60,237bn at the end of May 2025, compared to LBP61,485bn at end-April 2025 and to LBP83,197bn at end-May 2024. The securities were equivalent to $673m at the end of May 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 6.54% in May 2025 compared to 6.39% in May 2024.

Also, the distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP29,218bn and accounted for 48.5% of aggregate securities denominated in Lebanese pounds at the end of May 2025, followed by seven-year Treasury bonds with LBP13,177bn (22%), five-year Treasury securities with LBP7,819bn (13%), three-year Treasury bills with LBP3,805bn (6.3%), 12-year Treasury bonds with LBP3,076bn (5.1%), two-year Treasury securities with LBP1,725bn (3%), and 15-year Treasury bonds with LBP1,417bn (2.4%). As such, 77.8% of outstanding Treasury securities have seven-year maturities or longer and 90.8% have five-year maturities or more.

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



**as at end-May 2025*
Source: Association of Banks in Lebanon, Byblos Research

In parallel, LBP1,248bn in outstanding Treasury securities denominated in Lebanese pounds matured in May 2025. The distribution of maturing securities shows that 36.3% consisted of two-year Treasury bonds, 31.6% were 10-year Treasury bills, 24% consisted of seven-year Treasury securities, and 8% were five-year Treasury bills. According to ABL, LBP12,391bn in outstanding Treasury securities in Lebanese pounds mature in the remainder of 2025.

Ministry of Finance details exemptions from fines on delayed payments of taxes and fees

The Ministry of Finance issued Decision 583/1 dated June 23, 2025 about the settlement of the fines on the verification and collection of taxes imposed under tax laws. The decision granted rebates on tax penalties on tax adjustments until September 30, 2025.

Article 2 reduces the fines on the verification of taxes imposed under the provisions of the Income Tax Law, the Built Property Tax Law, the inheritance tax, and the indirect taxes and fees that include stamp duty and the value-added tax, or that the Tax Procedures Law and general budget laws, among others, impose, in accordance with the provisions of Articles 4 and 5 of this decision. It said that the fines on the verification of taxes cover proportional fines and the lump-sum fines. It stated that it excluded from the settlements the fines that are less than LBP200,000, or $5, or €5 for taxes and fees that may be imposed and collected in foreign currency; the verification fines related to stamp duty for violations that took place after February 16, 2024 and that remain subject to the special provisions specified under the Stamp Duty Law; and the fines that were not paid with the tax or fee within the specified payment period. It said that regarding dues before November 16, 2022, if the reduced taxes, fees, and fines are not paid within the deadline of this decision, taxpayers must pay these taxes and fees with the full verification and collection fines, without any subsequent settlement.

Article 3 indicates that the settlement covers the verification fines imposed under the tax assessment tables, or payment orders, or urgent assessments, or tax notifications, or self-assessments specified in Article 2 of this decision, provided that the taxpayer pays the reduced fine with the due tax or fee in accordance with the provisions of this decision and within the specified deadline. Article 4 states that the settlement includes fines resulting from violations that took place before the date of this decision, in accordance with the provisions of Article 5. Article 5 stipulates that the decision reduces the verification fines specified in Article 4 from the date of issuance of this decision until September 30, 2025 as follows: first, it reduces by 85% the proportional or fixed fines resulting from violations that took place between January 1, 2000 and November 15, 2022, and lowers by 90% those that occurred between January 1, 2000 and February 15, 2024. Second, it reduces by 85% the proportional fines and by 60% the lump-sum fines resulting from violations that took place between January 1, 1994 and the date of issuance of this decision. Third, it exempted fully the proportional or lump-sum fines resulting from violations that occurred in 2022 or earlier. Fourth, it cut by 85% the proportional or lump-sum fines resulting from violations that took place in 2023 and 2024.

Article 6 states that the settlement covers late payment fines (collection fines) related to various types of direct and indirect taxes and fees, including the stamp duty and the value-added tax, due or that will become due during the timeframe of this decision. It mandates the approval of the Council of Ministers for violations committed after February 16, 2024, in order to authorize the settlement of any verification fine where the reduction of taxes exceeds LBP5bn, or $55,850. Article 7 reduces the late payment fines in Article 6 of this decision, provided that the taxes and verification and collection fines are paid by end-September 2025 as follows: it reduced by 85% the fines for violations that occurred before November 16, 2022, by 90% the penalties for violations that took place before February 16, 2024, by 75% for violations that took place between January 1, 1994 and the date of issuance of this decision; by 100% for violations related to revenues in 2022 and prior to 2022: and by 75% for violations related to revenues in 2023 and 2024.

Article 9 stipulates that the taxpayer's right to settle the fines subject to this decision should be forfeited if the reduced fine is not paid with the due tax or fee before September 30, 2025. Article 10 noted that fines paid at any time are considered an acquired right of the Treasury and cannot be refunded except for reasons based on a material error, including duplication in the payment of the fine or payment of the fine before the implementation of this decision on the automation systems or as a result of legal objections.

Article 11 says that taxpayers who request to pay the due taxes and fees in installments, in accordance with the provisions of the Tax Procedures Law or the Inheritance Tax Law, do not benefit from a reduction on the fines with regard to assessment documents issued before November 16, 2022. It added that taxpayers benefit from a reduction on the fines in accordance with the provisions of this decision with regard to assessment documents issued as of November 16, 2022. Article 13 said that the decision remains in effect until September 30, 2025.

Article 14 exempts all public administrations, municipalities, unions of municipalities, public institutions, and public law persons from all the fines and verification fines that result from the violations related to the salary and wage tax for their employees, particularly delays in declaring or paying this tax to the treasury within the legal deadlines; violations related to declaring the tax under Articles 41, 42, and 43 of the Income Tax Law (tax on non-residents) or paying it to the treasury within the legal deadlines; violations related to the financial stamp duty, including failure to pay the financial stamp duty due on amounts paid to others, violations related to the value-added tax or paying it to the treasury within the legal deadlines, and fines resulting from their occupancy of public state property. It noted that public administrations, municipalities, unions of municipalities, public institutions, and public law persons must pay all due taxes and fees, including those relating to tax periods that have lapsed due to the statute of limitations, for taxes and fees that they deducted or collected but did not pay on time. It added that they must pay all due taxes and fees relating to years that have not lapsed due to the statute of limitations, for taxes and fees that they did not deduct or collect.

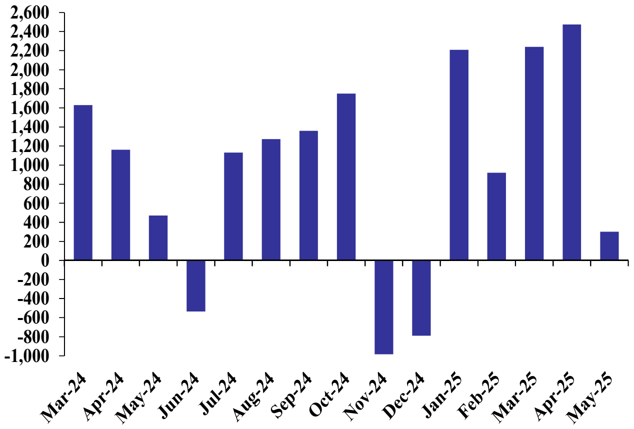
Net foreign assets of financial sector up $8.1bn in first five months of 2025

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 $8.14bn in the first five months of 2025, compared to increases of $3.24bn in the same period of 2024 and of $1.23bn in the first five months of 2023.

The cumulative surplus in the first five months of 2025 was caused by increases of $7.25bn in the net foreign assets of BdL and of $889.6m in those of banks and financial institutions. Further, the net foreign assets of the financial sector rose by $300.8m in May 2025 compared to increases of $2.47bn in April 2025 and of $471m in May 2024. The May increase was caused by a surge of $217.8m in the net foreign assets of BdL and by an increase of $83m in those of banks and financial institutions.

The cumulative rise in BdL's net foreign assets reserves in first five months of 2025 is due mainly to increases of $6.29bn in BdL's gold reserves and of $871.9m in its foreign currency reserves. Also, the increase in the banks' net foreign assets in the covered period is mostly due to increases of $516.4m in the banks' claims on the non-resident financial sector and of $13.2m in claims on non-resident customers, which more than offset increases of $298.1m in non-resident customer deposits and of $39.8m in the deposits of the non-resident financial sector.

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



Source: Banque du Liban, Byblos Research

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.

Government streamlines mechanism for payments through money transfer operators

The Council of Ministers issued Circular 25/2025 dated July 2, 2025 addressed to all public administrations about the offline collection of receipts to the Lebanese Treasury, as a follow up to the Ministry of Finance's (MoF) Circular 667/S1 dated April 2, 2025 about the working mechanism of money transfer operators (MTOs) that have contracts with the ministry about the offline and online collection of taxes and fees on behalf of the Treasury. Circular 25/2025 asked all public administrations to cooperate and coordinate with the Electronic Center and the Treasury Directorate at the MoF regarding offline collection receipts, given that the ministry is working with all the ministries on automating collection receipts and on converting them to the online system.

Last April, the Ministry of Finance issued Circular 667/S1 that asked all MTOs that collect taxes and fees on behalf of the Lebanese Treasury to adopt specific templates for this task starting on April 1, 2025 until the automation of all payment notifications and collection receipts. The information entered in all fields of the payment notifications to the sample templates about manual or offline payments, online payments, and the *mécanique* fees payments starting on April 1, 2025. It requested MTOs to send the information to the ministry on a weekly basis for the related information of the preceding week, and on a monthly basis within a maximum period of the seventh day of the following month. Also, it asked MTOs to continue sending to the MoF the hard copies of the original documents as well as the memoranda of understanding signed with each company.

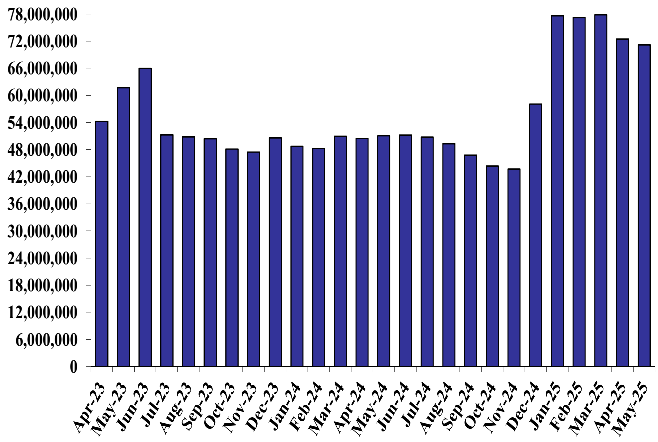
Further, it requested MTOs to adhere to the transfer deadlines for collected operations according to Decree 12641 dated December 5, 2023, and to abide by the scheduled transfers to ministry three times a week, and to pay the amount of each schedule separately. It mandated MTOs to keep sending reports about their daily activity that include payment notifications, collection receipts collected online and the *mécanique* fees, to the approved email addresses at the MoF. Also, it asked MTOs to adopt the electronic payment method for all automated receipts issued by the MoF's electronic portal or the ministry's automation systems, and forbid them from paying the amounts offline.

Currency in circulation up 39.4% in 12 months ending May 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 LBP111,432.7bn at the end of May 2025, constituting an increase of 8.5% from LBP102,718.3bn at the end of 2024 and of 24% from LBP89,933.5bn at end-May 2024. Currency in circulation stood at LBP71,170.8bn at the end of May 2025, as it rose by 22.5% from LBP58,077.3bn at end-2024 and by 39.4% from LBP51,062.2bn at end-May 2024. Also, demand deposits in Lebanese pounds stood at LBP40,262bn at the end of May 2025, as they decreased by 9.8% in the first five months of 2025 and grew by 3.6% from end-May 2024.

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP145,809.7bn at the end of May 2025, constituting increases of 11.3% from LBP130,986bn at end-2024 and of 35.7% from LBP107,475bn a year earlier. Term deposits in Lebanese pounds stood at LBP34,377bn at the end of May 2025 and surged by 21.6% from LBP28,267.6bn at end-2024 and by 96% from LBP17,541.5bn at end-May 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 LBP6,175.4 trillion (tn) at the end of May 2025, with deposits in foreign currency totaling LBP5,998.4tn and debt securities of the banking sector amounting to LBP31,183bn at end-May 2025. In parallel, M3 decreased by LBP23,068.3bn in the first five months of 2025 due to a jump of LBP728,560bn in the net foreign assets of deposit-taking institutions and an increase of LBP12,716bn in other items, which were offset by a decline of LBP723,495.3bn in claims on the public sector and a contraction of LBP40,849bn 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.

In parallel, 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.

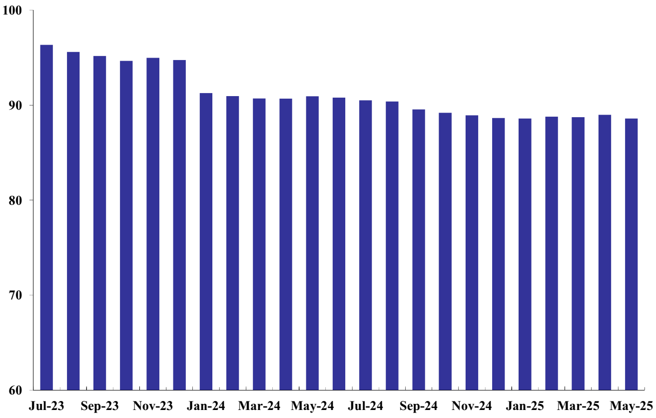
Also, BdL requested banks and financial institutions, in line with the provisions of International Accounting Standard 21, to convert their foreign currency monetary assets and liabilities and non-monetary assets classified by fair value or by equity method at the exchange rate published on BdL's electronic 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.

Corporate Highlights

Private sector deposits at $88.6bn at end-May 2025

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at LBP9,144.2 trillion (tn), or the equivalent of $102.2bn, at the end of May 2025, compared to LBP9,231.6tn ($103.1bn) at end-2024 and to LBP9,334.4tn ($104.3bn) at the end of May 2024. Loans extended to the private sector totaled LBP492tn at the end of May 2025, with loans to the resident private sector reaching LBP412.8tn and credit to the non-resident private sector amounting to LBP79.2tn at the end of the month. Loans extended to the private sector in Lebanese pounds reached LBP11.9tn, as they increased by 2.7% from LBP11.58tn at the end of 2024; while loans in foreign currency totaled $5.36bn at end-May 2025 and decreased by 7.8% from $5.82bn at the end of 2024. The figures reflect Banque du Liban's (BdL) 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.

Private Sector Deposits (US$bn)



Source: Banque du Liban, Byblos Research

In nominal terms, credit to the private sector in Lebanese pounds increased by LBP307bn in the first five months of 2025 and by LBP1,642bn from a year earlier, while lending to the private sector in foreign currency decreased by $452.4m in the covered period and dropped by $1.42bn from end-May 2024. Further, loans extended to the private sector in Lebanese pounds contracted by LBP15.67tn (-57%) and loans denominated in foreign currency dropped by $35.74bn (-87%) since the start of 2019. The dollarization rate of private sector loans regressed from 98.3% at the end of May 2024 to 97.6% at end-May 2025. The average lending rate in Lebanese pounds was 9.26% in May 2025 compared to 4.52% a year earlier, while the same rate in US dollars was 5.53% relative to 3.21% in May 2024.

In addition, claims on non-resident financial institutions stood at $5.21bn at the end of May 2025, constituting increases of $516.4m (+11%) from the end of 2024 and of $787.7m (+17.8%) from end-May 2024. Also, claims on non-resident financial institutions dropped by $3.93bn (-43%) from the end of August 2019 and by $6.78bn (-56.6%) since the start of 2019. Further, deposits at foreign central banks totaled $676.5m, constituting a rise of $50m (+8%) in the first five months of 2025 and a decrease of $124.5m (-15.5%) from a year earlier. Also, cash in vault in LBP stood at LBP6,689.1bn compared to LBP7,179.8bn at end-2024 and to LBP7,738bn at end-May 2024. In addition, the banks' claims on the public sector amounted to LBP210.6tn at end-May 2025, representing an increase of 1.1% from LBP208.4tn end-2024 and a decrease of 0.4% from LBP211.5tn end-May 2024. Also, the banks' holdings of Lebanese Treasury bills stood at LBP8.49tn, while their holdings of Lebanese Eurobonds reached $2.24bn net of provisions at end-May 2025 relative to $2.22bn a year earlier. Further, the deposits of commercial banks at BdL stood at LBP7,073.4tn at the end of May 2025, or $79.03bn, compared to LBP7,122.4tn ($79.58bn) at the end of 2024.

In parallel, private sector deposits totaled LBP7,931.2tn, or $88.6bn, at the end of May 2025. Deposits in Lebanese pounds reached LBP73.7tn at end-May 2025, as they increased by 8.6% from end-2024 and by 30% from a year earlier; while deposits in foreign currency stood at $87.8bn, nearly unchanged from the end of 2024, and decreased by 2.8% from end-May 2024. Resident deposits accounted for 76.1% and non-resident deposits represented 23.9% of total deposits at end-May 2025. Private sector deposits include about $3bn in "fresh" funds.

In addition, private sector deposits in Lebanese pounds surged by LBP5,830.7bn and foreign currency deposits decreased by $94.2m in the first five months of 2025, while private sector deposits in Lebanese pounds grew by LBP16,997.2bn and foreign currency deposits dropped by $2.5bn from a year earlier. Also, aggregate private sector deposits in Lebanese pounds increased by LBP921.6bn (+1.3%) and foreign currency deposits declined by $36.45bn (-29.3%) from the end of August 2019, while total private sector deposits in Lebanese pounds regressed by LBP3.47tn (-4.5%) and foreign currency deposits dropped by $35.3bn (-28.7%) since the start of 2019. The dollarization rate of private sector deposits regressed from 99.3% at the end of May 2024 to 99.1% at the end of May 2025.

Further, the liabilities of non-resident financial institutions reached $2.55bn at the end of May 2025, increasing by 1.6% from $2.51bn at end-2024 and decreasing by 5% from $2.68bn at end-May 2024. Also, the average deposit rate in Lebanese pounds was 2.08% in May 2025 compared to 1.02% a year earlier, while the same rate in US dollars was 0.1% in May 2025 relative to 0.05% in May 2024. In addition, the banks' aggregate capital base stood at LBP363tn ($4.06bn) at the end of May 2025 compared to LBP428.5tn ($4.8bn) at the end of 2024 and to LBP258.3tn ($2.9bn) at the end of May 2024.

Corporate Highlights

CMA CGM posts net profits of $1.12bn in first quarter of 2025

The Lebanese-owned and France-based container-shipping firm CMA CGM declared consolidated net income of $1.12bn in the first quarter of 2025, constituting an increase of 42.8% from net profits of $785m in the same quarter of 2024, while its revenues totaled $13.3bn in the first quarter of 2025 and grew by 12.1% from $11.8bn in the same period of the preceding year. It attributed the surge in profits to the robust performance of the firm's logistics services and to the high demand for transport, despite rising tensions from the imposition of trade barriers, along with destabilizing geopolitical conflicts that have disrupted supply chains. Further, the company's earnings before interest, taxes, depreciation and amortization (EBITDA) stood at $3.1bn in the first quarter of 2025, constituting a rise of 29% from $2.4bn in the same period of 2024.

The distribution of the company's revenues shows that, first, its consolidated revenues from maritime shipping operations stood at $8.76bn in the first quarter of 2025 and increased by 11.5% from $7.86bn in the same quarter of 2024, while the EBITDA of shipping activity reached $2.5bn in the covered period and surged by 30% from $1.95bn in the first quarter of 2024. The firm indicated that it transported 5.85 million twenty-foot equivalent units (TEUs) in the first quarter of 2025, constituting an increase of 4.2% from 5.661 million TEUs in the same quarter of 2024, which led to average receipts of $1,498 per TEU in the first quarter of 2025. It considered that a significant increase in customs duties by countries such as the U.S. and China could have a long-term impact on international trade volumes, while the disruptions to shipping in Red Sea persist.

Second, it pointed out that revenues from its logistics operations stood at $4.3bn in the first quarter of 2025, representing an increase of 10% from $3.9bn in the same quarter of last year; while the corresponding EBITDA reached $399m in the covered period and grew by 10.5% from $361m in the first quarter of 2024. According to the firm, the results reflect the contribution of Bolloré Logistics since its consolidation with the company's logistics operations last February, as well as good momentum in contract logistics.

Third, it indicated that revenues from other activities, which include port terminals, CMA CGM Air Cargo and the media, reached $833m in the first quarter of 2025, constituting a rise of 31% from $637 in the same quarter of the preceding year. It noted that the EBITDA of other activities stood at $157m and surged by 91.5% from $82m in the first quarter of 2024, driven by the acquisition of RMC BFM and a good performance in terminals and airfreight.

Further, the firm stated that it announced a multi-year $20bn investment plan in February 2025 in the U.S. to strengthen its presence in the maritime shipping and logistics sectors in the country. Also, it said that it signed contracts to operate the Latakia container terminal and a dry port in Egypt, as part of its ports strategy in the Middle East. In addition, it pointed out that CEVA Logistics, a subsidiary of CMA CGM, announced its acquisition of all outstanding shares in Borusan Logistics, a major contract logistics player in Türkiye.

CMA CGM is one of the largest container shipping companies in the world and operates a fleet with more than 650 vessels, with a capacity of 5 million TEUs that serves over 420 commercial ports and utilizes more than 250 shipping lines.

In parallel, S&P Global Ratings affirmed in June 2024 the long- and short-term issuer credit ratings of CMA CGM at 'BB+', and maintained the 'stable' outlook on the ratings. In June 2025, the agency assigned a 'BB+' rating to the company's proposed senior unsecured notes due in 2031.

S&P said that CMA CGM is on track to exceed its previous forecast for this year of the firm’s EBITDA, underpinned by solid first quarter results. As such, it forecast the firm’s adjusted EBITDA at $10bn to $1bn in 2025 relative to its previous base case of $8bn to $9bn. But it noted that the EBITDA for this year will lag the 2024 level of $13.4bn.

Further, the agency considered that CMA CGM’s 2025-2026 credit metrics will remain well within its 'BB+' rating threshold, but with clearly reducing headroom. It added that the 'stable' outlook on the ratings reflects its expectation that the company will maintain a ratio of adjusted funds from operations-to-debt of at least 35%, underpinned by the ongoing Red Sea rerouting, moderate growth in global trade volumes, and port congestions due to supply chain disruptions, which will cushion the effect from new tonnage deliveries.

Ratio Highlights

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

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

National Accounts, Prices and Exchange Rates

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

Source: Insitute of International Finance

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Ratings	C	NP	Stable	C		Stable
Fitch Ratings*	RD	C	-	RD	RD	-
S&P Global Ratings	SD	SD	-	CC	C	Negative

**Fitch withdrew the ratings on July 23, 2024*
Source: Rating agencies

Banking Sector Ratings	Outlook
Moody's Ratings	Negative

Source: Moody's Ratings

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