

LEBANON THIS WEEK

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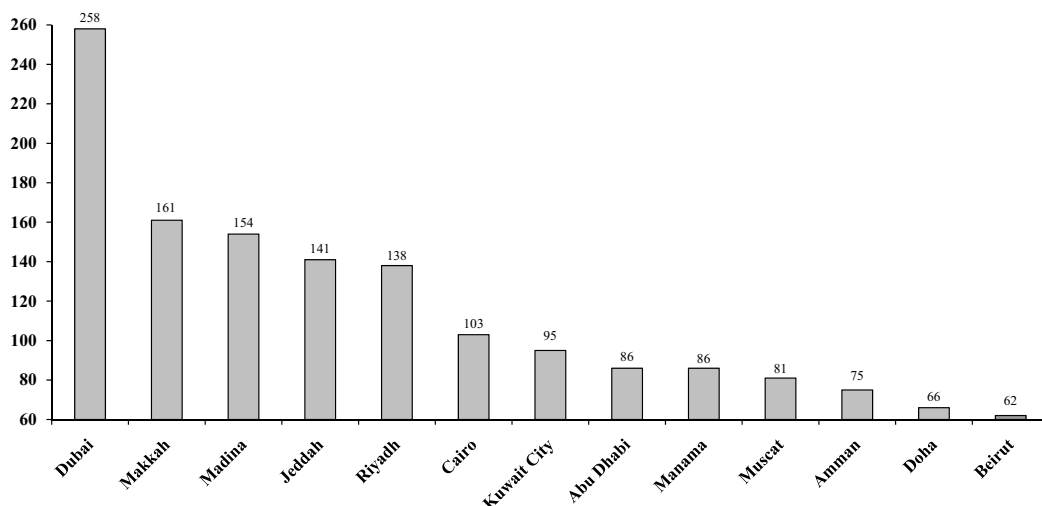
Term deposits account for 54% of customer deposits at end-2023

Ratio Highlights

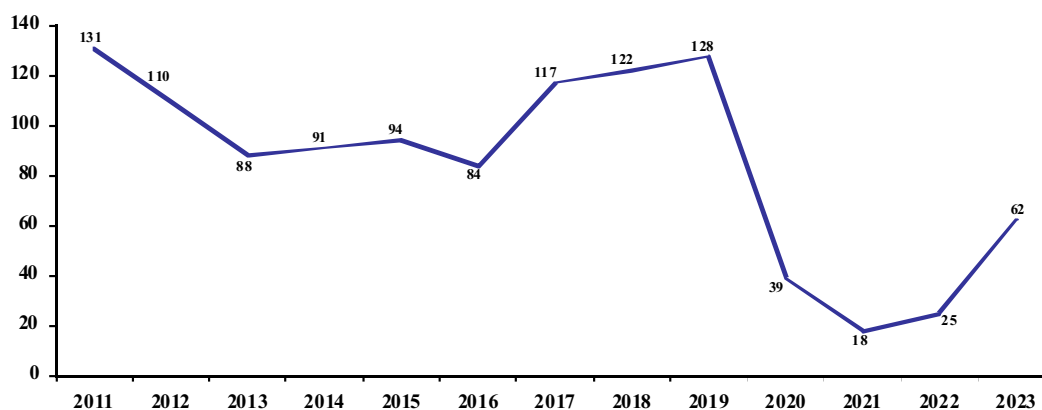
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Charts of the Week

Revenues per Available Room at Four- and Five-Star Hotels in Select Arab Cities in 2023 (in US\$)



Revenues per Available Room at Four- and Five-Star Hotels in Beirut (in US\$)



Source: EY, Byblos Bank

Quote to Note

"Addressing the challenges in revenue administration and public expenditure management is critical to restore the citizens' trust in the Lebanese State's ability to perform its basic functions."

The World Bank, on the need to restore basic fiscal management operations in Lebanon

Number of the Week

31%: Percentage decline in currency in circulation in Lebanese pounds in 2023, according to Banque du Liban

Lebanon in the News

\$m (unless otherwise mentioned)	2022	Jan-Aug 2022	Jan-Aug 2023	% Change*	Aug-22	Dec-22	Aug-23
Exports	3,492	2,411	1,704	-29.4%	282	272	89
Imports	19,053	12,773	10,285	-19.5%	1,964	1,251	487
Trade Balance	(15,562)	(10,362)	(8,582)	-17.2%	(1,682)	(979)	(397)
Balance of Payments	(3,197)	(3,101)	1,071	-	(314)	17	145
Checks Cleared in LBP	27,146	15,167	6,820**	-55.0%	2,470	3,686	338**
Checks Cleared in FC	10,288	7,436	2,590**	-65.2%	787	577	188**
Total Checks Cleared	37,434	22,603	9,410**	-58.4%	3,257	4,263	526**
Fiscal Deficit/Surplus	-	-	-	-	-	-	-
Primary Balance	-	-	-	-	-	-	-
Airport Passengers	6,360,564	4,194,798	5,005,141	19.3%	793,287	551,632	914,262
Consumer Price Index	171.2	197.3	233.0	3,563bps	161.9	122.0	229.8

\$bn (unless otherwise mentioned)	Dec-22	Aug-22	May-23	Jun-23	Jul-23	Aug-23	% Change*
BdL FX Reserves	10.40	10.63	9.72	9.29	8.76	8.82	-17.0%
In months of Imports	-	-	-	-	-	-	-
Public Debt	101.81	103.65	-	-	-	-	-
Bank Assets	169.06	168.75	115.21	116.43	117.19	113.72	-32.6%
Bank Deposits (Private Sector)	125.72	125.02	97.31	97.40	96.35	95.59	-23.5%
Bank Loans to Private Sector	20.05	22.82	9.53	9.30	9.04	8.92	-60.9%
Money Supply M2	77.34	50.87	8.10	8.80	7.01	6.64	-87.0%
Money Supply M3	152.29	127.71	80.76	81.10	79.09	78.38	-38.6%
LBP Lending Rate (%)	4.56	4.85	3.53	4.24	3.60	3.77	(108)
LBP Deposit Rate (%)	0.60	0.60	0.84	0.67	0.81	0.41	(19)
USD Lending Rate (%)	4.16	5.51	2.30	2.02	2.61	2.40	(311)
USD Deposit Rate (%)	0.06	0.10	0.09	0.05	0.08	0.03	(7)

*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 %
Solidere "A"	75.35	(9.8%)	71,447	41.7%	Apr 2024	6.65	5.5	11,246.28
Byblos Common	0.73	(2.7%)	35,297	2.3%	Jun 2025	6.25	5.5	414.66
Solidere "B"	76.20	(9.1%)	30,090	27.4%	Nov 2026	6.60	5.5	138.89
HOLCIM	59.55	0.6%	478	6.4%	Mar 2027	6.85	5.5	120.65
BLOM GDR	3.00	0.0%	-	1.2%	Nov 2028	6.65	5.5	72.59
Audi Listed	2.35	0.0%	-	7.7%	Feb 2030	6.65	5.5	54.71
BLOM Listed	2.80	0.0%	-	3.3%	Apr 2031	7.00	5.5	44.95
Audi GDR	1.16	0.0%	-	0.8%	May 2033	8.20	5.5	34.06
Byblos Pref. 08	27.00	0.0%	-	0.3%	Nov 2035	7.05	5.5	26.44
Byblos Pref. 09	29.99	0.0%	-	0.3%	Mar 2037	7.25	5.5	23.47

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

Source: Refinitiv

	Feb 19-23	Feb 12-16	% Change	January 2024	January 2023	% Change
Total shares traded	138,004	65,361	111.1	2,004,203	25,094,470	(92.0)
Total value traded	\$8,200,169	\$1,247,433	557.4	\$101,988,193	\$52,671,810	93.6
Market capitalization	\$18.08bn	\$19.40bn	(6.8)	\$20.56bn	\$14.99bn	37.2

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 154th globally, 13th among Arab countries in economic freedom, economy remains "repressed"

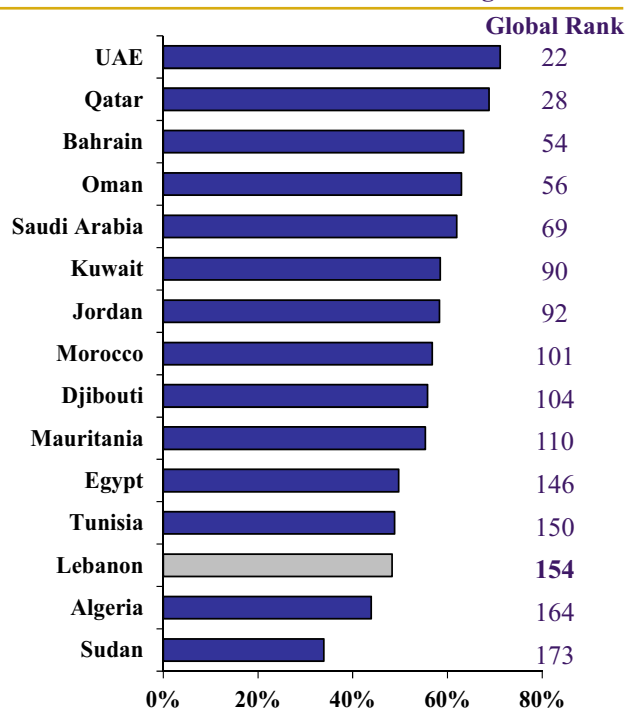
The Heritage Foundation's Index of Economic Freedom for 2024, a broad indicator of economic freedom in 176 countries, ranked Lebanon in 154th place worldwide and in 13th place among 15 Arab countries that have a full dataset. In comparison, Lebanon ranked in 164th place globally and in 13th place regionally in 2023, while it came in 162nd place worldwide and in 13th place among Arab countries on the 2022 index and in 96th place among 178 countries globally and in eighth place in the Arab world in the 2014 survey.

The index evaluates individual economies based on 12 equally-weighted broad factors of economic freedom distributed into four pillars that are the Rule of Law, the Size of the Government, Regulatory Efficiency, and Market Openness. A country's score ranges between zero and 100, with 100 reflecting the country with the highest possible level of economic freedom. The index also places each country in one of five categories of economic freedom that consist of a "free", "mostly free", "moderately free", "mostly unfree", and "repressed".

Globally, Lebanon has a higher level of economic freedom than Haiti, Ethiopia, and the Republic of Congo, and a lower level than China, Zambia, and Belarus among economies with a GDP of \$10bn or more. Lebanon's level of economic freedom stood at 48.3% in the 2024 index relative to 45.6% in 2023, 47.3% in the 2022 survey, and 59.4% in 2014. Lebanon's score in 2024 came well below the global and the Arab levels of economic freedom of 58.6% and 55.8%, respectively. Also, its score was lower than the Gulf Cooperation Council (GCC) countries' average level of 64.4% and the average level of non-GCC Arab countries of 50.1%. Lebanon's economic freedom status remained in the "repressed" category for the third consecutive year, after staying in the "mostly unfree" category for nine consecutive years during the 2013-21 period and in the "moderately free" category in 2011 and 2012.

The Heritage Foundation attributed the improvement in Lebanon's score in the 2024 survey mainly to higher scores on the Fiscal Health, Government Spending, and Labor Freedom factors. However, the survey considered that political instability and regulatory inefficiency discourage the dynamic growth of private investments. It noted that commercial regulations are burdensome and that corruption is rampant in the public sector. It indicated that the protection of property rights is weak in the absence of a properly functioning legal framework, and that the labor market has been undermined by political instability and uncertainty. In parallel, Lebanon preceded Mali and trailed Guatemala globally, while it came ahead of only Sudan among Arab countries on the Government Integrity factor. This category assesses the extent of government intervention in economic activity and the degree of corruption that follows. Also, Lebanon tied with Egypt and Benin, ranked ahead of Comoros and came behind Uganda globally, while it preceded Mauritania and Sudan regionally on the Business Freedom factor, which reflects the ability to create, operate and close an enterprise. This category also measures the extent that the regulatory and infrastructure environments limit the efficient operation of businesses. Further, Lebanon tied with Portugal, came ahead of Russia and trailed Luxembourg globally, while it ranked behind only the UAE and Mauritania regionally on the Labor Freedom factor, which assesses the legal and regulatory framework of a country's labor market.

**Index of Economic Freedom for 2024
Arab Countries' Scores & Rankings**



Source: Heritage Foundation, Byblos Research

Economic Freedom in Lebanon by Factor

	Arab Rank	Global Rank	Lebanon Score	Change in Score*	Long-Term Trend**	Arab Avge	Global Avge
Property Rights	13	146	30.7%	↓	-38.6%	47.5%	53.6%
Judicial Effectiveness	13	144	24.0%	↑	N/A	30.8%	48.9%
Government Integrity	14	153	22.7%	↓	127.0%	36.8%	43.9%
Tax Burden	7	28	90.5%	↑	-6.4%	88.1%	78.2%
Government Spending	2	7	94.7%	↑	126.0%	70.3%	64.0%
Fiscal Health	8	66	69.2%	↑	N/A	55.5%	52.2%
Business Freedom	12	136	48.9%	↑	-30.1%	57.2%	62.3%
Labor Freedom	3	83	57.6%	↑	N/A	52.0%	56.1%
Monetary Freedom	14	172	10.1%	↓	-87.4%	65.0%	67.6%
Trade Freedom	7	90	71.4%	↔	95.1%	66.3%	69.9%
Investment Freedom	12	147	30.0%	↔	-40.0%	51.0%	56.4%
Financial Freedom	12	132	30.0%	↔	-57.1%	49.3%	48.8%

*year-on-year; ** Change in score from 2000

Source: Heritage Foundation, Byblos Research



Draft law on banking sector restructuring addresses legality of foreign currency deposits at banks

Banque du Liban (BdL) and the Banking Control Commission of Lebanon's (BCCL) draft law about the restructuring of the banking sector in Lebanon, which is dated February 8, 2024, addresses the legality of foreign-currency deposits at banks.

Article 46 addresses the legality of foreign currency deposits as part of the Know-Your-Customer (KYC) procedures. It mandates banks to request from depositors who have more than \$500,000 in deposits or their equivalent in foreign currencies in an individual account or in a collective account with the spouse and dependent children, or in accounts where they are the beneficial owners, to submit to the compliance unit of the bank documents that demonstrate the source and legality of their deposits within three months of the publication of this law. It said that the compliance unit has to verify the authenticity and comprehensiveness of all the related documents and requirements, and has to send to the Special Investigation Commission all the files that are not compatible with the compliance criteria set by the BCCL.

It added that the clients who have deposits of at least \$500,000 have to submit to the bank's compliance unit additional documents to verify the legality of their deposits. First, it said that natural persons who are tax residents in Lebanon have to submit a statement from the Ministry of Finance that shows the registration number, the registration date at the ministry, and the consolidated figures of their declared income for each taxable income category per year for the 2015-23 period. They also have to submit the special declaration about the inheritance tax that they paid for the transfer of movable and/or non-movable funds that they received as an inheritance or as a gift or grant. Second, it said that natural persons who are tax residents abroad have to submit a declaration from the Ministry of Finance in the country of residence that shows the tax identification number (TIN) in the declared country of tax residence, with the affirmation by the concerned Finance Ministry that the account owner has submitted a proper declaration about his bank account and his income in Lebanon.

Further, it stated that moral persons, companies, trusts, and foundations have to submit a statement from the Finance Ministry that shows the registration number and date at the ministry and the legality of their declaration, in addition to showing all the related information about beneficial owners, including when necessary the identity of the persons who run the companies or entities.

In addition, it stipulated that individuals who have direct or indirect authority on the decisions of the bank and its board of directors, including the chairman and members of the board of directors, C-suite executives, and shareholders who hold at least 5% of the bank's capital, have to declare all of the movable and non-movable funds that they own directly or indirectly in Lebanon and/or abroad as at October 17, 2019, as at October 17, 2014, as well as at the date of submitting the declaration.

Moreover, the bank has to ask public sector employees that have deposits that exceed \$300,000 or their equivalent in foreign currencies to submit a statement from the National Anti-Corruption Commission that verifies the authenticity of the first and periodic declarations, and that shows the aggregate amount in the assets declaration.

Also, it indicated that any person or legal entity that had or still has more than 5% of a bank's capital, and/or held or still holds since June 30, 2016 the position of chairman or member of the board of directors, or is a C-suite executive at any of the existing banks, to return the excess funds they received directly or indirectly from dividends, salaries, bonuses and other funds they generated from their position, and that they transferred abroad, if the aggregate amount as a share of the bank's assets exceeds the average ratio of such amounts in the banking sector as determined by the BCCL for each year from 2016 until 2023.

Finally, it mandates any individual or legal entity to return any amount that they transferred abroad starting on October 17, 2019, in case the amount transferred exceeds \$100,000 after deducting the funds that were forwarded to educational or medical institutions, or the amounts that are backed by commercial documents.



Banks' restructuring draft law outlines BdL's recapitalization and formation of deposit recovery fund

Banque du Liban (BdL) and the Banking Control Commission of Lebanon's (BCCL) draft law about the restructuring of the banking sector in Lebanon, which is dated February 8, 2024, addresses the establishment of a deposit recovery fund and the recapitalization of BdL.

Article 52 details the establishment of a Deposit Recovery Fund (DRF) at banks that are being restructured. It said that the main objective of the DRF is to contribute to the reimbursement of "eligible" and "non-eligible" deposits regardless of their amount, and to allocate some future public revenues for this purpose. It said that the Council of Ministers, based on a recommendation from the Minister of Finance, will determine the DRF's operating structure and its management, and that it will appoint an independent authority that includes experts to manage the assets of the fund.

Further, it stated that the assets of the DRF will consist of bonds that BdL and banks will provide directly and indirectly against deposits in foreign currency; the rights of BdL to benefit from the recovery of non-legal funds; and the allocation by the government of some of its future revenues to the fund in case several specific thresholds are met. It noted that the conditions consist of, first, if public revenues exceed specific benchmarks compared to similar countries; second, if the public debt declines to a level that is lower than the pre-set target; third, if the government maintains social spending and the ability to finance the fiscal deficit without recourse to BdL; and fourth, if the authorities complete the economic and financial reforms plan successfully.

It added that the DRF can utilize any source of funds to buy the bonds at the end of each year on a pro rata basis, in order to accelerate the disbursement of "eligible" and "non-eligible" deposits. Further, it noted that the DRF will issue to depositors, against the bonds that it will receive from BdL and banks, financial instruments or bonds that represent an economic interest to banks proportionately to each bank's contribution to the fund.

Article 44 addresses the recapitalization of BdL. It indicates that the Lebanese State intends to contribute as much as it can to the restoration of BdL's financial solvency in foreign currency through several measures. First, by recapitalizing BdL with \$2.5bn through the issuance of bonds and/or by another mean that the Council of Ministers determines based on a recommendation by the Minister of Finance. Second, by taking the appropriate measures to recover funds generated from corruption crimes, according to Law 214 of April 8, 2021 about the Recovery of Assets Resulting from Corruption Crimes. Third, by mandating banks to reimburse all of their loans in foreign currency and in Lebanese pounds that they contracted from BdL, including through clearing between the banks' debit and credit accounts at BdL.

Also, it stipulates that it will gradually close the Lebanese pound-denominated deficit in BdL's capital over a five-year period at most, and that it will cancel the deferred costs resulting from Seignorage operations and will write off the deferred losses from BdL's balance sheet.

Launch of financing facility for climate mitigation

The United Nations Development Program (UNDP) and the Ministry of Environment (MoE), in partnership with Cedar Oxygen SAS, announced the launch of the Lebanon Green Investment Facility (LGIF), a financing tool that aims to accelerate climate mitigation and adaptation efforts across Lebanon.

The UNDP indicated that the facility would support the Lebanese government's efforts towards meeting its international commitments under the Paris Agreement, which include a 20% unconditional reduction in greenhouse gas emissions by 2030. It pointed out that the LGIF consists of a private investment impact fund based on a blended finance strategy that seeks support from development finance institutions, private investors, endowments, and aid agencies. It said that the facility would also provide technical support to accelerate climate action and investments targeted towards achieving Lebanon's commitments under the Paris Agreement. It noted that the LGIF aims to support a wide range of climate projects such as renewable energy, sustainable agriculture, water conservation, and climate-smart infrastructure, among others.

Further, it said that the LGIF, which is established within the framework of UNDP's Climate Promise 2.0, is funded by the German government and is the first of its kind in the Arab region. It noted that it originates from the strategy set out at COP28, which aims to ensure that every country can mobilize the necessary financing to achieve its pledge under the Paris Agreement and make significant progress on implementing the Sustainable Development Goals. The UNDP said that it would provide technical support and advisory services in the form of climate and SDG impact assessments, with tailored metrics to manage social and environmental impacts of the LGIF. It indicated that the facility is dedicated to help the Lebanese private sector access capital in line with the Climate Paris Agreement.

Established in Luxembourg in August 2020, Cedar Oxygen is a platform that aims to extend trade finance facilities to Lebanese industrial firms.

Banque du Liban's liquid foreign reserves at \$9.5bn, gold reserves at \$18.4bn at mid-February 2024

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP8,324.5 trillion (tn) at mid-February 2024, relative to LBP1,622.4tn at end-January 2024 and to LBP1,523tn at mid-February 2023. Assets in foreign currency stood at \$14.66bn at mid-February 2024, compared to \$14.58bn at end-January 2024 and to \$14.81bn at mid-February 2023. 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.

According to BdL, assets in foreign currency include \$5.2bn in Lebanese Eurobonds as at mid-February, unchanged from end-January 2024. Further, BdL's liquid foreign currency reserves stood at \$9.46bn at mid-February 2024 compared to \$9.38bn at end-January 2024, to \$9.32bn at the end of 2023, and to \$8.57bn at end-July 2023. As such, liquid foreign currency reserves increased by \$885m from the end of July 2023.

Further, the value of BdL's gold reserves stood at \$18.4bn at mid-February 2024, relative to \$18.8bn at end-January 2024 and to \$16.9bn at mid-February 2023. The value of gold reserves reached a peak \$19.2bn at end-2023. Also, the securities portfolio of BdL totaled LBP130,158bn at mid-February 2024 relative to LBP66,303bn at end-January 2024. In addition, loans to the local financial sector stood at LBP15,338.3bn at mid-February 2024 compared to LBP15,393.6bn at end-January 2024.

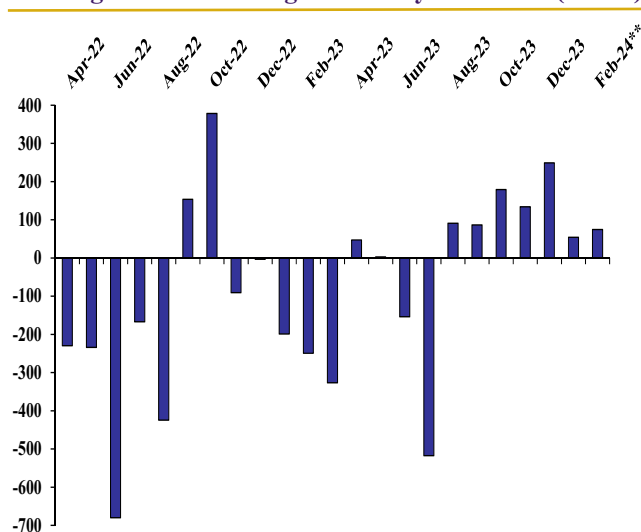
Moreover, BdL added a new item to its balance sheet called "Deferred Open-Market Operations" that stood at LBP117,882.6bn at mid-February 2024 relative to LBP121,413.4bn at end-January 2024 and to LBP118,971.3bn at end-2023. It said that, based on the Central Council's decision 23/36/45 of December 20, 2023, BdL has started to present all deferred interest costs originating from open-market operations under a new line item called "Deferred Open-Market Operations". 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 LBP8,324.5bn at mid-February 2024 relative to LBP5,640.1bn at end-January 2024. Also, the Revaluation Adjustments item on the asset side reached LBP3,604,709.8bn at mid-February 2024 relative to LBP663,340.7bn at end-January 2024. It consists of a special account called the "Exchange Rate Stabilization Fund", in which it recorded all the transactions related to foreign-exchange interventions to stabilize the exchange rate starting in 2020 and that had a balance of LBP152.19tn on February 15, 2024. It also consists of a special account in the name of the Treasury that stood at LBP3,451.52n at mid-February 2024. The account includes the differences between the countervalue, at the official exchange rate, of BdL's gold and currency holdings, and the value of these holdings at the market exchange rate, as well as the profits or losses on BdL's gold and currency holdings from the modification of the official exchange rate of the Lebanese pound or of a foreign currency exchange rate.

Further, the balance sheet shows that BdL's loans to the public sector totaled LBP1,486,955.7bn at mid-February 2024.

On the liabilities side, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP55,689bn at mid-February 2024 compared to LBP57,078.7bn at end-January 2024, and representing a decrease of 26% from LBP73,379bn at mid-February 2023. Further, the deposits of the financial sector reached LBP7,774.7tn or the equivalent of \$86.87bn at mid-February 2024, relative to LBP1,334.3tn or \$88.95bn at end-January 2024, and to LBP1,351.4tn or \$90.1bn at mid-February 2023; while public sector deposits at BdL stood at LBP386,418.6bn at mid-February 2024 compared to LBP205,396.3bn at end-January 2024 and to LBP71,429.7bn at mid-February 2023. BdL noted that, starting on March 15, 2019, it has offset loans with their corresponding deposits in Lebanese pounds that have the same maturities, according to the criteria in International Accounting Standard 32 and as per International Financial Reporting Standard 7 on offsetting financial assets and liabilities. As such, loans that were offset against financial sector deposits stood at LBP36.41tn as at February 15, 2024. In parallel, BdL stated that it is currently working on changing its accounting policy in line with international practices.

In parallel, BdL announced earlier that it has started to work with the International Monetary Fund on a Safeguards Assessment project that includes reviewing its accounting policy, financial reports, and disclosures in order to ensure that they abide with the best principles of governance and transparency. It added that it has stopped applying the Seignorage principle in order to classify deferred costs under a new item called "Deferred Open-Market Operations", which will help the compliance of the realized and deferred losses figures with international standards and norms.

Change in Gross Foreign Currency Reserves* (US\$m)



*month-on-month change

**as at mid-February 2024, change from end-January 2024

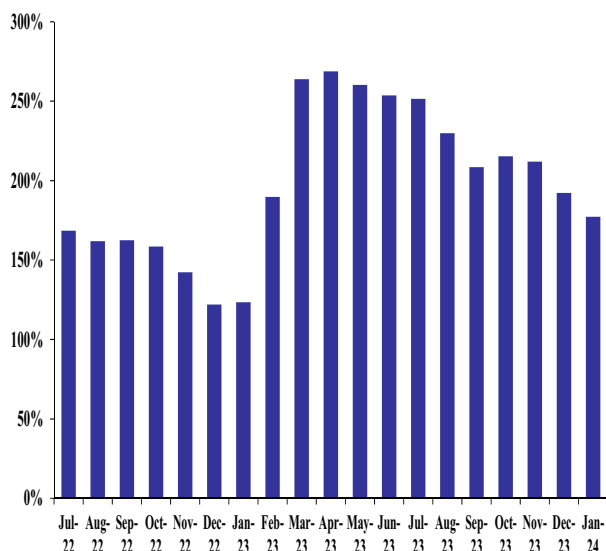
Source: Banque du Liban, Byblos Research

Consumer Price Index up 177% year-on-year in January 2024

The Central Administration of Statistics' Consumer Price Index(CPI) increased by 177.3% in the first month of 2024 from the same period of 2023, while it registered its 43rd consecutive triple-digit increase since July 2020. In comparison, it grew by 123.5% in January 2023 from the same month of the preceding year and by 239.7% in January 2022 from January 2021.

The cost of education surged by seven times in January 2024 from the same month in 2023, followed by imputed rent (+4.6 times), actual rent (+3.3 times), the prices of alcoholic beverages & tobacco (+3 times), the cost food and non-alcoholic beverages (+2.8 times), rates at restaurants & hotels as well as healthcare costs (+2.5 times each), and the prices of miscellaneous goods & services (+2.4 times). In addition, the prices of clothing & footwear rose by 133.8% year-on-year in January 2024, followed by the cost of recreation & entertainment (+126.6%), the prices furnishings & household equipment (+122.8%), the rates of communication services (+116%), transportation costs (+103.7%), and the prices of water, electricity, gas & other fuels (+88%). Also, the distribution of actual rent shows that new rent surged by 463% and old rent increased by 53.8% in January 2024 from the same month of 2023.

Annual Change in Consumer Price Index* (%)



*from the same month of the previous year

Source: Central Administration of Statistics, Byblos Research

In parallel, the CPI increased by 2.9% in January 2024 from the previous month, compared to a month-on-month uptick of 0.02% in December 2023 a growth of 2.6% in November 2023 and to a rise of 17.2% in October 2023. The cost of miscellaneous goods & services surged by 20.3% in January 2024 from December 2023, followed by imputed rent (+9%), actual rent (+8.4%), the cost of recreation & entertainment as well as the prices of alcoholic beverages and tobacco (+2.4% each), the prices of food & non-alcoholic beverages (+1.6%), the cost of furnishing & household equipment (+0.9%), the prices of water, electricity, gas & other fuels as well as the rates at restaurants and hotels (+0.8% each), transportation costs (+0.6%), and healthcare costs (+0.1%). In contrast, the prices of clothing & footwear regressed by 0.2% month-on-month in January 2024, while the prices of communication services remained nearly unchanged and education costs were unchanged from the previous month. Also, the distribution of actual rent shows that new rent increased by 11.8%, while old rent grew by 3.8% month-on-month in January 2024. Further, the CPI increased by 6.2% in Beirut, 3% in Mount Lebanon, 2.8% in the North, 2.2% in the Bekaa region, and 1% in the South and in the Nabatieh area. In parallel, the Fuel Price Index regressed by 0.7% and the Education Price Index was unchanged in January 2024.

Number of internally displaced persons from South Lebanon exceeds 87,000

Figures compiled by the United Nations' Office for the Coordination of Humanitarian Affairs (OCHA) show that 87,161 persons have been displaced from South Lebanon as at February 6, 2024 due to the ongoing hostilities that erupted along the Blue Line on October 8, 2023, constituting increases of 0.3% from 86,874 as at January 23, 2024, of 6.3% from 82,012 as at January 9, 2024, of 14.7% from 76,018 as at January 2, of 17% from 74,471 as at December 26, 2023, of 20.3% from 72,437 as at December 19, 2023, and of 88.2% from 46,325 displaced persons as at November 14, 2023. It indicated that about 80% of the Internally Displaced Persons (IDPs) are currently living with host families, 15% are renting houses, 4% have relocated to secondary residences, and around 2% are housed in collective shelters. It added that there are currently 18 collective shelters providing accommodation for 1,218 IDPs, with seven shelters located in Hasbaya, five in Tyre, four in Nabatieh, one in Saida, and one in the Bekaa region. Further, it stated that 50 schools in South Lebanon remain partially or fully closed, while seven Primary Health Care Centers (PHCCs) in the Bint Jbeil and Marjeyoun districts are currently closed. Also, it pointed out that the latest figures issued by the Ministry of Public Health show that a total of 177 persons have been killed and 666 wounded as at February 14, 2024, as a result of the hostilities along Lebanon's southern border with Israel.

According to the OCHA, the food assistance distributed since the eruption of hostilities consisted of 343,814 meals, 23,189 food parcels, and micronutrition supplements to 4,415 children. It added that core relief included the distribution of 114,289 items in the South and Nabatieh governorates, and the disbursement of one-time partial cash assistance to 16,500 households. Further, hygiene support consisted of 406,000 liters of trucked water and 238,180 liters of bottled water, as well as water, sanitation, and hygiene (WaSH) kits that include 16,000 hygiene kits and 3,654 dignity/menstrual hygiene management (MHM) kits. It added that five PHCCs satellite units provided 2,756 healthcare consultations. Further, it indicated that 11,677 beneficiaries received sessions about awareness on gender-based violence and on protection from sexual exploitation and abuse, as well as sessions on psychological support. Also, it pointed out that many schools in Beirut, Mount Lebanon, the Nabatieh area, and the South are part of the ongoing emergency response initiative and that around 9,600 students receive daily nutritious in-school snacks. Moreover, it noted that it provided online learning to approximately 43,000 children who are residing in conflict zones.

In parallel, the UN announced that it allocated \$9m from the UN Central Emergency Response Fund (CERF) to support underfunded humanitarian emergencies in Lebanon. It said that the funding will boost partnerships with local organizations and enhance accountability. The UN General Assembly established the CERF in 2005 to support the delivery of critical relief assistance around the world.

Lebanon ranks 112th globally, sixth among Arab countries on democracy index

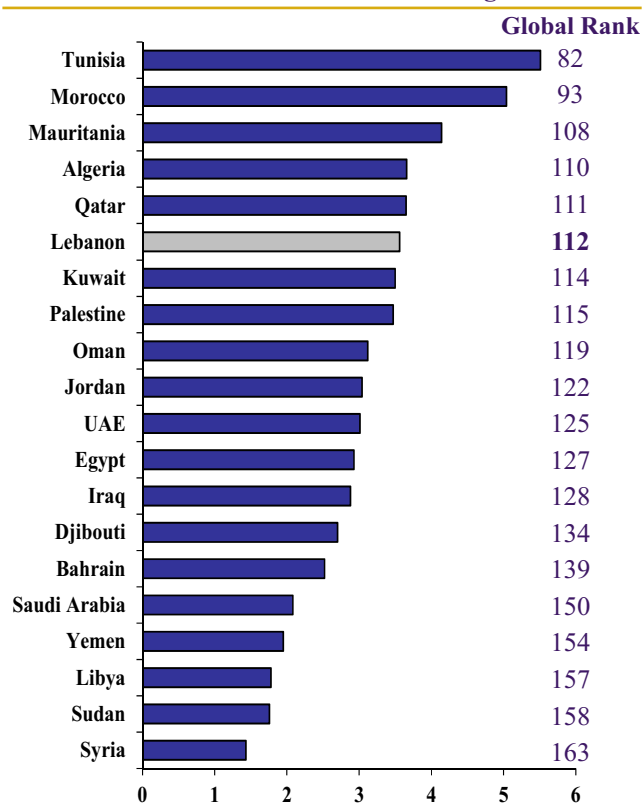
The Economist Intelligence Unit's (EIU) Democracy Index for 2023 ranked Lebanon in 112th place among 167 countries worldwide and in eighth place among 20 Arab countries. In comparison, Lebanon came in 115th place globally and in eighth place regionally on the 2022 index. Based on the same set of countries in the 2022 and 2023 surveys, Lebanon's global rank improved by three notches, while its Arab rank advanced by two spots from the 2022 survey.

The index measures 60 indicators that are grouped in five categories that are the Electoral Process & Pluralism, Civil Liberties, the Functioning of Government, Political Participation, and Political Culture. The survey rates each category on a scale from zero to 10, and calculates the index score for each country as the simple average of the five categories. The survey also placed countries in four categories of political freedoms that are Full Democracies, Flawed Democracies, Hybrid Regimes, and Authoritarian Regimes.

Globally, the survey considered that Lebanon has a more democratic system than Mozambique, Kuwait and Palestine, and is less democratic than the Kyrgyz Republic, Algeria and Qatar. Lebanon received a score of 3.56 points in the 2023 survey compared to 3.64 points in the 2022 index, constituting its lowest score since the 2006 survey when the EIU started to issue the index. Lebanon posted its highest score on record in the 2006 and 2010 surveys, with a score of 5.82 points in each of those years. Lebanon's score in the 2023 survey was lower than the global average score of 5.23 points, but it was higher than the Arab region's score of 3.31 points, the Gulf Cooperation Council (GCC) countries' average score of 2.98 points and the non-GCC Arab countries' average of 3.13 points.

Further, Lebanon's score decreased by 12% on the Electoral Process and Pluralism indicator, while it was unchanged on the remaining four indicators from the 2022 survey. Lebanon, along with 17 Arab countries, came in the "Authoritarian Regimes" category, while Tunisia, Morocco and Mauritania were classified as having "Hybrid Regimes". The "Authoritarian Regimes" category includes 59 countries that represent 39.4% of the world's population. The EIU claimed that the country's prolonged political and economic crisis led to the decline in its score in 2023.

**EIU Democracy Index for 2023
Arab Countries' Scores & Rankings**



Source: Economist Intelligence Unit, Byblos Research

Components of the 2023 Democracy Index for Lebanon

	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
Electoral Process & Pluralism	111	6	3.08	5.49	2.22
Functioning of Government	148	14	0.79	4.66	2.69
Political Participation	40	2	6.67	5.34	4.21
Political Culture	139	16	3.13	5.25	4.41
Civil Liberties	106	3	4.12	5.39	2.68

Source: Economist Intelligence Unit, Byblos Research

CMA CGM posts net profits of \$3.6bn in 2023

The Lebanese-owned and France-based container-shipping firm CMA CGM declared consolidated net income of \$3.64bn in 2023, constituting a decrease of 85.4% from profits of \$24.9bn in 2022, while its revenues totaled \$47bn last year and decreased by 37% from \$74.5bn in the preceding year. Further, the company's earnings before interest, taxes, depreciation and amortization (EBITDA) stood at \$9bn in 2023, constituting a drop of 73% from \$33.3bn in the preceding year.

The distribution of revenues show that, first, the consolidated revenues from maritime shipping operations stood at \$31.4bn in 2023 and decreased by 46.7% from \$59bn in 2022, while the EBITDA of shipping activity reached \$7.4bn last year and decreased by 76.6% from \$31.6bn in 2022. Further, the average revenue per twenty-foot equivalent unit (TEU) was \$1,437, down by 47% from \$2,711.3 in 2022. The firm said that it transported 21.8 million TEUs in 2023, constituting a marginal increase of 0.5% from 20.8 million TEUs in 2022. Second, it pointed out that revenues from logistics operations totaled \$15.2bn in 2023, representing a decrease of 5.5% from \$16.1bn in 2022; while the EBITDA of logistics operations stood at \$1.38bn in 2023 and increased by 12.5% from \$1.22bn in the preceding year. According to the firm, the results reflect the turnaround in contract logistics and the very good performance in finished vehicle logistics. Third, it indicated that revenues from other activities, which include port terminals, CMA CGM Air Cargo and the media, reached \$2bn in 2023, constituting a rise of 10.8% from \$1.8bn in 2022. It noted that the EBITDA of other activities stood at \$236m and declined by 47.3% from \$447m in 2022.

CMA CGM expected the global trade in goods to rebound from the lows registered in 2023, driven by consumer spending and the replenishing of inventories, despite tensions in the Red Sea that pose risks and major uncertainties for the maritime shipping industry. It considered that the growth in shipping volume should remain strong in the first half of 2024, supported by base-line effects, but it anticipated the outlook for the second half of the year to be less certain. In addition, it expected new container shipping capacity to come into service, which would lead the new capacity to exceed the forecasted demand, and would adversely impact freight rates.

CMA CGM is one of the largest container shipping companies in the world and operates a fleet with 620 vessels, with a capacity of 5 million TEUs that serves over 420 commercial ports and utilizes more than 257 shipping lines.

In June 2023, Moody's Investors Service upgraded the corporate family rating of CMA CGM from 'Ba2' to 'Ba1', as well as its probability of default rating from 'Ba2-PD' to 'Ba1-PD'. Also, it revised the outlook on the ratings from 'positive' to 'stable'. It attributed its decision at the time to the company's diversified business profile, given that the firm reinvested its cash flow into the business and expanded its footprint in logistics and container terminals, as well as purchased more energy efficient vessels.

Balance sheet of investment banks at LBP21.4 trillion at end-2023

Figures released by Banque du Liban (BdL) show that the consolidated balance sheet of investment banks in Lebanon reached LBP21.35 trillion (tn) at the end of 2023, or the equivalent of \$1.42bn, constituting an increase of 27.4% from LBP16.76tn (\$1.12bn) at the end of September 2023. The dollar figures are based on the exchange rate of LBP15,000 per US dollar that went into effect at the start of February 2023.

On the assets side, claims on resident customers stood at LBP2.29tn (\$152.4m) at the end of 2023 and regressed by 1.6% from end-September 2023. Further, claims on resident customers in Lebanese pounds totaled LBP849.3bn at end-2023, constituting a decrease of 9.2 in the last quarter of the year, while claims on resident customers in foreign currency amounted to LBP1.44tn (\$95.8m) at end-2023 and increased by 3.5% from end-September 2023. Also, claims on non-resident customers stood at LBP258.6bn (\$17.2m) at the end of 2023, representing a growth of 9.7% from end-September 2023, while claims on the resident financial sector reached LBP1.97tn (\$131.2m) at end-2023 and rose by 13.8% from LBP1.73tn (\$115.3m) at the end of last September. Claims on the resident financial sector in Lebanese pounds amounted to LBP1.53tn at the end of 2023 and surged by 39.6% in the last quarter of the year; while claims on the resident financial sector in foreign currency totaled LBP433.7bn (\$28.9m) at end-2023 and dropped by 31.2% from end September 2023. Further, claims on the non-resident financial sector reached LBP929.3bn (\$62m) at the end of 2023, constituting a decline of 5.2% from end-September 2023. Also, claims on the public sector stood at LBP846.8m at end-2023 and dropped by 98% from end-September 2023; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, amounted to LBP2.13tn at the end of last year and declined by 27% from LBP2.92tn at end-September 2023. In parallel, currency and deposits with local and foreign central banks reached LBP5.11tn (\$340.3m) at the end of 2023 and regressed by 9% from LBP5.61tn at end-September 2023.

On the liabilities side, deposits of resident customers stood at LBP5.62tn (\$374.8m) at the end of 2023, constituting a decline of 3.4% from LBP5.82tn (\$388m) at end-September 2023. Deposits of resident customers in Lebanese pounds amounted to LBP645bn at end-2023 and contracted by 6.1% from end-September 2023; while deposits of resident customers in foreign currency reached LBP4.98tn (\$331.8m) at the end of 2023 and declined by 3% in the last quarter of the year. Also, deposits of non-resident customers reached LBP1.65tn (\$110.1m) at the end of 2023, down by 3.2% from end-September 2023. Further, liabilities to the resident financial sector amounted to LBP733.2bn (\$48.9m) at end-2023 and regressed by 0.3% from LBP735.6bn (\$49m) at the end of September 2023. Liabilities to the resident financial sector in Lebanese pounds totaled LBP74.4bn at end-2023 and surged by 105.5% from end-September, while liabilities to the resident financial sector in foreign currency reached LBP658.8bn (\$43.9m) at end-2023 and declined by 5.8% in the fourth quarter of 2023. In addition, liabilities to the non-resident financial sector amounted to LBP1.1tn (\$72.8m) at end-2023 and improved by 2% from end-September 2023. Also, public sector deposits totaled LBP144.9bn at the end of 2023 relative to LBP147bn at end-September 2023. Further, the aggregate capital account of financial institutions was LBP3.43tn (\$228.4m) at the end of 2023 relative to LBP4.08tn at end-September and to LBP2.49tn (\$1.66bn) at end-2022.

Term deposits account for 54% of customer deposits at end-2023

Figures issued by Banque du Liban about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at LBP1,482.8 trillion (tn) at the end of 2023, or the equivalent of \$98.9bn based on the exchange rate of LBP15,000 per US dollar that went into effect at the start of February 2023. Total deposits include private sector deposits that reached LBP1,421.3tn, deposits of non-resident financial institutions that amounted to LBP43.3tn, and public sector deposits that stood at LBP18.3tn at the end of 2023.

Term deposits in all currencies reached LBP801tn at the end of 2023 and regressed by LBP4.9tn, or by 0.6%, from LBP806tn at end-November 2023 and by LBP13.1bn (-1.6%) from LBP814.1tn at end-September 2023, while they accounted for 54% of total deposits in Lebanese pounds and in foreign currency at end-2023 relative to a share of 54.2% at end-November 2023 and of 54.6% at end-September 2023. Further, the decrease in the amount of term deposits is due to a drop of 7% in the term deposits in Lebanese pounds of the public sector from the end of September 2023, followed by a decrease of 6.7% in the term deposits of the non-resident financial sector, a contraction of 2% in foreign currency-denominated term deposits of the resident private sector, and a downturn of 0.6% in the term deposits of non-residents. This was partly offset by an increase of 24% in the foreign currency-denominated term deposits of the public sector and an increase of 1% in the term deposits in Lebanese pounds of the resident private sector from end-September 2023. Aggregate term deposits declined by \$113.1bn since the end of September 2019, based on the new exchange rate, due to cash withdrawals and to the migration of funds from term to demand deposits, amid the confidence crisis that started in September 2019.

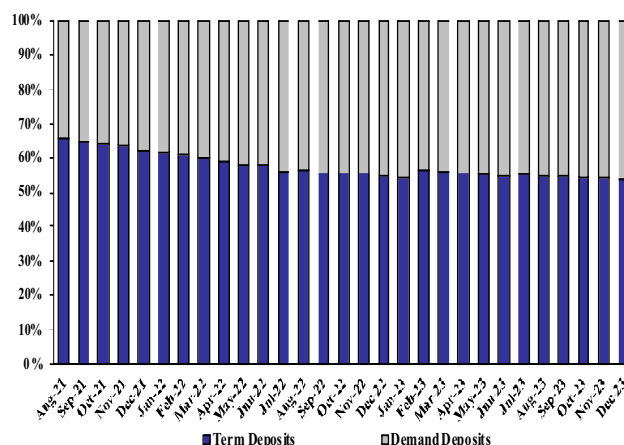
In addition, the foreign currency-denominated term deposits of the resident private sector reached \$37bn and accounted for 37.4% of aggregate deposits at the end of 2023, relative to 37.5% at end-November and 37.9% at end-September 2023. Term deposits of non-residents followed with \$12.9bn or 13% of the total, then the term deposits of the non-resident financial sector with \$1.8bn (1.8%), term deposits in Lebanese pounds of the resident private sector with LBP15tn (1%), term deposits of the public sector in Lebanese pounds with LBP5.3tn (0.4%), and term deposits of the public sector in foreign currency with \$309.2m (0.3%).

In parallel, demand deposits in all currencies at commercial banks stood at LBP681.8tn at the end of 2023, nearly unchanged from LBP681.9tn at the end of November 2023 and constituting an increase of LBP3.9tn (+0.6%) from LBP677.9tn at end-September 2023. They accounted for 46% of aggregate deposits at end-2023 relative to a share of 45.8% at end-November 2023 and 45.4% at end-September 2023. The increase in the amount of demand deposits from September 2023 was mainly due to a rise of LBP734.5bn in demand deposits in Lebanese pounds of the public sector, an expansion of \$378.9m in foreign currency-denominated demand deposits of the resident private sector, and an uptick of \$6.4m in demand deposits of non-residents. This was partly offset by a decrease of LBP375.3bn in demand deposits in Lebanese pounds of the resident private sector, a decline of \$95.5m in demand deposits of the non-resident financial sector, and a contraction of \$57.4m in demand deposits in foreign currency of the public sector from end-September 2023.

Also, demand deposits in foreign currency of the resident private sector totaled \$33.3bn and represented 33.7% of deposits at end-2023, relative to 33.3% at end-November 2023 and to 33.1% at the end of last September. Demand deposits of non-residents followed with \$8.21bn (8.3%), then demand deposits in Lebanese pounds of the resident private sector with LBP34.2tn (2.3%), demand deposits of the non-resident financial sector with \$1.1bn (1.1%), demand deposits in foreign currency of the public sector with \$332.4m (0.3%), and demand deposits in Lebanese pounds of the public sector with LBP3.36tn (0.2%).

Based on the latest available figures, Beirut and its suburbs accounted for 66% of private-sector deposits and for 50.6% of the number of depositors at the end of June 2023. Mount Lebanon followed with 14.7% of deposits and 17.7% of beneficiaries, then South Lebanon with 7.4% of deposits and 11% of depositors, North Lebanon with 6.6% of deposits and 12.3% of beneficiaries, and the Bekaa with 5.2% of deposits and 8.4% of depositors.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban, Byblos Research

Ratio Highlights

(in % unless specified)	2020	2021	2022	Change*
Nominal GDP (\$bn)	24.7	20.5	21.8	1.3
Public Debt in Foreign Currency / GDP	56.8	188.1	189.8	1.7
Public Debt in Local Currency / GDP	93.8	302.1	277.7	(24.4)
Gross Public Debt / GDP	150.6	490.2	467.5	(22.7)
Trade Balance / GDP	(8.1)	(4.7)	(2.8)	1.9
Exports / Imports	31.3	28.5	18.3	(10.2)
Fiscal Revenues / GDP	16.0	9.8	6.3	(3.4)
Fiscal Expenditures / GDP	20.3	8.7	11.3	2.5
Fiscal Balance / GDP	(4.3)	1.1	(4.9)	-
Primary Balance / GDP	(1.0)	2.4	(4.3)	-
Gross Foreign Currency Reserves / M2	41.5	26.0	13.4	(12.6)
M3 / GDP	209.0	96.9	41.8	(55.2)
Commercial Banks Assets / GDP	296.2	127.1	46.4	(80.7)
Private Sector Deposits / GDP	219.2	94.1	34.5	(59.6)
Private Sector Loans / GDP	57.0	20.1	5.5	(14.6)
Private Sector Deposits Dollarization Rate	80.4	79.4	76.1	(3.3)
Private Sector Lending Dollarization Rate	59.6	56.3	50.7	(5.6)

*change in percentage points 22/21;

Source: Banque du Liban, Ministry of Finance, Central Administration of Statistics, International Monetary Fund, 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

	2020	2021e	2022f
Nominal GDP (LBP trillion)	95.7	196	480
Nominal GDP (US\$ bn)	24.7	18.0	18.3
Real GDP growth, % change	-25.9	-8.4	-2.5
Private consumption	-70	1.2	1.5
Public consumption	-4	-45.7	-9.8
Gross fixed capital	-63	-16.2	21.8
Exports of goods and services	-34.2	8.7	6.6
Imports of goods and services	-33.4	-1.1	10.6
Consumer prices, %, average	84.9	154.8	171.2
Official exchange rate, average, LBP/US\$	1,507.5	1,507.5	1,507.5
Parallel exchange rate, average, LBP/US\$	6,705	16,821	30,313
Weighted average exchange rate LBP/US\$	3,878	10,876	26,222

Source: Central Administration of Statistics, Institute of International Finance- May 2023

Ratings & Outlook

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

Source: Rating agencies

Banking Sector Ratings	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service



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