

Responding to the Coronavirus Crisis

Update on Lebanon (18/05/20)



EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
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Economic channels of disruption

Tourism, trade, investment, reforms

- Lebanon's underlying economic situation is already challenging, with negative growth, and high public debt, twin deficits, and funding needs. The spread of COVID-19 will deepen the economic recession.
- The global implications of the pandemic on tourism, trade and investment are undermining the timely implementation of crucial fiscal, energy and structural reforms.
- A five-phase plan was approved in April to gradually ease the general mobilization.

Selected crisis impact indicators

EBRD GDP growth outlook (May 2020)	2020: -11.0%
	2021: 6.0%
Purchasing Managers Index	30.9
(April 2020)	(down 4.1 points m/m)
Banque du Liban Coincident Indicator	259
(January 2020)	(down 2.6 per cent m/m)
Lebanon stock market (BLOM)	619
(May 11 2020)	(down 21% YTD)

Crisis response measures to date

Support for healthcare, workers and businesses

- Reduce Beirut Reference Rate to 5.75% for USD and 7.75% for LBP.
- Pay part of the sums due to hospitals in a bid to mitigate the financial difficulties they are enduring.
- A national solidarity fund that would accept in-kind and monetary donations.
- Solidarity basket of food and sanitizers for families most affected by the crisis.
- BdL allows banks and financial institutions to extend exceptional 5-year 0% interest rate loans to customers. BDL will in turn provide banks and financial institutions 5-year 0% interest rate credit lines in dollars equivalent to the value of exceptional loans granted.
- Suspend dollar withdrawals until the airport reopens.
- Provide financial assistance of LL0.4mn (\$264 at the official rate) to the families most in need.
- Agriculture Ministry reduces prices of vegetables and fruits.

Selected crisis response indicators

Payment holidays for loans	Exceptional 5-year 0% interest rate loans to customers that already have credit facilities but are unable to meet their obligations
(months)	
Committed external assistance	WB: re-allocate \$40mn from the Health Resilience Project (\$120mn) to strengthen the Health Ministry USA: \$13.3mn donation for medical supplies.

Key short-term priorities

Boost financial sector diversification; provide labour market opportunities for excluded groups; National Poverty Targeting Programme