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2024 was the year of global elections in which around 3.7 billion people (almost half of World population) had the opportunity to go to polls in 72 countries. Some countries had presidential elections; others had Parliamentary or Legislative elections. Major elections were United States, Russian and Iranian Presidential elections, European and UK Parliamentary elections, and France Legislative elections. These elections will have impact on global and individual countries economic outlook in 2025, especially the US Presidential Elections as the newly elected President Donald Trump signed legislations regarding increase in tariffs on China, Europe, Canada and Mexico, although some of them were postponed for a while.

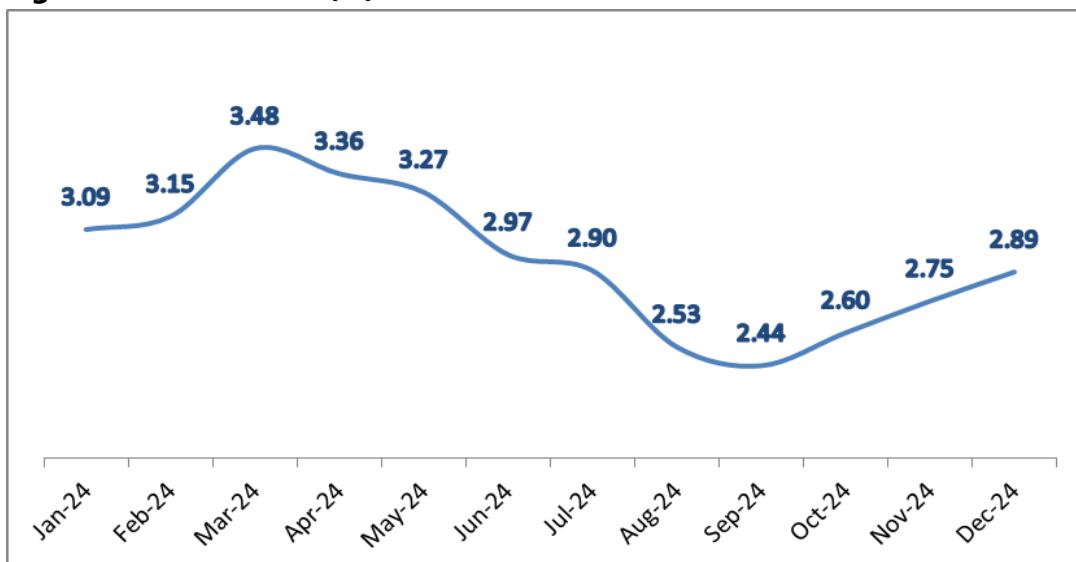
Global and Regional Economic Situation

The global economy maintained its stability in 2024 in which growth in global Gross Domestic Product (GDP) recorded 3.2% in 2024 compared to 3.3% in 2023. This growth was accompanied with a decrease in inflation rates in most of the advanced countries and led several Central Banks all over the world to cut interest rates. Swiss National Bank led rates cuts in March 21st, 2024 and other Central Banks followed.

In the United States, the Gross Domestic Product (GDP) witnessed growth of 2.8% annually in 2024 but less than 2023 rate of 2.9% annually. Despite the growth in GDP, the labor market data were not encouraging as

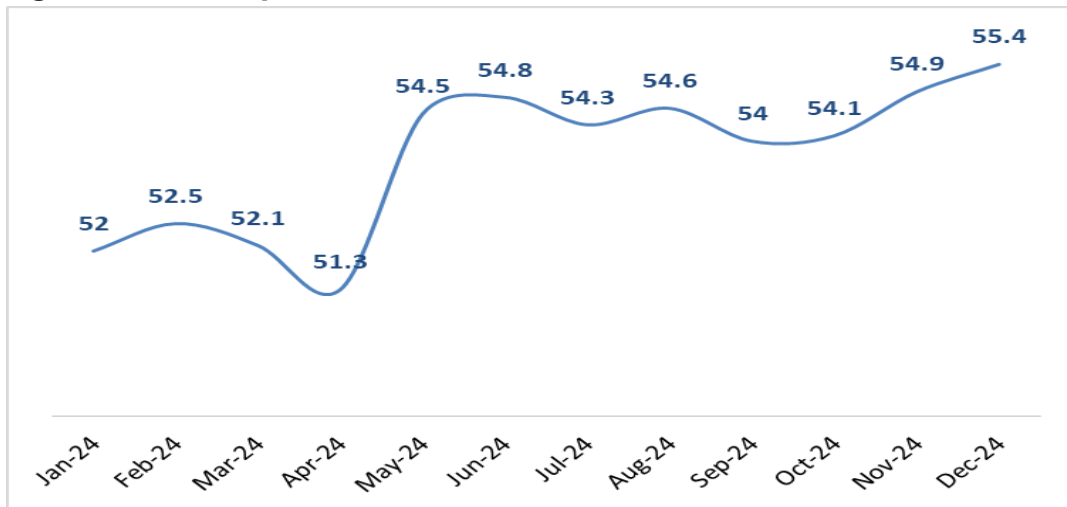
unemployment rate increased through 2024 from 3.7% in January up to 4.1% in December, noting that it reached 4.2% in July, August and November 2024. In addition, average "Continuing Jobless Claims, which provide a reading on the number of individuals gaining continuous unemployment assistance, increased in 2024 from 1.78 million in January to 1.87 million in December. On the other hand, annual inflation rates continued its downward trend in 2024 and reached 2.89% in December near the 2% target as showed in the below graph.

Figure 1: US Inflation (%)



Source: Bloomberg

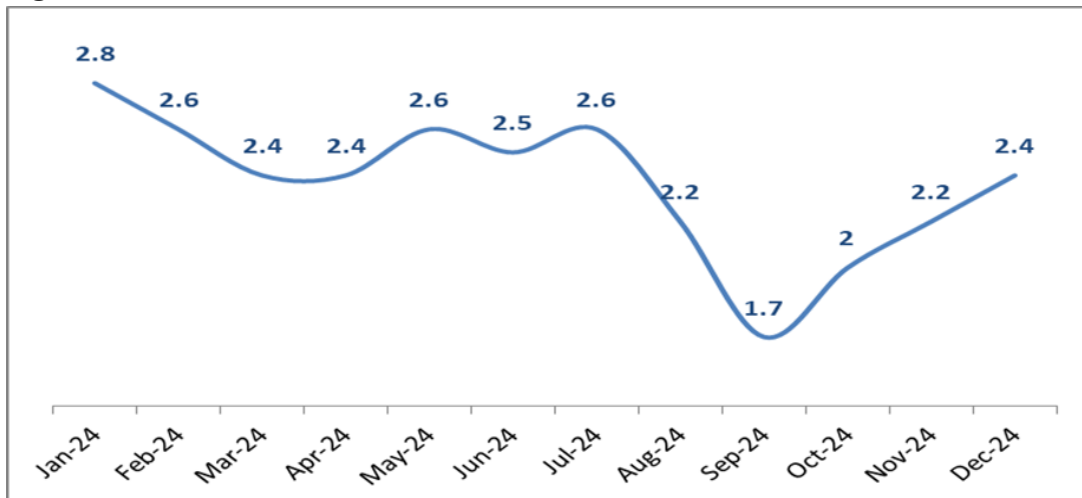
These unfavorable labor market data and inflation easing drove the Federal Open Market Committee (FOMC) to cut rates three times this year starting in September 2024 to reach 4.25% - 4.5% annually. As for the Purchasing Managers' Index (PMI), measuring private sector activity, the US Composite PMI as showed below signals an expansion in the business activity of private sector companies.

Figure 2: US Composite PMI

Source: Bloomberg

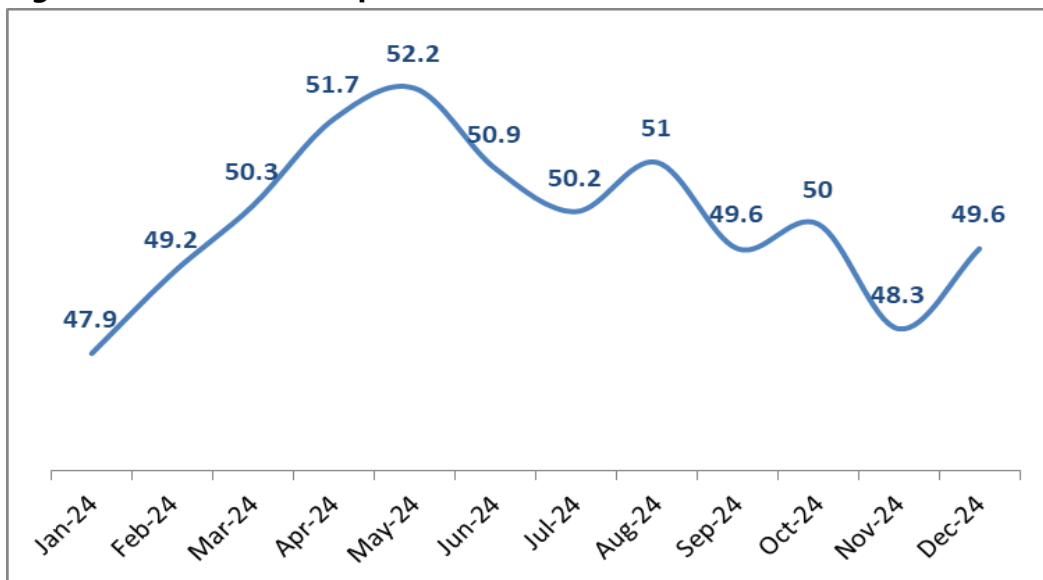
N.B.: A PMI reading of 50.0 is the threshold where results above it signal an improvement in business conditions on the previous month, while readings below 50.0 show deterioration.

Across the Atlantic, Euro Zone area experienced marginal growth in GDP of 0.8% in 2024 compared to 0.3% in 2023. This marginal growth is attributed to the difficulties that German economy (Euro' s largest economy) witnessed in the last two years as its GDP contracted by 0.3% and 0.2% in 2023 and 2024 respectively. On the other hand, French economy had a marginal growth in GDP of 1.1% in 2024 (same as 2023) amid political concerns it faced as the previous government collapsed after a historic voting after a debate over country' s budget. Annual inflation in Eurozone decreased during 2024 to reach a minimum of 1.7% in September and then increased to 2.4% in December.

Figure 3: Eurozone Inflation (%)

Source: Bloomberg

When it comes to Eurozone private sector business activity, as reflected in the composite PMI, it started and ended 2024 in contraction as shown in the below graph.

Figure 4: Eurozone Composite PMI

Source: Bloomberg

In Asia, the Chinese economy, which is the largest in Asia and second in the world, faced hard times in 2024. In its boom years, real GDP growth recorded 8% and 9%. However, in 2024, it faced economic slowdown where its real GDP growth recorded 4.8% in 2024 compared to 5.2% in

2023 and below the target of 5%. The main driver of the economic slowdown was the real estate downfall that was addressed by the Chinese government. In September, it revealed the most aggressive monetary measures since the Covid-19 pandemic through reducing broad interest rates including on existing loans. In addition, the People Bank of China (PBOC) aided the capital markets through a swap program of \$500 billion yuan (around \$70 billion) that allows investment funds to access funds easier to be used for buying stocks; and additional 300 billion yuan (\$41 billion) loans to commercial banks to purchase other entities' share purchases and buybacks. Moreover, tax incentives were declared on home and land purchases. Furthermore, there are plans to weaken the yuan in 2025 to deal with higher US tariffs in addition to increasing budget deficit, more debt issuance and loosen monetary policy to maintain stable economic growth.

Similarly for Japan (second biggest economy in Asia), it faced economic challenges in 2024 as GDP growth recorded was below expectations. In March 2024, the Bank of Japan (BoJ) has ended an era of negative interest rates, raising borrowing costs for the first time in 17 years in a historic shift as the country puts decades of deflation behind it. Regarding Japan's GDP, it contracted in the first quarter of 2024 and then experienced marginal growth in the remaining three quarters and reached 0.6% in fourth quarter.

Figure 5: World Economic Outlook: Real GDP growth for selected economies

(Percent change, unless noted otherwise)

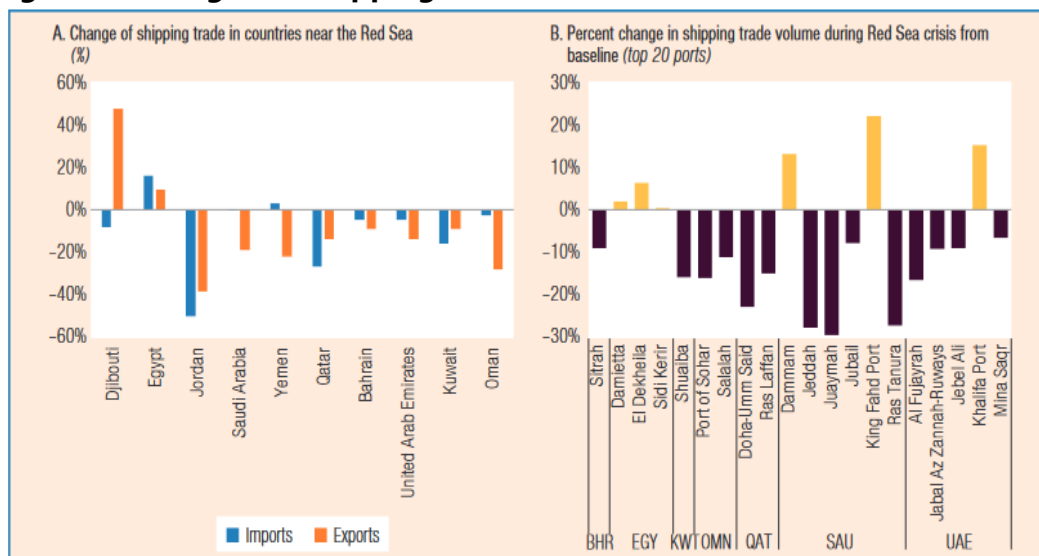
	Year over Year				Difference from October 2024	
	2023	Estimate	Projections		WEO Projections 1/	
		2024	2025	2026	2025	2026
World Output	3.3	3.2	3.3	3.3	0.1	0.0
Advanced Economies	1.7	1.7	1.9	1.8	0.1	0.0
United States	2.9	2.8	2.7	2.1	0.5	0.1
Euro Area	0.4	0.8	1.0	1.4	-0.2	-0.1
Germany	-0.3	-0.2	0.3	1.1	-0.5	-0.3
France	1.1	1.1	0.8	1.1	-0.3	-0.2
Italy	0.7	0.6	0.7	0.9	-0.1	0.2
Spain	2.7	3.1	2.3	1.8	0.2	0.0
Japan	1.5	-0.2	1.1	0.8	0.0	0.0
United Kingdom	0.3	0.9	1.6	1.5	0.1	0.0
Canada	1.5	1.3	2.0	2.0	-0.4	0.0
Other Advanced Economies 3/	1.9	2.0	2.1	2.3	-0.1	0.0
Emerging Market and Developing Economies	4.4	4.2	4.2	4.3	0.0	0.1
Emerging and Developing Asia	5.7	5.2	5.1	5.1	0.1	0.2
China	5.2	4.8	4.6	4.5	0.1	0.4
India 4/	8.2	6.5	6.5	6.5	0.0	0.0
Emerging and Developing Europe	3.3	3.2	2.2	2.4	0.0	-0.1
Russia	3.6	3.8	1.4	1.2	0.1	0.0
Latin America and the Caribbean	2.4	2.4	2.5	2.7	0.0	0.0
Brazil	3.2	3.7	2.2	2.2	0.0	-0.1
Mexico	3.3	1.8	1.4	2.0	0.1	0.0
Middle East and Central Asia	2.0	2.4	3.6	3.9	-0.3	-0.3
Saudi Arabia	-0.8	1.4	3.3	4.1	-1.3	-0.3
Sub-Saharan Africa	3.6	3.8	4.2	4.2	0.0	-0.2
Nigeria	2.9	3.1	3.2	3.0	0.0	0.0
South Africa	0.7	0.8	1.5	1.6	0.0	0.1
Memorandum						
World Growth Based on Market Exchange Rates	2.8	2.7	2.9	2.8	0.1	0.1
European Union	0.6	1.0	1.4	1.7	-0.2	0.0
ASEAN-5 5/	4.0	4.5	4.6	4.5	0.1	0.0
Middle East and North Africa	1.8	2.0	3.5	3.9	-0.5	-0.3
Emerging Market and Middle-Income Economies	4.5	4.2	4.2	4.2	0.0	0.1
Low-Income Developing Countries	4.1	4.1	4.6	5.4	-0.1	-0.2

Source: <https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025>

In MENA region, geo-political tensions and the Hamas-Israel war and its escalation to Lebanon and Yemen affected the MENA region as well as global economic outlook, especially the security concerns on Bab Al Mandab Strait. As per World Bank Data, 30% of world container traffic used to pass through Suez Canal and it decreased by three-fourth after Red Sea security issues, as ships were forced to pass around the Cape of Good Hope in South Africa. These security concerns affected the shipment

across most Middle East ports as shown in the figure below. The main affected countries in terms of shipping exports were Jordan (38% reduction) and Oman (28% reduction) compared to the pre-crisis baseline period (November 2022 – October 2023). As the ships were forced to change passage routes, the revenues of Suez Canal dropped by around \$7 billion in 2024 as stated by Egyptian President Al Sisi to Reuters in December 2024. As such, real GDP growth estimates for Middle East and North Africa region in 2023 and 2024 recorded 1.8% and 2% respectively, while 2025 and 2026 projections recorded 3.5% and 3.9% respectively with downward revision of 0.5% for 2025 and 0.3% for 2026 from October 2024 projections.

Figure 6: Changes of Shipping Trade



Source: IMF's PortWatch platform, <https://portwatch.imf.org>; World Bank staff estimates.

Note: The percentage change in shipping trade is estimated based on the change in monthly average import or export volumes in these countries between the pre-crisis period (November 2022 to October 2023) and the post-crisis period (November 2023 to October 2024). For abbreviation, BHR=Bahrain, EGY=Egypt, KWT=Kuwait, OMN=Oman, QAT=Qatar, SAU=Saudi Arabia, UAE=United Arab Emirates.

Source: <https://documents1.worldbank.org/curated/en/099253002102539789/pdf/IDU10b8b59671dbc814cfc19c4a1299ff54854ba.pdf>

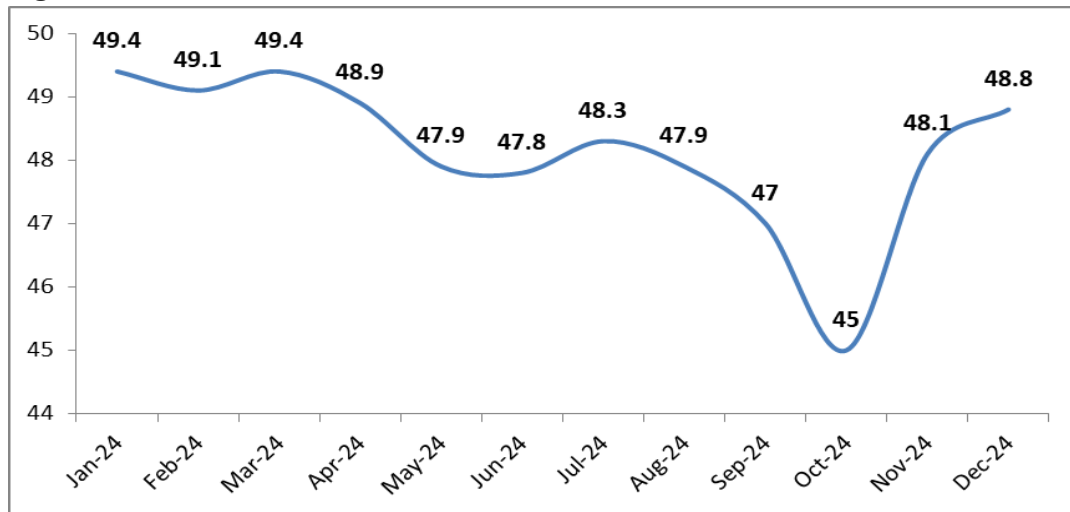
Lebanese Economic Situation

In 2024, the Lebanese economy continued to face weighty challenges due to the absence of economic and financial reforms, despite the passing of more than five years of the acute financial crisis that blew up in October 2019. As the challenges remained, the Lebanese economy continued to struggle.

On the political front, political instability continued and the parliament was not able to elect a new President for the state since the end of October 2022. Therefore, the caretaker government stayed on with minimal decisions taken in the absence of a president. Moreover, the parliament was semi-paralyzed as it was not doing its role in taking legislative decisions.

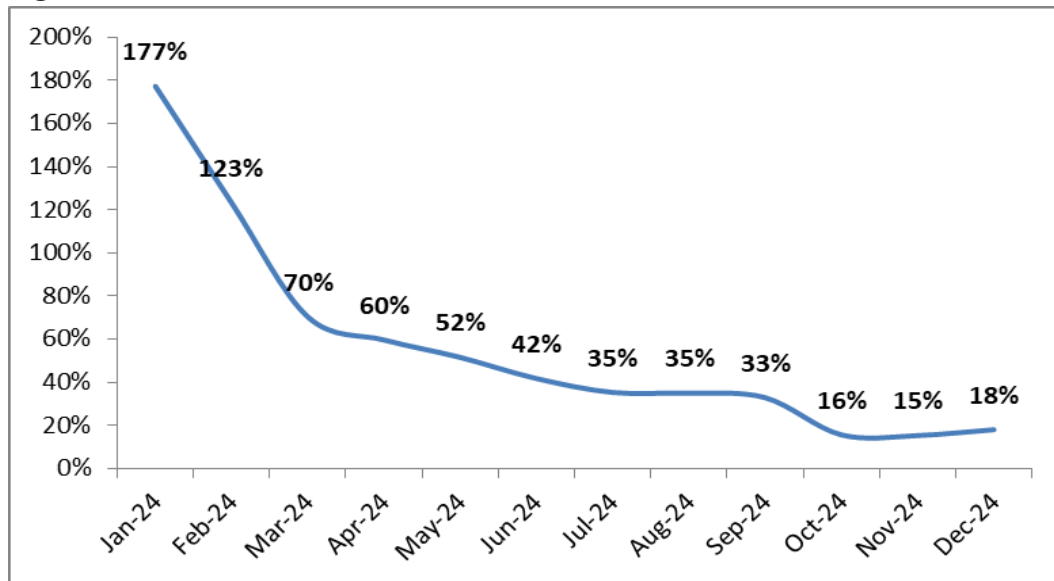
In addition, the war with Israel escalated in September, in which Israeli strikes covered most Lebanese territory and resulted in destruction of infrastructure, housing as well as small and medium enterprises. As per World Bank' s latest report, the damages reached \$6.8 billion and economic losses totaled \$7.2 billion. Prior to the war escalation, the Lebanese economy was expected to expand by 0.9%, however, after the escalation of the war, World Bank' s latest estimates predicted contraction of 7.1%.

Lebanon' s Purchasing Managers' Index (PMI) showed contraction in the business activity of private sector companies in 2024 as political uncertainty remained all year especially with the vacancy in presidency. The sharp decrease in the index occurred in October as the war with Israel escalated and many small and medium enterprises were destructed. However, in November and December, the index readings increased showing contraction at a softer pace as a cease-fire agreement was reached at the end of November along with the election of a new president at the beginning of 2025.

Figure 7: PMI in Lebanon in 2024

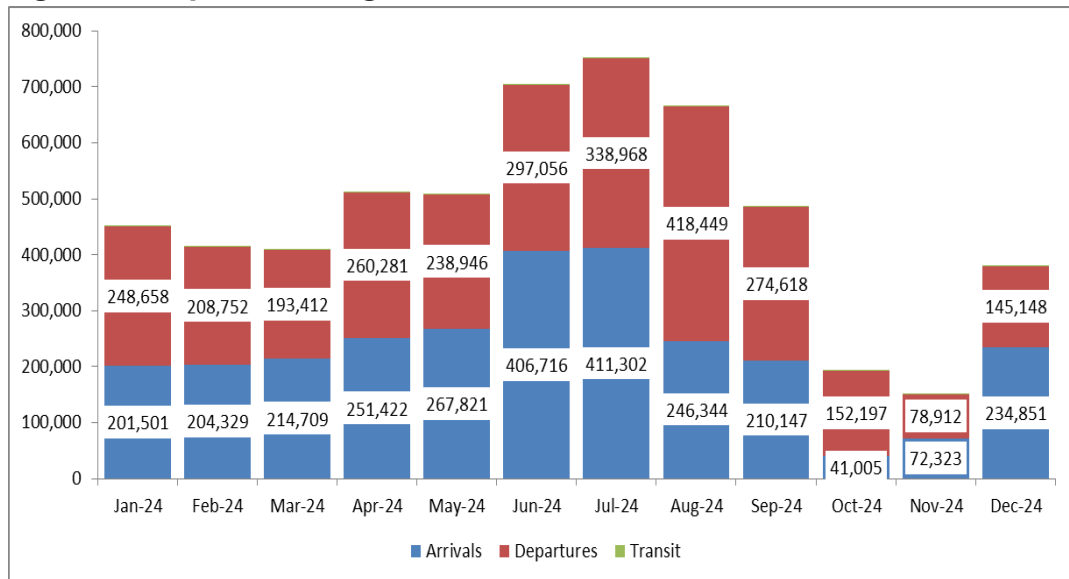
That said, according to the balance sheet of Banque du Liban (BDL), the Central Bank's total assets declined by 13.28% annually, to reach \$92.95B by end of December 2024. Gold increased by 25.76% yearly to reach \$24.1B by end of December 2024. Moreover, BDL foreign reserve assets (excluding and the other resident and / or illiquid assets) rose by 8.09% YOY and stood at \$10.13B by end of December 2024. On the liabilities front, financial sector deposits decreased by 4.4% annually and reached \$85.32B by end of December 2024 compared to last year, of which more than 90% are denominated in dollars. Moreover, public sector deposits dropped by 51.9% yearly and reached \$5.96B.

Also, inflation in Lebanon in 2024 eased from 177% annually in January to 18% annually in December. The decrease in annual inflation is mainly attributed to the increase of dollarization rates by businesses and to the stability of the exchange rate especially since August 2023.

Figure 8: Inflation

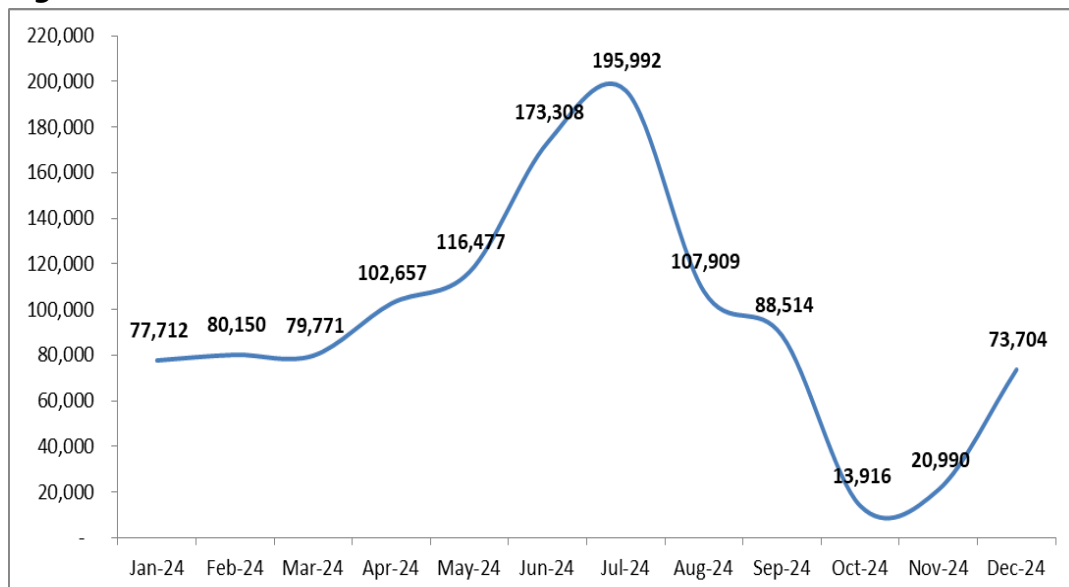
Source: Central Administration of Statistics (CAS), BLOMINVEST Bank

On an annual basis, airport passengers decreased by 20.84% in 2024 compared to 2023 and totaled 5,622,358 passengers mainly due to the war in Lebanon and Gaza. On monthly basis, June and July witnessed best arrivals figures due to the summer season. Starting August and till November, departures exceeded arrivals due to the war acceleration. In August and September, many embassies in Lebanon urged their citizens to leave Lebanon as security concerns started increasing when Israel started targeting Hezbollah's top leaders in Southern Suburbs of Beirut in addition to the 'pagars' attack. Moreover, in October and November, Middle East airline was the only airline company scheduled flights to Rafik Hariri International airport due to security concerns as many airstrikes were near the airport.

Figure 9: Airport Passengers

Source: Rafik Hariri International Airport, BLOMINVEST Bank

Similar to airport passengers, June and July recorded highest tourists arrivals and decreased sharply in October and November after the escalation of the war with Israel.

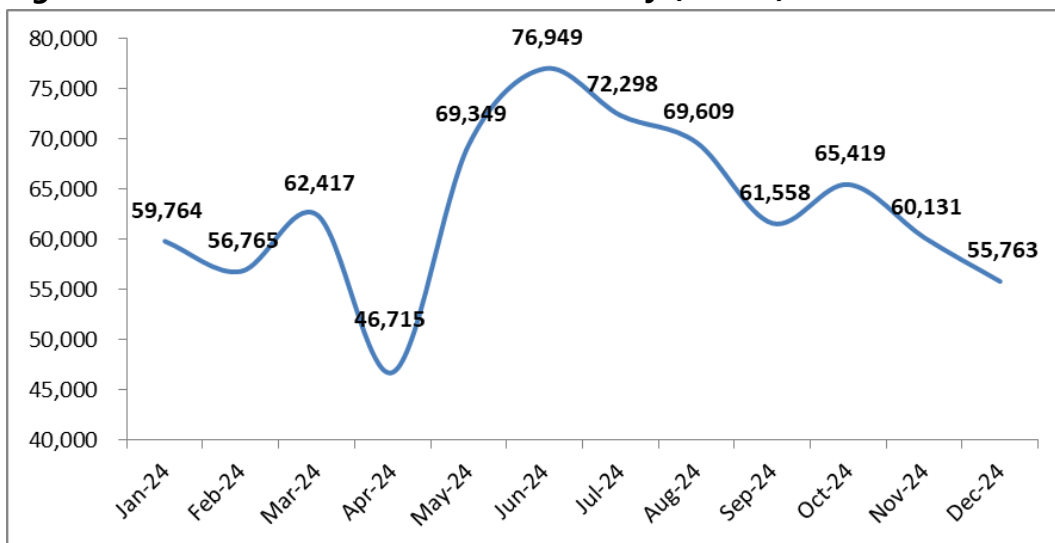
Figure 10: Tourists

Source: Ministry of Tourism, BLOMINVEST Bank

As for container activity at Port of Beirut, it decreased by 8.57% on yearly basis amid the escalation of the Israeli-Hezbollah war in Lebanon.

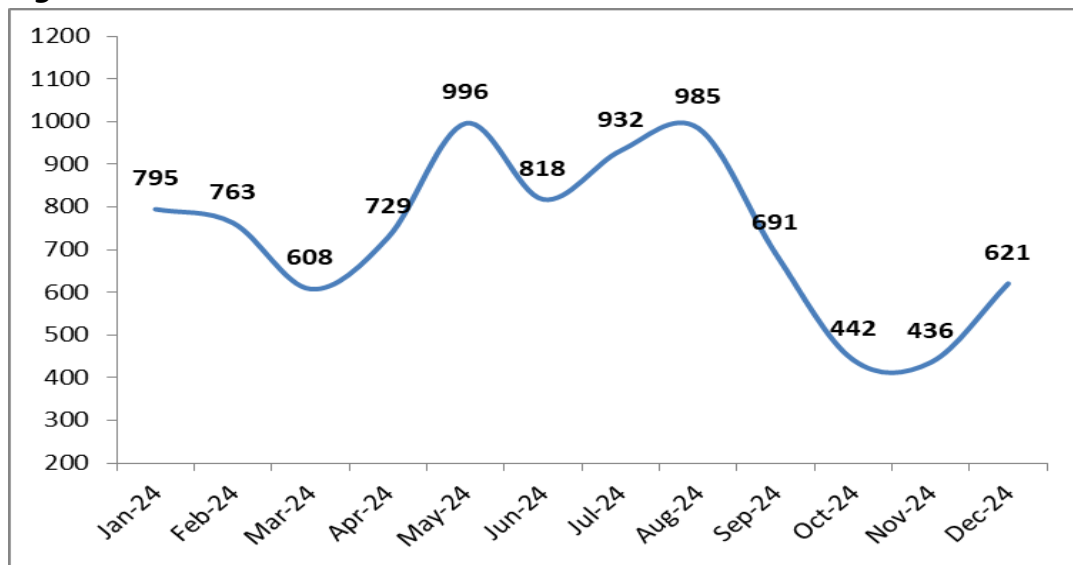
Transshipment activity, which involves cargo transferred from one ship to another at an intermediate port, decreased by 27.87% during the same period due to higher insurance and shipping premiums and safety concerns, leading to the redirection of some cargo to other ports. On monthly basis, total container activity was not significantly affected in October and November indicating that the sum of local demand and supply for goods remained relatively stable.

Figure 11: Port of Beirut – Container Activity (in TEU)



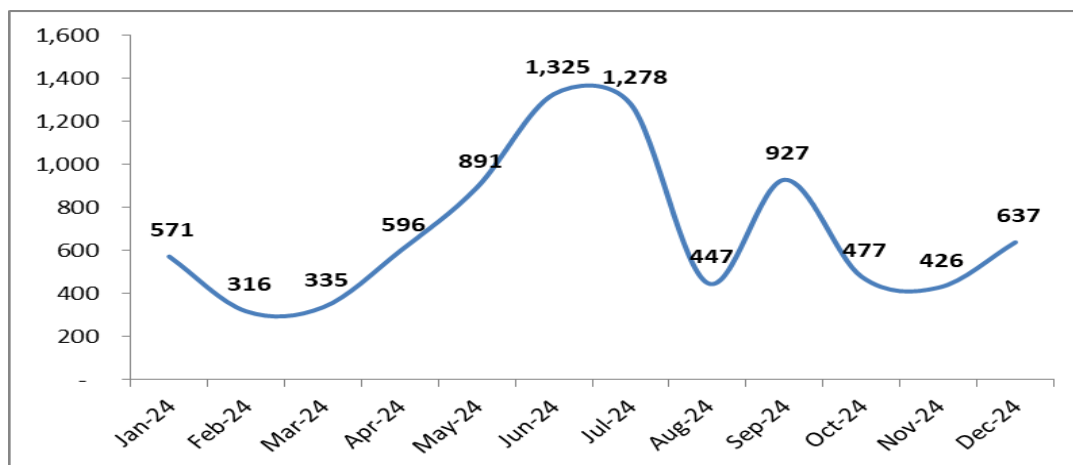
Source: Port of Beirut, BLOMINVEST Bank

Moreover, total construction permits decreased by 17.92% in 2024 compared to 2023 mainly due to the decrease in permits in October and November 2024 due to the persistent political and economic downturn since 2019 in addition to security concerns after war escalation in the last quarter 2024. Naturally enough, several governorates were severely affected such as South and Nabatieh.

Figure 12: Construction Permits

Source: Order of Engineers in Beirut and Tripoli, BLOMINVEST Bank

Regardless of the deterioration in many economic indicators, cars registrations witnessed an increase in 2024 compared to 2023 as cars registrations increased by 25% to reach 8,226 cars. Lebanon's car sector expanded since 2021; however, sales of passenger vehicles were significantly lower than 2019 levels when cars were still being purchased through checks. Currently, the demand for new vehicles is restricted by the absence of financing options, exacerbated by the lower purchasing power of the people, though it has improved in the past couple of years.

Figure 13: Cars

Source: Market Sources, BLOMinvest Bank

In conclusion, the Lebanese economy faced several challenges in 2024 due to the absence of reforms, prevalence of political instability and the escalation of the war. The war resulted in \$6.8 billion of damage and the need for \$11 billion for recovery as per World Bank' s latest Rapid Damage and Needs Assessment (RDNA) published in March 2025.

As a new era has started in Lebanon in 2025 with the election of President Joseph Aoun and the appointment of Mr. Nawwaf Salam as a new Prime Minister; along with the formation of a new government that seems to be determined to undertake the needed reforms, we hope that the Lebanese economy will recover soon, especially if the promised financial support comes through. As such, the return of tourists from GCC countries will boost the tourism sector that is significant for the Lebanese economy. However, the government should diversify the Lebanese economy by taking steps to support the Lebanese agriculture and industrial sectors, and by taking measures to protect national production in order to improve competitiveness and to decrease the trade and current account deficits.

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