

## Economy

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The New Migration and Development Brief was issued by the World Bank. Lebanon has recorded US\$ 6.4 billion of remittance inflows for 2023. It actually compares to remittance inflows of 6.4 billion in 2022, US\$ 6.4 billion in 2021, US\$ 6.6 billion in 2020, US\$ 7.4 billion in 2019 and US\$ 7.0 billion in 2018.

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## Markets In Brief

#### p.9 MARKETS IN BRIEF: YEAR 2023 WITNESSES: LP HOLDING SOME GROUND AFTER COLLAPSE DESPITE MULTIFACETED CRISIS, LACK OF REFORMS AND GEOPOLITICAL RISKS

The Lebanese pound held ground against the US dollar on the parallel FX market following its rapid collapse earlier this year, hovering around 90,000 since March 2023. This occurred despite a protracted multifaceted institutional vacuum, lack of political will to implement much-needed reforms and lingering geopolitical tensions since the eruption of the military conflict in the Gaza strip, while Lebanon has been embarking into a new financial and monetary era under the new BDL leadership since the start of August 2023. At the level of the bond market, prices of sovereigns remained at their lows, closing the year at 6.00 cents per US dollar, as recovery bets remained ultra-low amid a long-simmering political crisis that may negatively impact the domestic economy in the coming years, continuous military operations in Gaza and elevated tensions on the Southern Lebanese border. At the level of the equity market, the BSE continued to register strong price gains for the third year in a row, with the price index surging by 41% on hedging activity against currency collapse on the black market and amid investor tendency to avoid haircuts on their financial placements, noting that equity prices are denominated in domestic US dollars.

### LEBANON MARKETS: DECEMBER 25 - DECEMBER 31, 2023

Money Market	↓	BSE Equity Market	↑
LP Tbs Market	↓	Eurobond Market	↔
LP Exchange Market	↔	CDS Market	↔

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## ECONOMY

### US\$ 6.4 BILLION OF REMITTANCE INFLOWS IN 2023, AS PER THE WORLD BANK

The New Migration and Development Brief was issued by the World Bank. Lebanon has recorded US\$ 6.4 billion of remittance inflows for 2023. It actually compares to remittance inflows of 6.4 billion in 2022, US\$ 6.4 billion in 2021, US\$ 6.6 billion in 2020, US\$ 7.4 billion in 2019 and US\$ 7.0 billion in 2018.

Lebanon ranks third in the MENA region in terms of size of remittances in 2023, after Egypt and Morocco (with US\$ 24.2 billion and US\$ 12.1 billion respectively) and before Jordan and West Bank and Gaza (with US\$ 4.9 billion and US\$ 3.8 billion respectively).

After falling by 4.5 percent in 2022, remittances to Middle East and North African countries are expected to decline further by 5.3 percent to about \$61 billion in 2023. The 2023 weakening is driven mainly by a sharp decline in flows to the Arab Republic of Egypt, the region's largest recipient by far, as remittances to the country are likely channeled through nonofficial channels as a reflection of a wide gap between the official and parallel foreign exchange markets. The current weakness is also tied in part to the slowdown in outward remittances from Saudi Arabia and the United Arab Emirates, which is related to some correction from the pandemic-related distortions. Flows to Jordan, Lebanon and Tunisia are also estimated to decline as a reflection of a weak economic growth in the euro area and the key remittance source. In contrast, remittances to Morocco are likely to reach another record high level, highlighting the earthquake's impact on the country's remittances.

Remittances have been the largest source of external resource flows for the region, outstripping the sum of FDI and official development assistance (ODA) since 2010 (figure A.14). In 2023, remittance inflows are likely to be twice the sum of these flows to the region, underscoring the importance of remittances to both the private and public sector. FDI flows are projected to decline even more sharply amid elevated political risk across the region. Thus, remittances are likely to remain vital for the region into the near and medium term, particularly as fiscal and current account deficits are creating debt concerns for oil-importing countries of the Middle East and North Africa, which may dim immediate prospects for private sector flows.

#### REMITTANCE INFLOWS OF MENA REGION (US\$ MILLION)

Countries	2018	2019	2020	2021	2022	2023e
Egypt, Arab Rep.	25,516	26,781	29,603	31,487	28,333	24,200
Morocco	6,919	6,963	7,414	10,906	11,168	12,130
<b>Lebanon</b>	<b>6,978</b>	<b>7,371</b>	<b>6,593</b>	<b>6,354</b>	<b>6,435</b>	<b>6,370</b>
Jordan	4,472	4,564	4,819	5,072	4,913	4,940
West Bank and Gaza	2,834	3,153	2,560	3,760	4,049	3,800
Yemen, Rep.	3,771	3,771	3,771	3,771	3,771	3,771
Tunisia	1,696	1,782	2,270	2,970	2,815	2,700
Algeria	1,985	1,786	1,700	1,792	1,659	1,770
Somalia	1,482	1,577	1,735	1,735	1,735	1,735
Qatar	467	577	652	859	1,032	1,200
South Sudan	1,267	80	87	1,236	1,187	1,139
Sudan	425	522	495	1,119	1,499	1,000
Iraq	742	859	644	840	840	879
Saudi Arabia	335	334	302	295	287	282
Comoros	173	169	227	288	282	281
Mauritania	60	64	169	13	109	60
Djibouti	60	79	64	79	55	58
Oman	39	39	39	39	39	39
Kuwait	28	26	23	807	22	23

Sources: World Bank, Bank Audi's Research Department.

The prospects for remittances in 2024 will be affected by the difficult situations facing the region's oil-importing countries, such as Egypt, Jordan, Lebanon, Morocco, and Tunisia. Uncertain regional prospects in the wake of the conflict in the Middle East may lead to increases in their fiscal and current account deficits and could impair political stability. Particularly in Egypt and Lebanon, the twin deficits have heightened pressure on the currencies and foreign currency reserves. The already dire conditions of Lebanese and Syrian economies are likely to

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deteriorate further. Morocco will need to continue efforts to recover from the September 2023 earthquake. In contrast, the region's oil exporters, such as Iraq and Algeria, will benefit from the rise in hydrocarbon prices. The region's overseas labor force will be subject to conflicting pressures from the desire to help families back home in difficult times versus the anticipated declines in real wages. On balance, the World Bank forecasts a moderate gain of 2.1% in remittances flows in 2024. The view is differentiated across regional subgroups, depending on dominant host countries, the degree of exposure to higher energy/food prices, and fiscal and external financial difficulties.

At the global level, remittance flows to low- and middle-income countries (LMICs) increased by an estimated 3.8% to reach \$669 billion in 2023. This represents a slowdown in growth after the sharp increases in 2021–22. The remittance growth rate is projected to moderate further to 3.1 percent in 2024, resulting in total inflows of \$690 billion. Remittance flows to high-income countries have shown almost no change since 2021. Global remittance flows are estimated at US\$860 billion in 2023; this is an increase of 3% from the previous year, and less than the growth of remittance flows to developing countries. Global remittance flows are projected to grow at a nearly constant rate in 2024.

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## EU ALLOCATES US\$ 226.5 MILLION IN SUPPORT OF LEBANON'S RECOVERY AND STABILITY

The European Union (EU) has recently allocated EUR 205.5 million (US\$ 226.5 million) in support of Lebanon's recovery and stability.

According to a statement by the EU Delegation to Lebanon, the bloc has pledged the continuation of support for the country's border management in the face of uncertainty and threats. Additionally, the bloc will also assist Lebanon in its economic and structural reforms. These reforms fall in line with recommendations from the preliminary agreement reached between Lebanon and the International Monetary Fund (IMF) in April 2022.

Additionally, the allocation will assist Lebanon's public institutions in order to strengthen governance, accountability, transparency and to conduct credible, transparent and inclusive elections.

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## LEBANESE MUNICIPALITIES INCREASE THEIR FEES WITH SERVICES SET TO REMAIN LACKLUSTER

Municipalities in Lebanon have decided to increase their fees in order to parallel the devaluation of the LP. This increase aims to resume the provision of municipal services while the majority of municipalities stand unable to provide services due to years of neglect even before the crisis.

Municipalities across the country are suffering from the ongoing crisis rendering them unable to carry out their assigned tasks and covering their expenses (including salaries & wages for employees). Municipal resources cover a wide range of fees and varies from one to the others with the main types being self-imposed taxes on houses, buildings, companies and institution and fees on construction permits among others. The rate of increase in fees varies from municipality to municipality. For example, the municipality of Haret Hreik has hiked their used exchange rates to LP 30,000/US\$ or by 20 times. Other municipalities increased the exchange rate used to LP 60,000/US\$ while others opted to increase it to LP 45,000/US\$ such as the municipality of Beirut. Looking at the Beirut municipality, a special case is provided as the exchange rate for fees on houses will be set at LP 15,000/US\$ while fees for institutions will be set at LP 45,000/US\$. According to the Financial Officer at the Beirut Municipality, the aspects of legality and necessity of the increase were discussed prior to taking the decision.

On the level of legality, in accordance with the Municipal Fees and Supplements Law Article 8 grants the administration the right to increase rent values when deemed appropriate. When it comes to necessity, the municipality is experiencing a shortfall in revenues despite the increase. This comes primarily on the back of salaries and wages to employees and retirees. These employees were not included in any salary increase law as government incentives did not cover many municipal workers.

However, according to the Financial Officer at the Beirut Municipality, the governmental body will not be able to fulfill its assigned tasks and services even with the increase. This comes as the municipality's expenses majorly outweigh their revenues. Therefore the municipality will retain only the services it currently provides (relating to roads, trees, potholes, etc.).

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This decision has been perceived by some as unfair to the taxpayer as municipalities lack the proper organization and development especially in residential buildings and properties. The municipality also lacks empowerment and the building numbering system. Additionally, the municipality lacks basic administrative and engineering regulations which would boost its revenues as these are essential for large property developments. Therefore, the increase in fees is paired with a continued lackluster provision of services to the taxpayer. These decisions which present no unity when it comes to the exchange rate used also comes in contrary to the notion of uniting Lebanon's exchange rates, a necessary component of any IMF deal looking forward.

## RENE MOAWAD FOUNDATION WITH THE HELP OF THE NETHERLANDS WORK ON EXPANDING LEBANON'S AVOCADO SUB-SECTOR

The Rene Moawad Foundation (RMF) Non-Governmental Organization (NGO), in partnership with the Embassy of the Netherlands to Lebanon, have been working on an agricultural development program in Lebanon. The program, dubbed "Strengthening Exports of Fruits and Vegetables from Lebanon to European and Regional Markets Project", sets a focus on teaching local farmers how to grow and export avocados, cherries and apples.

Lebanon boasts swathes of unused, fertile soil as well as mild weather making it a prime candidate for the agriculture of avocados. Avocados hold a shorter Return on Investment period starting to bare fruits in three years compared to six years for apples and cherries. Additionally, the high value of avocados makes them attractive to local farmers, which have been suffering from the ongoing economic crisis. In turn, the program, which was initially started in 2019, has been extended in August of 2023 and is set to run until July 2017. It is expected that by the end of the project circa 3,000 farmers would have been part of the initiative.

It is worth noting that the avocado stands as a very popular food with demand continuously growing leading to supply-side challenges and therefore price increases.

According to a statement by the RMF program manager, the mechanism of work used in the program is a market-led value chain approach. This entails the assessment of market needs and then working backwards starting from the farms, doing capacity building interventions and training the farmers. This is done in order for the farmers to meet the different requirements for export and certification. Additionally, the farmers were taught how to graft more commercial varieties of avocado, which yield better results and sell better. Ways to reduce water consumption and minimizing pollution were also tackled as Lebanon's agricultural sector has historically been left without regulation and guidance from the government. In parallel, the program has worked on changing Lebanese farmers' mentality for the usage of pesticides and fertilizers, which ends up reducing the health benefits of the produce and doesn't meet international standards.

For the last 30 to 40 years, Lebanon saw small quantities of avocados being grown. However, recently this amount has grown drastically so that 90% of the current avocado yield was started circa three to four years ago. This denotes an increase in farmers' interest in the sub-sector and a booming growth trend which is expected to continue growing looking forward.

It is worth noting that as demand for avocados grew, supply challenges appeared in Mexico and Peru. Additionally, many countries have stopped the import of Mexican avocados as it is believed that criminal cartels often took control of the farms. These factors have opened a window for Lebanon to become an alternative source as it has a long harvest period (September to July) and is deemed more ethical. While Algeria and Spain are trying to increase production, they are only able to source a tenth of the supply from South America. Therefore, Lebanon holds additional advantages such as closer proximity to European and Gulf countries leading to lower carbon footprint, which makes Lebanon a viable candidate to fill the supply gap.

In parallel, this increase in the local production of avocados has reflected positively of the Lebanese Food & Beverages sector through making the fruit cheaper and more readily available. In turn, local restaurants have been increasing the usage of avocados in their menus.

However, the program is still in the early days of its development and is now focusing on helping farmers receive necessary certification, quality of product and lab tests for them to become export-ready. The formation of cooperatives and associations is also being recommended to avoid exploitation from other actors. Additionally, the Ministry of Agriculture's phytopathology lab needs to become ISO 17025 certified in order for their tests to be deemed valid and reliable in international markets. In turn, though the avocado market has flourished in recent years, challenges remain present to determine whether the production will remain for local consumption or if it could start to fill in supply-demand gaps in the international market.

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## SURVEYS/REPORTS

### FDI INFLOWS TO LEBANON DOWN TO US\$ 458 MILLION IN 2022

According to the "World Investment Report 2023" published by the United Nations Conference on Trade and Development (UNCTAD), Foreign Direct Investment (FDI) inflows to Lebanon reported a contraction of 24% in 2022. The latter declined from US\$ 605 million in 2021 to US\$ 458 million in 2022. The drop in FDI inflows lies within the context of the politico-economic uncertainties surrounding the country, corollary impacting placement decisions on behalf of the investment community.

According to the report, after a steep drop in 2020 and a strong rebound in 2021, global foreign direct investment (FDI) declined by 12 per cent in 2022, to US\$ 1.3 trillion. The slowdown was driven by the global polycrisis: the war in Ukraine, high food and energy prices, and debt pressures. International project finance and cross-border mergers and acquisitions (M&As) were especially affected by tighter financing conditions, rising interest rates and uncertainty in capital markets.

The global environment for international business and cross-border investment remains challenging in 2023. Although the economic headwinds shaping investment trends in 2022 have somewhat subsided, they have not disappeared. Geopolitical tensions are still high. Recent financial sector turmoil has added to investor uncertainty. UNCTAD expects downward pressure on global FDI to continue in 2023. Early indicators for Q1 2023 show weak trends in international project finance and M&As.

FDI flows to structurally weak and vulnerable economies declined. Despite the increase in developing countries overall, FDI in the 46 least developed countries (LDCs) fell by 16 per cent to \$22 billion – less than 2 per cent of global FDI. Greenfield project announcements to LDCs recovered some ground after the 2020–2021 decline, but they remained well below their 10-year average. Landlocked developing countries (LLDCs) and small island developing States (SIDS) saw small increases in FDI.

#### ARAB MENA REGION'S FDI INFLOWS (US\$ MILLION)

Region/Economy	FDI Inflows					
	2017	2018	2019	2020	2021	2022
Algeria	1,232	1,475	1,382	1,143	870	89
Bahrain	1,426	1,654	1,548	1,021	1,779	1,951
Comoros	4	6	4	4	4	4
Djibouti	165	170	175	158	168	191
Egypt	7,409	8,141	9,010	5,852	5,122	11,400
Iraq	-5,032	-4,885	-3,508	-2,889	-2,637	-2,088
Jordan	2,030	955	730	760	622	1,137
Kuwait	348	204	351	240	567	758
<b>Lebanon</b>	<b>2,522</b>	<b>2,658</b>	<b>1,905</b>	<b>1,607</b>	<b>605</b>	<b>458</b>
Libya	–	–	–	110	276	377
Mauritania	587	773	887	955	1,064	1,148
Morocco	2,686	3,559	1,720	1,419	2,266	2,141
Oman	2,988	6,455	4,237	2,889	4,021	3,716
Qatar	986	-2,186	-2,813	-2,434	-1,093	76
Saudi Arabia	1,419	4,247	4,563	5,399	19,286	7,886
Somalia	369	408	447	534	601	636
South Sudan	1	60	-232	18	68	122
State of Palestine	188	252	132	80	353	233
Sudan	1,065	1,136	825	717	523	574
Tunisia	881	1,036	845	652	660	713
UAE	10,354	10,385	17,875	19,884	20,667	22,737
Yemen	-270	-282	-371	–	–	–

Sources: UNCTAD, Bank Audi's Group Research Department.

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## LEBANON RANKED 96<sup>TH</sup> GLOBALLY FOR NETWORK READINESS INDEX 2023, WITH A SCORE OF 39.70

Lebanon ranked 11<sup>th</sup> among Arab MENA countries and 96<sup>th</sup> globally for Network readiness index 2023, with a score of 39.70.

The NRI 2023 model maintains its foundational four-pillar structure: Technology, People, Governance, and Impact. Each pillar is further divided into three sub-pillars. Primary technical updates to the NRI 2023 apply to four indicators across three sub-pillars: Content, Individuals, and Economy. Additionally, two indicators within the Access sub-pillar underwent a nomenclature revision. A sum of 58 indicators span across the 12 sub-pillars in the NRI.

Lebanon actually scored 37.43 on Technology, 48.08 on People, 37.11 on Governance and 36.16 on Impact within NRI 2023 pillars.

The United States retains its top position in the NRI for the second consecutive year, closely followed by Singapore. Finland has climbed to the third spot, displacing Sweden to fifth place, while the United Kingdom reenters the top 10. Historically, the Top 10 performers in the NRI exhibit three prominent trends: they consistently belong to high-income economies, demonstrating robust network readiness across all dimensions, and European countries continue to dominate the list. These trends continue in the NRI 2023, with each of the top 10 countries achieving a top 25 ranking across all four primary pillars (Technology, People, Governance, Impact). As for regional distribution, Singapore and Korea remain the only top 10 countries located in Asia and the Pacific, while the United States is the only economy located in the Americas. The rest of the top 10 rankings consist of European countries.

The regional leaders for NRI 2023 include Kenya, United Arab Emirates, Singapore, the Russian Federation, Finland, and the United States. Overall, these regional trends in the NRI 2023 highlight the varying levels of progress and challenges faced by economies across the different parts of the world as their journey towards digital readiness and network capabilities continues. Europe stands out as a strong leader in the NRI while the Americas and the Asia & Pacific display a diverse spectrum of digital competencies. The CIS showcases the smallest variation in scores among its member nations. These regional trends shed light on the fact that the pace of advancement in digital technology and network infrastructure varies significantly from one region to another. The relative standings of individual counties in their respective regional rankings reflect the importance of creating and pursuing tailored strategies and policies to address the specific and unique digital needs and challenges faced by each region.

### ARAB MENA COUNTRIES' NRI 2023 BY PILLARS

Countries	Technology	People	Governance	Impact
UAE	56.61	62.20	66.63	64.26
Saudi Arabia	49.52	55.02	65.69	54.34
Qatar	49.59	43.51	69.18	54.31
Bahrain	43.90	45.18	63.45	57.41
Oman	41.31	46.48	67.48	53.11
Kuwait	43.14	42.27	54.17	53.86
Jordan	40.05	49.19	55.16	44.75
Morocco	39.20	41.59	50.46	50.47
Egypt	39.94	35.37	50.25	50.73
Tunisia	38.29	39.89	48.72	42.11
<b>Lebanon</b>	<b>37.43</b>	<b>48.08</b>	<b>37.11</b>	<b>36.16</b>
Algeria	31.45	35.63	41.18	41.82

Sources: Portulans Institute, Bank Audi's Group Research Department.

### ARAB MENA COUNTRIES' NETWORK READINESS INDEX 2023

Countries	Global Rank	Score	Income
UAE	30	62.43	High Income
Saudi Arabia	41	56.14	High income
Qatar	46	54.15	High income
Bahrain	51	52.48	High income
Oman	54	52.10	High income
Kuwait	64	48.36	High income
Jordan	68	47.29	Lower middle income
Morocco	77	45.43	Lower middle income
Egypt	81	44.07	Lower middle income
Tunisia	88	42.25	Lower middle income
<b>Lebanon</b>	<b>96</b>	<b>39.70</b>	<b>Lower middle income</b>
Algeria	103	37.52	Lower middle income

Sources: Portulans Institute, Bank Audi's Group Research Department.

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## CORPORATE NEWS

### ISRAELI-HAMAS WAR SET TO INCREASE POVERTY IN LEBANON AS PER UNDP AND ESCWA REPORT

According to a joint report from the United Nations Development Program (UNDP) and the United Nations Economic and Social Commission for Western Asia (ESCWA), the ongoing Israeli-Hamas war is set to negatively affect countries neighboring the conflict.

Looking at Lebanon, if the war reaches the end of its third month, the report estimates 14,000 Lebanese people to go into poverty. This number is expected to double if the war continues to reach six months. Additionally, GDP loss arising from a reduction in tourism receipts of 10 to 70% would range between three and 30% in Lebanon.

The combined GDP loss for Lebanon, Jordan and Egypt if the war were to end at the end of the three months mark is expected to be circa US\$ 10.3 billion and set to increase to US\$ 18 billion under the six months scenario.

### AGREEMENT SIGNED BETWEEN TAGTECH AND TALENT IVY

An agreement was signed between Talal Abu-Ghazaleh for Technology (TAGTech) and Talent IVY in order to supply the former's technological devices to Lebanese schools and universities. These devices will be supplied at a discounted price for students, teachers and their families.

According to the TAGTech Executive Director in Lebanon, this partnership holds importance as it will positively aid in making TAGTech smart products available to all school and university students at competitive prices and affordable installment payments.

The agreement was signed between the TAGTech Executive Director in Lebanon and the Talent IVY Manager.

### AMSA APPOINTS MEMAC OGILVY & MATHER LEBANON AS NEW DIGITAL COMMUNICATIONS PARTNER

The Emirati group Abdullah Aal Masood & Sons Automotive (AMSA) has announced the appointment of Memac Ogilvy & Mather Lebanon as its new digital communications partner. This move comes in order for Memac Ogilvy & Mather Lebanon to bring its distinctive approach to scale AMSA's brand presence and reputation within the UAE. The approach will aim to combine strategic and creative campaigns along with digital marketing in order to position AMSA's brand as an industry frontrunner.

It is worth noting that AMSA is an Emirati group which includes entities such as: Emirates for Universal Tyres L.L.C., Best Drive, YallaTyre, Duckhams, Rhino Batteries and Specialized Sports Equipment L.L.C.

### FAO CONCLUDES PROJECT SUPPORTING 406 LEBANESE FARMERS

The Food and Agriculture Organization (FAO) with the funding of the Canadian Government and through the UN's Productive Sector Development program, concluded a project supporting circa 406 farmers in Northern Lebanon and the Akkar region.

The FAO delivered Integrated Crop Management certificates to 65 farmers as well as Organic Agriculture certificates compliant with EU specifications. This will enable the farmers to enter new markets and distribute their produce.

The farmers received technical training, input distribution and empowerment to apply good agricultural practices in the program. This has helped the farmers face the ongoing financial crisis, improve their production and productivity skills.

These training sessions were provided through 14 Field Schools for Farmers throughout Northern Lebanon and the Akkar region.

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It is worth noting that the development program for productive sectors is implemented through a collaboration between the FAO, the UN Industrial Development Organization (UNIDO), the UN Development Program (UNDP), the International Labor Organization (ILO), UN Women and the UN Children's Fund (UNICEF) in order to create employment opportunities in the agricultural and food sectors.

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## BERYTECH AND CCIАЗ SIGN COOPERATION AGREEMENT

A cooperation agreement was signed between Berytech and the Chamber of Commerce, Industry and Agriculture of Zahle and the Bekaa region (CCIAZ). The Vice President of CCIАЗ and the President and CEO of Berytech signed the agreement at the Berytech Center.

The cooperation agreement was signed based on a shared vision aiming to promote economic development, innovation and entrepreneurship in the Bekaa region. This is set to be done through the exploitation of shared expertise and resources of both CCIАЗ and Berytech.

According to the President and CEO of Berytech, this partnership is crucial as it will join CCIАЗ's efforts which aim to create a dynamic ecosystem which fosters entrepreneurship, innovation and economic growth in the Bekaa region.

According to the Vice President of CCIАЗ, the chamber is optimistic about Berytech's standing as a valuable partner on the path to change. Additionally, this path is expected to be positive and coordinated.

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## WHO AND MOPH'S PHEOC REVAMPED AND RELOCATED FOR BETTER EMERGENCY RESPONSE

The World Health Organization (WHO) with the funding of the United States of America, has renovated the new premises of Lebanon's Public Health Emergency Operation Center (PHEOC). Additionally, the new location was equipped with state-of-the-art data and connectivity tools.

In 2022, the WHO along with the Lebanese Ministry of Public Health (MoPH) revitalized Lebanon's PHEOC. The hub was created to stand as the center for Lebanon's health response and coordination during times of crisis. Since then, the PHEOC was recently relocated to a new site next to MoPH (previously in Rafic Hariri University Hospital).

The new center contains a reception, a conference room, three offices, a server room and kitchen. The WHO also provided screens on which to display key indicators for decision making, interactive maps of health facilities and the news.

It is worth noting that these steps came as Lebanon is currently dealing with border clashes in the South which have the possibility of spreading to the rest of the country. Additionally, Lebanon's history with health emergencies also prompted the improvement of the center as Lebanon has dealt with the COVID-19 pandemic, the Beirut port explosion and the economic crisis in recent years. These emergencies cause casualties and forced displacement which directly affect the health sector. Additionally, these emergencies have indirect impacts as well such as difficulty accessing health services and an increase in the likelihood of infectious disease outbreaks. The new center has the capacity to operate during power cuts through the usage of an independent electricity supply. Additionally, the center operates radio links, which assures proper communication with teams on the ground if needed. According to the WHO Representative in Lebanon, during times of emergency a proper and effective response relies on structures that are already in place.

According to the PHEOC Manager, before the revamp, the emergency response was fragmented. However, after the PHEOC update, the current response has brought together Ministry staff, public and private sectors, WHO, the International Committee of the Red Cross, Médecins Sans Frontières (MSF), the Lebanese Red Cross and others under the same roof. This was done to create an effective and cohesive response.

It is worth noting that PHEOC's operation is carried out by experts in public health, clinical management, laboratory analysis, pharmaceuticals, data, logistics, communications among others. This is done to coordinate a quick and efficient response to any emergency. These strands of work are also coordinated by an incident manager which provides strategic direction.



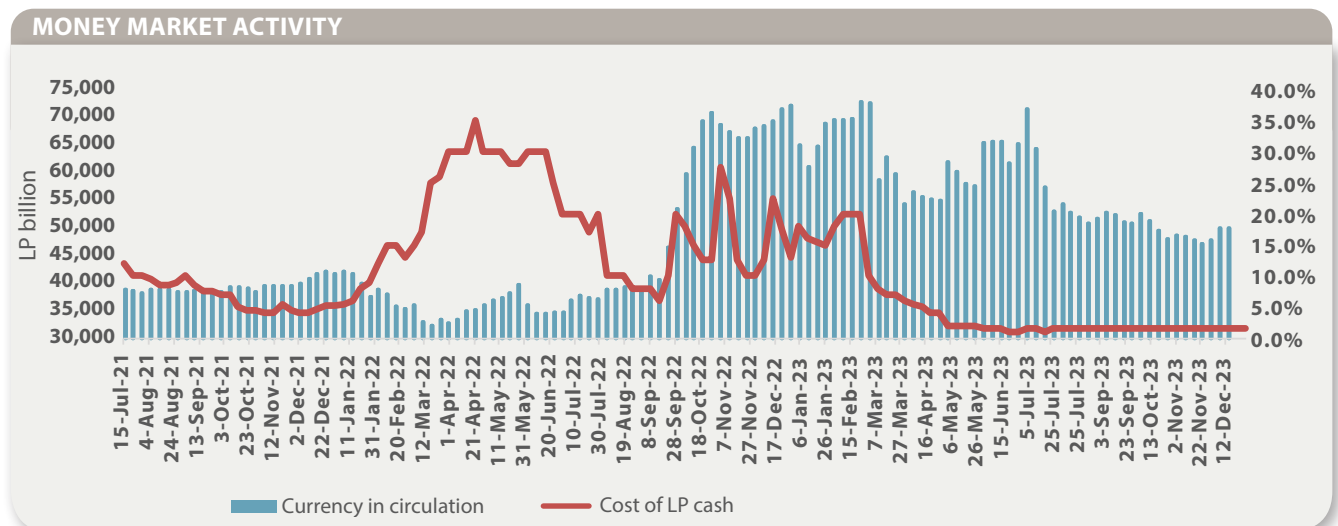
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## CAPITAL MARKETS

### MONEY MARKET: MONEY IN CIRCULATION IN CONTRACTIONARY MODE IN 2023

The year 2023 saw a contraction in the currency in circulation of about 26.5% or the equivalent of LP 21 trillion, moving from LP 80 trillion at end-2022 to LP 59 trillion mid-December 2023. Paradoxically, this was accompanied by a decline in the cost of LP cash over the year 2023, moving from 13.0% at end-2022 to 1.0% at year-end, noting that it has peaked at 20% in February 2023. On the other hand, the overnight rate, which is a non-cash rate, closed the year at 60%.

In parallel, monetary statistics released by the Central Bank of Lebanon showed that total resident banking deposits expanded by LP 948 trillion since end-2022 till mid-December 2023, mainly driven by a LP 940 trillion increase in foreign currency deposits (the equivalent of US\$ 62,676 million as per a rate of LP 15,000), while total LP total deposits increased by LP 8 trillion amid a LP 10 trillion expansion in LP demand deposits and a LP 2 trillion decline in LP saving deposits. That being said, the money supply in its broadest sense (M4) expanded by LP 932 trillion over the covered period, mainly due to a fall in the money in circulation and a rise in the non-banking sector Treasury bills portfolio.



### TREASURY BILLS MARKET: NOMINAL DEFICIT OF CIRCA LP 1,100 BILLION IN 2023

The financial system's total subscriptions in LP Treasury bills amounted to circa LP 17,361 billion until December 21, 2023, fully allocated to the Central Bank of Lebanon. The one-year category captured 48.9% of the total, followed by the two-year category with 18.5%, the six-month category with 13.8%, the three-year category with 10.4%, the three-month category with 7.7% and the seven-year category with 0.7%, while the five-year category accounted for only 0.01% of the total. These compare to maturities of circa LP 18,470 billion, which resulted into a nominal deficit of circa LP 1,109 billion in 2023 versus a nominal deficit of LP 1,773 billion in 2022. In parallel, the Central Bank of Lebanon's LP securities portfolio expanded by circa LP 4,211 billion since the beginning of the year 2023 till mid-December. This followed a contraction of LP 1,586 billion in 2022.

### FOREIGN EXCHANGE MARKET: LP/US\$ BLACK MARKET RATE STAYING AT 89,500 SINCE JULY 2023

The LP/US\$ black market rate, which has peaked at 145,000 in March 2023, continued to hover around 89,500 since the first deputy governor of the Central Bank took over as interim Chief after governor's term ended at end-July 2023. This compared to a rate of LP/US\$ 43,300 at end-2022.

The stability in the LP/US\$ parallel market rate during the second half of the year mainly reflects a pervasive dollarization in the economy, and the new BDL policy refraining from financing the government, especially in

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## TREASURY BILLS

	29/12/2023	22/12/2023	30/12/2022	
3-month	3.50%	3.50%	3.50%	↔
6-month	4.00%	4.00%	4.00%	↔
1-year	4.50%	4.50%	4.50%	↔
2-year	5.00%	5.00%	5.00%	↔
3-year	5.50%	5.50%	5.50%	↔
5-year	6.00%	6.00%	6.00%	↔
7-year	6.50%	-	6.50%	
<b>Nom. Subs. (LP billion)</b>		<b>76</b>	<b>1</b>	
Short-term (3&6 mths)		-	-	
Medium-term (1&2 yrs)		76	-	
Long-term (3 yrs)		-	1	
Long-term (5 yrs)		-	-	
<b>Maturities</b>		<b>249</b>	<b>193</b>	
<b>Nom. Surplus/Deficit</b>		<b>-173</b>	<b>-192</b>	

Sources: Central Bank of Lebanon, Ministry of Finance

foreign currencies and preserving what remains from the FX reserves at the Central Bank. This compounded with continuous inflow of hard currency during holidays and the summer tourist season, and reduced currency in circulation outside BDL. The stability in the LP/US\$ parallel market rate occurred despite a protracted domestic political vacuum, lingering reform uncertainties and international warnings that a lack of reforms would expose Lebanon to the risk of isolation from the global financial system, in addition to emerging geopolitical concerns.

Within this context, the Central Bank of Lebanon's liquid foreign reserve assets expanded by circa US\$ 686 million since end-July 2023 until mid-December 2023, which would allow BDL to meet demand for foreign currencies in the coming few months, while awaiting a breakthrough in the long-simmering political and economic crisis. Finally, BDL lifted late-December the LP/US\$ Sayrafa rate by 4,000 to 89,500, in alignment with the parallel market rate, amid continuous efforts to unify multiple exchange rates.

## STOCK MARKET: STRONG EQUITY PRICE GAINS FOR THIRD YEAR IN ROW

The Beirut Stock Exchange continued to register strong price gains for the third year in a row, amid continuous hedging activity against multifaceted crisis and soaring inflation and amid investor tendency to avoid haircuts on their financial placements, noting that equity prices are denominated in domestic US dollars. This was reflected by a 41.3% surge in the BSE price index, following increases of 37.2% in 2022 and 48.1% in 2021.

A closer look at individual stocks shows Solidere "A" and "B" share prices jumped by 46.3% and 49.0% respectively in 2023, hitting US\$ 89.10 and US\$ 89.95 respectively at end-December. This brought accumulated price gains in Solidere shares to 1,528% on average since the onset of the crisis, as Solidere "A" and "B" shares traded at US\$ 5.45

## EXCHANGE RATES

	29/12/2023	22/12/2023	30/12/2022	
LP/US\$	15,000.00	15,000.00	1,507.50	↔
LP/£	19,207.50	19,029.00	1,813.97	↓
LP/¥	106.60	105.51	11.27	↓
LP/SF	17,942.58	17,529.51	1,628.67	↓
LP/Can\$	11,347.30	11,296.03	1,108.21	↓
LP/Euro	16,695.00	16,506.00	1,603.83	↓

Source: Bank Audi's Group Research Department

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and US\$ 5.55 respectively on October 17, 2019. On the other hand, banking stocks recorded an average price rise of 2.5% in 2023. Bank Audi's "listed" shares led the advance on the BSE in 2023, posting strong price gains of 52.6% to reach US\$ 2.35, followed by BLOM's "listed" shares with +31.6% to US\$ 3.50, BLOM's GDRs with +9.1% to US\$ 3.00, and BEMO's "listed" shares with +4.2% to US\$ 1.25. In contrast, Byblos Bank Preferred shares 2009 recorded price falls of 21.0% to US\$ 29.99, followed by Bank Audi's GDRs with -20.1% to US\$ 1.11, and Byblos Bank's "listed" shares with -6.7% to US\$ 0.70. Amongst industrials, Ciments Blancs Nominal and Holcim Liban's share prices skyrocketed by 91.3% and 91.9% respectively to hit US\$ 22.00 and US\$ 59.50 respectively at end-December.

As to trading volumes, the BSE total turnover expanded by 32.1% year-on-year to reach US\$ 581 million in 2023. Solidere shares captured the lion's share of activity (95.4%), followed by the banking shares with 4.3% and the industrial shares with 0.3%.

## AUDI INDICES FOR BSE

	29/12/2023	22/12/2023	30/12/2022	
Market Cap. Index	868.20	848.32	614.50	↑
Trading Vol. Index	73.00	493.40	96.84	↓
Price Index	182.26	178.09	129.00	↑
Change %	2.34%	10.41%	1.30%	↑
	29/12/2023	22/12/2023	30/12/2022	
Market Cap. \$m	20,597	20,125	14,578	↑
No. of shares traded (Exc. BT)	54,721	674,696	187,711	↓
Value Traded \$000 (Exc. BT)	4,855	54,697	6,415	↓
o.w. : Solidere	4,855	54,563	6,349	↓
Banks	0	134	66	↓
Others	0	1	0	↓

Sources: Beirut Stock Exchange, Bank Audi's Group Research Department

## BOND MARKET: LEBANESE EUROBOND PRICES REMAIN AT RECORD LOWS IN 2023

Lebanese Eurobond prices remained at their lows in 2023, closing the year at 6.00 cents per US dollar. This took place while the country remained mired in political and institutional vacuum, and amid IMF's warning that a lack of domestic political will to launch urgently needed reforms would weigh on the Lebanese economy for years to come, in addition to concerns that the unprecedented military conflict between Israel and Hamas could spiral out of control in the region.

Finally, Moody's affirmed in December 2023 the government of Lebanon's issuer rating at "C" and has changed the outlook to "stable" from "no outlook". The "stable" outlook reflects Moody's expectation that the rating would remain "C" for the foreseeable future, given the very high likelihood of significant losses for private creditors and Moody's expectation of a very unstable economic environment persisting as a result of recurrent political deadlock and weak institutions.

## EUROBONDS INDICATORS

	29/12/2023	22/12/2023	30/12/2022	
Total tradable size \$m	31,793	31,793	31,793	↔
o.w.: Sovereign bonds	31,314	31,314	31,314	↔
Bid price (cents per US dollar)	6.000	6.000	5.50-5.88	↔
Yield on US 5-year note	3.83%	3.85%	3.94%	↓

Source: Bank Audi's Group Research Department

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## INTERNATIONAL MARKET INDICATORS

	29-Dec-23	22-Dec-23	31-Dec-22	Weekly change	Year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	141.04	142.41	131.11	-1.0%	7.6%
\$/£	1.273	1.270	1.208	0.2%	5.4%
\$/Euro	1.104	1.101	1.071	0.2%	3.1%
<b>STOCK INDICES</b>					
DOW JONES INDUSTRIAL AVERAGE	37,689.54	37,385.97	33,147.25	0.8%	13.7%
S&P 500	4,769.83	4,754.63	3,839.50	0.3%	24.2%
NASDAQ	15,011.35	14,992.97	10,466.48	0.1%	43.4%
CAC 40	7,543.18	7,568.82	6,473.76	-0.3%	16.5%
Xetra Dax	16,751.64	16,706.18	13,923.59	0.3%	20.3%
FT-SE 100	7,733.24	7,697.51	7,451.74	0.5%	3.8%
NIKKEI 225	33,464.17	33,169.05	26,094.50	0.9%	28.2%
<b>COMMODITIES (in US\$)</b>					
GOLD OUNCE	2,062.98	2,053.08	1,824.02	0.5%	13.1%
SILVER OUNCE	23.80	24.19	23.95	-1.6%	-0.6%
BRENT CRUDE (per barrel)	77.04	79.07	83.10	-2.6%	-7.3%
<b>LEADING INTEREST RATES (%)</b>					
Term SOFR 1-month	5.35	5.36	4.36	0.00	1.00
US Prime Rate	8.50	8.50	7.50	0.00	1.00
US Discount Rate	5.50	5.50	4.50	0.00	1.00
US 10-year Bond	3.88	3.90	3.87	-0.02	0.01

Sources: Bloomberg, Bank Audi's Group Research Department

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