

Economy

CONTACTS

Treasury & Capital Markets

Bechara Serhal
(961-1) 977421
bechara.serhal@bankaudi.com.lb

Corporate Banking

Carol Ayat
(961-1) 959675
carol.ayat@bankaudi.com.lb

Mohamad Baydoun
(961-1) 959703
mohamad.baydoun@bankaudi.com.lb

Marketing and Communications

Marion Abou Jaoudé
(961-1) 977356
marion.abou-jaoude@bankaudi.com.lb

RESEARCH

Dr. Marwan Barakat
(961-1) 977409
marwan.barakat@bankaudi.com.lb

Salma Saad Baba
(961-1) 977346
salma.baba@bankaudi.com.lb

Michèle Khoury Sakha
(961-1) 977102
michele.sakha@bankaudi.com.lb

Stephanie Bou Sleiman
(961-1) 952397
stephanie.bousleiman@bankaudi.com.lb

Elias Missi
(961-1) 959747
elias.missi@bankaudi.com.lb

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A new report has been issued by the Institute of International Finance on Lebanon. The report says it has been over three years since the start of the Lebanese crisis, yet no meaningful corrective reforms have been undertaken. Instead, counterproductive policies were introduced that amplified the initial economic and financial crisis to epic proportions, with tragic humanitarian consequences.

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p.9 MARKETS IN BRIEF: CONTINUOUS PROFIT-TAKING OPERATIONS ON SOLIDERE SHARES AFTER STRONG YEAR-TO-DATE PRICE RALLY

Amid a poor track record in implementing reforms while the country is mired in an unprecedented institutional vacuum, and given the continuous heavy US dollar injection via the "Sayrafa" platform, Lebanon's capital markets continued to see this week stability in the LP/US\$ black market rate, while equities extended their downward trajectory on profit-taking operations, and prices of Eurobonds remained at record lows. In details, the LP/US\$ parallel market rate ranged between LP/US\$ 94,300 and LP/US\$ 94,500 on Friday, compared to LP/US\$ 94,000-LP/US\$ 94,200 at the end of last week, as BDL continued to intervene heavily via "Sayrafa" to meet demand for the greenback. Within this context, the average daily trading volume reached US\$ 140 million this week against US\$ 64 million since the beginning of the year 2023. Stability in the LP/US\$ black market rate took place despite a multilayered political crisis and rising uncertainties about Lebanon's ability to secure international financial support. On the equity market, the BSE price index extended its fall for the third week in a row (-3.3%), mainly as market players sought to book gains on Solidere shares after a strong year-to-date price rally. On the bond market, sovereign prices remained quoted below 6 cents per US dollar this week amid lingering domestic political stalemate and reform stagnation.

LEBANON MARKETS: MAY 8 - MAY 14, 2023

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

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ECONOMY

IIF TALKS ABOUT RISKS OF THE SINKING TITANIC

A new report has been issued by the Institute of International Finance (IIF) on Lebanon.

The report says it has been over three years since the start of the Lebanese crisis, yet no meaningful corrective reforms have been undertaken. Instead, counterproductive policies were introduced that amplified the initial economic and financial crisis to epic proportions, with tragic humanitarian consequences.

The majority of the political elite have been in a state of denial and remain mostly concerned with their own narrow interests rather than the well-being of the Lebanese people.

Implementation of the IMF's prior actions is seen by the political elite as threatening to their illicit gains. Furthermore, the nexus between politicians and private sector vested interest groups has been a major hindrance to reforms.

In addition to political constraints, the severe economic and financial crisis has its roots in a long history of inconsistent macroeconomic policies and failed attempts to address policy distortions in the economy.

It is IIF belief, as well as that of most attendees of their Virtual Conference that the only hope for Lebanon to address its current economic and financial crisis is to implement a comprehensive adjustment and reform program with the help of the IMF and the World Bank, which can provide technical support and help catalyze broad international financial support.

The April 7, 2022 staff level agreement with the IMF set laudable objectives and comprehensive reforms to put the economy on a strong and sustained recovery path, though views diverged on certain aspects of the measures proposed.

Differing views on how to allocate the financial losses, estimated at US\$ 70 billion (more than three times of GDP in 2022), create an additional bottleneck for reaching an agreement on a comprehensive reform agenda.

The use of state-owned assets and public real estate could be one option to make deposits available to accounts held by the poor and middle-income groups. However, this should take into consideration budgetary limitations given the dire need to spend more on social safety nets and infrastructure.

Audits of the Central Bank of Lebanon (BdL), commercial banks, and fiscal accounts should be completed to provide a solid foundation for a medium-term framework and to determine the external financial gap.

A public information campaign is needed to explain the benefits of a comprehensive reform program to generate broad-based support and true public ownership is needed for the reform program to succeed.

According to IIF, it is unfortunate that capital controls were not imposed by the authorities at the start of the crisis in October 2019, leaving the decision to impose capital restrictions to individual banks. Temporary capital controls are needed to avoid any discretionary power by banks and to limit access to FX that could help address the current account deficit.

Lebanon's political elite must set aside their narrow interests and work towards the election of an independent and reformist president, a cabinet of pro-reformers, and a new Governor, to pave the way to the implementation of reforms.

Given the political uncertainties and willingness to reform, the IIF prepared two scenarios for illustrative purposes:

Optimistic Scenario (low probability): achieve political stability by end-June (including election of a pro-reform President and formation of reform minded cabinet), IMF's prior actions are implemented, IMF Board approves the EFF arrangement by end-September, external financing becomes available, confidence is restored gradually, strong economic recovery driven by net exports and public investment, single digit inflation achieved within 3 years, debt becomes sustainable with restructuring and fiscal adjustment, and a significant portion of the deposits become accessible as per the IIF favorable scenario.

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Pessimistic Scenario (high probability): authorities continue blocking reforms, no IMF agreement, no external support, parallel exchange rate soars, inflation remains in triple digits, reserves diminish further, deposits remain inaccessible, emigration accelerates, and Lebanon disintegrates or, like the Titanic, crashes into the metaphorical iceberg as economic and social conditions deteriorate to the point of provoking civil strife with unimaginable results as per the IIF adverse scenario.

NUMBER OF PASSENGERS AT THE AIRPORT INCREASED BY 27% YEAR-ON-YEAR IN THE FIRST FOUR MONTHS OF 2023

The latest figures released by the Rafic Hariri International Airport (BIA) revealed that the airport traffic posted an improving performance in the first four months of 2023 against the same period of the year prior.

In details, total number of passengers increased by 27.4% in the first four months of 2023 when compared to the same period of 2022, reaching 1,902,527 passengers in the former period. In addition, the number of aircraft increased by 20.7% year-on-year. On the other hand, the total freight handled by the airport decreased marginally by 2.7% year-on-year during the aforementioned period.

The number of incoming passengers increased by 26.8% year-on-year and that of departing passengers by 27.9%, to reach 925,780 and 976,747 respectively in the first four months of 2023. In parallel, landings increased by 20.7% and take-offs by 20.6% year-on-year in the first four months of 2023, with 8,368 planes landing and 8,368 planes taking-off during the period.

Regarding the freight movement within the airport, a total of 9,883 tons were imported and unloaded during the first four months of 2023, while 7,689 tons were exported and loaded. The first mentioned activity posted an increase of 9.7% while the latter posted a 15.1% decrease on a yearly basis in the first four months of 2023.

Looking at the performance of the BIA during April 2023, we notice a 36.8% increase in the number of passengers year-on-year to reach 541,676 passengers. Additionally, the number of aircraft increased by 22.7 % between April 2023 and April 2022. On the other hand, total freight handled by BIA decreased by 6.4% year-on-year in April 2023. This in turn shows an improvement in the Eid/Easter touristic season between 2023 and 2022.

The number of incoming passengers increased by 30.9% year-on-year and that of departing passengers by 43.8%, to reach 281,685 and 259,991 respectively in the fourth month of 2023. In parallel, landings increased by 22.9% and take-offs by 22.6% year-on-year in the fourth month of 2023, with 2,215 planes landing and 2,214 planes taking-off during the month.

Regarding the freight movement within the airport, a total of 2,728 tons were imported and unloaded during the fourth month of 2023, while 1,818 tons were exported and loaded. The first mentioned activity posted an increase of 8.7% while the latter posted a 22.6% decrease on a yearly basis in the fourth month of 2023.

At the level of tourism, according to data from the Ministry of Tourism, the total number of tourists arriving into Lebanon during the first quarter of 2023 increased by 29.0% from figures from the same period of 2022. The total number of tourist inflow in Q1 2023 reached 274,787 up from 212,950 in Q1 2022.

The upwards trend in tourist inflow into Lebanon is expected to extend into the Eid/Easter season as well as the coming summer season which multiple sources forecast to be highly successful. This comes as Lebanon is on track to recover its tourism sector, widely regarded as the national economy's backbone. This recovery follows a plan of developing different fields in the sector notably guesthouses, eco-tourism and religious tourism among others as well as a decentralization and interconnectivity plan for different regions in Lebanon. However, due to the political vacuum in the presidential seat as well as a destabilization on the southern border of the country, tourism inflow could potentially be affected.

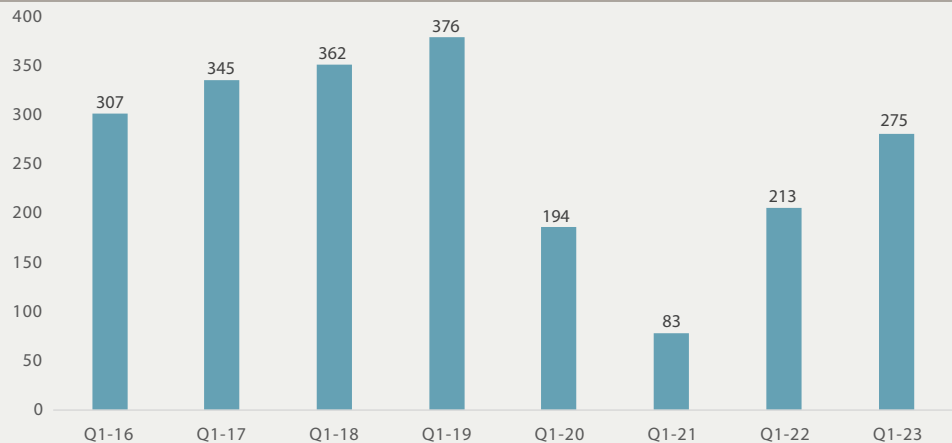
In details and looking at the distribution of tourists incoming by continents, Europe had the biggest share with 39.4% of total incoming tourists. Arab countries came in second with a share of 30.6%, followed by America with 16.3%, Asia with 6.4%, Africa with 4.2%, Oceania with 3.2% and other nations with 0.0%.

It is worth noting that an increase in tourism inflow was noticed almost from all continents. In details, Asia saw the biggest increase with a jump of 69.9% year-on-year in Q1 2023 against Q1 2022. The second highest increase in the number of incoming tourists came from Europe with 37.7% followed by America with 26.5%, Oceania with 26.3%, Africa with 17.5% and Arab countries with 16.8% between Q1 2023 and Q1 2022. On the other hand,

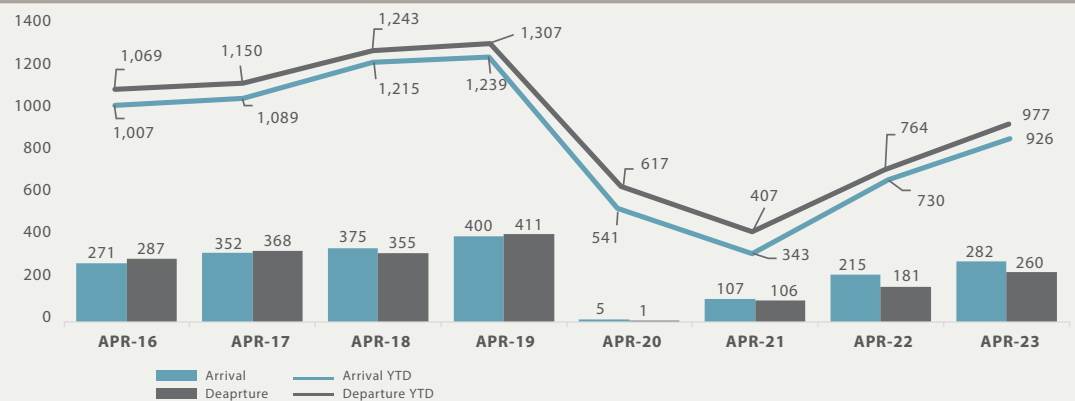
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the number of incoming tourists from other nations saw a drop of 55.7% year-on-year in Q1 2023 against figures from Q1 2022, as per data from the Ministry of Tourism.

YTD TOURIST ARRIVALS (000S)



NUMBER OF ARRIVALS AND DEPARTURES AT BIA (000S)



MOU SIGNED BETWEEN LEBANON AND IRAQ FOR EMPLOYMENT REGULATION

A Memorandum of Understanding (MoU) was signed between the Lebanese Caretaker Minister of Labor and his Iraqi counterpart regarding employment regulation between the two sides and the protection of laborers' rights.

In detail, the MoU aims to enable Iraqi workers in Lebanon and Lebanese workers in Iraq to benefit from the host country's social security services. Additionally, a committee will be formed in order to oversee the implementation of this MoU in both countries. According to the Lebanese Caretaker Minister of Labor, the MoU tackles everything related to labor issues and reflects the strengthening of ties between both sides.

It is worth noting that Lebanon and Iraq have recently been signing a series of agreements in different fields with the aim of strengthening bilateral ties. In 2022, a MoU was signed between the two countries in order to strengthen ties in the fields of economy, industry, science, environment and technology. At the end of February 2023, a joint cooperation agreement in the field of agriculture was agreed on as well as the exchange of experiences in the fields of ports, training areas and economic activities. Additionally, in the beginning of March 2023, an agreement was put into effect which would revoke the need for an in-advance visa for Lebanese citizens to enter Iraq and vice versa.

It is worth noting that, following the increase of tourists, rural tourism has seen an increase. In turn, this has led to a growth in the guesthouse sector, which has recently seen the establishment of a syndicate grouping 150 guesthouses which works to encourage international tourists to partake in rural tourism in the country and seen as a sustainable form of tourism, as per the Lebanese Caretaker Minister of Tourism.

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SURVEYS

HOTEL OCCUPANCY AT 36% IN FIRST TWO MONTHS OF 2023, AS PER EY

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East for the first two months 2023 (four and five star hotels), in which it showed that the performance of Lebanon's hospitality sector witnessed a slight contraction in occupancy rate coupled with a net decline in average room rates and room yields.

As a matter of fact, the occupancy rate of four and five-star hotels within the capital reached 36% in the first two months 2023, against 39% in the same period of the previous year, down by 3%, as per EY.

The occupancy rate within Beirut was ranked 13th among 13 regional cities included in the survey. It was directly surpassed by Jeddah and Amman (49% and 44% respectively).

Madinah ranked first in the Middle East, with an 90% occupancy rate, followed by Makkah (88%), while Beirut came last.

Beirut's room rate moved down to US\$ 69 in the first two months of 2023 from US\$ 41 in the same period of the previous year.

The rooms' yield declined to reach US\$ 15 in the first two months of 2023, compared to US\$ 27 in the same period of 2022 as a result of the decline in both room rate and occupancy.

ERNST & YOUNG MIDDLE EAST HOTEL BENCHMARK SURVEY

	Occupancy %		Average Room Rate (US\$)		Room Yield (US\$)	
	2M 2023	2M 2022	2M 2023	2M 2022	2M 2023	2M 2022
Madinah	90	72	150	99	135	71
Makkah	88	47	168	96	147	45
Dubai	84	77	367	378	310	290
Abu Dhabi	83	86	120	82	99	70
Riyadh	77	73	208	169	160	123
Cairo	75	68	138	58	103	40
Muscat	66	44	145	130	96	57
Manama	65	37	155	151	100	56
Doha	57	58	115	99	66	58
Kuwait City	56	35	195	242	110	85
Jeddah	49	43	164	171	81	74
Amman	44	30	137	139	60	42
Beirut	36	39	41	69	15	27

Sources: Ernst & Young, Bank Audi's Group Research Department

LEBANON 13TH REGIONALLY AND 120TH GLOBALLY AS PER WORLD CITIZENSHIP INDEX 2023

Lebanon ranked 13th out of 23 countries in the MENA region and 120th globally out of 188 countries worldwide according to the World Citizenship Index for 2023.

The World Citizenship Index (WCI), WCR's data-driven tool, measures 188 countries across five motivators that are most relevant among the newest generation of global citizens: the mass affluent population.

Lebanon got an overall score of 43.60 on the index, broken down as follows: A score of 38.5 on Safety and Security (ranking 147th globally), a score of 56.3 on Economic Opportunities (ranking 75th globally), a score of 61.0 on Quality of life (ranking 105th globally), a score of 14.2 on Global Mobility (ranking 126th globally), and a score of 35.7 on Financial freedom (ranking 134th globally).

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Regionally, Lebanon came just after Palestinian Territories and before Djibouti. UAE ranked first in the region with a score of 74.2, while Somalia ranked last with a score of 24.9.

Globally, the top ten countries in 2022 and 2023 are remarkably similar with some movement up and down.

Switzerland ranked number one in 2022, but fell to the second spot in 2023, with Denmark usurping the first spot in 2023.

The Republic of Korea experienced the biggest drop. In 2022, it ranked at number 28, falling 20 spots to number 48 in 2023.

The biggest climber was Sao Tome and Principe, which ranked at number 106 in 2022, climbing 27 spots to 79 in 2023.

Interestingly, the Caribbean nations that offer citizenship by investment (CBI) maintained their positions in the top 30 per cent in 2023, which can be attributed to their political, economic, and societal stability. Countries like Dominica, St Kitts and Nevis, and Saint Lucia all offer some of the world's best second citizenship programmes and are serious trailblazers in the investment immigration industry.

ARAB MENA COUNTRIES' WORLD CITIZENSHIP REPORT GLOBAL RANKINGS 2023

Country	Safety and Security		Economic Opportunities		Quality of Life		Global Mobility		Financial Freedom			
	Global Score	Global Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank		
UAE	74.20	33	65.5	68	75.00	20	81.40	32	81.20	20	68.60	28
Qatar	67.40	48	73.2	49	72.90	24	72.40	57	46.70	60	62.90	41
Kuwait	61.30	61	64.4	70	65.10	41	72.90	53	43.20	66	50.20	79
Bahrain	59.40	66	53.3	102	65.40	40	76.10	44	39.70	70	53.00	66
Oman	58.60	69	61.9	76	63.60	46	68.90	76	37.30	74	50.30	78
Saudi Arabia	58.20	70	48.5	120	70.00	30	75.10	47	35.50	79	53.30	65
Jordan	58.00	71	59	83	60.90	61	80.30	36	19.80	116	53.60	64
Tunisia	54.40	85	58.9	84	56.40	74	65.00	93	33.80	82	47.10	90
Morocco	51.80	95	55.5	98	60.00	62	58.30	115	27.10	93	48.60	86
Algeria	47.40	105	45.4	130	56.30	75	63.30	101	20.50	112	39.40	124
Egypt	46.80	109	44.1	133	54.50	79	63.70	99	20.50	112	39.60	122
Palestinian Territory	46.10	112	39.9	143	59.90	63	64.60	96	12.80	128	40.90	118
Lebanon	43.60	120	38.5	147	56.30	75	61.00	105	14.20	126	35.70	134
Djibouti	43.10	122	42.9	135	51.60	91	50.10	131	21.20	110	42.70	108
Comoros	42.90	124	46.7	127	47.20	103	52.50	126	23.00	107	34.70	138
Mauritania	42.40	125	47.4	124	40.90	118	48.70	135	25.00	98	42.70	108
Libya	42.10	127	27.9	163	59.90	63	64.90	94	13.80	127	32.30	145
Iraq	40.10	133	27	164	59.90	63	58.40	114	9.70	133	35.30	135
Syria	33.70	147	20.4	168	45.00	110	52.50	126	10.00	132	32.90	143
Sudan	32.30	149	28.6	161	38.50	122	45.00	147	14.20	126	27.00	151
South Sudan	29.80	150	23.4	165	38.50	122	37.60	160	17.40	121	28.10	150
Yemen	29.40	151	20.8	167	35.50	126	42.90	151	11.40	130	31.30	147
Somalia	24.90	152	23.3	166	30.00	128	35.80	162	11.80	129	16.00	153

Sources: CS Global Partners, Bank Audi's Research Department

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CORPORATE NEWS

DRILLING FOR OIL AND GAS EFFORTS IN LEBANON'S BLOC 9 TO START IN SEPTEMBER

The drilling efforts for oil and gas in Lebanon's bloc 9 are set to start in September of this year with results of a discovery, if any, being disclosed before the end of 2023.

According to the Lebanese Caretaker Minister of Energy, the extension of the deadline for the exploration of eight other blocs depends on the results of the drilling in bloc 9. Additionally, many participants in the field showed interest in the drilling results for bloc 9 which will lead to a decision on whether or not to invest in Lebanon.

In the case of a discovery, it is expected to be of great benefit to the Lebanese population in providing them with more fuel, electricity production, an increase in foreign currency reserves and FDI.

MOE SIGNS PURCHASE AGREEMENT WITH 11 PRIVATE SECTOR COMPANIES FOR RENEWABLE ENERGY PRODUCTION

The Ministry of Energy and Water (MoE) has signed purchase contracts with 11 private sector companies to build solar energy production plants. This comes as part of Lebanon's plan to transition towards increased reliance on renewable energy sources in its energy mix. These contracts were signed following the decision of the Council of Ministers number 34 dated May 12th 2022.

These contracts will enable the companies to build 11 solar energy production plants with a capacity of 15 Megawatts (mW) each or a total of 165 mW. These plants will be connected to the national gridline and sold to Électricité du Liban (EDL). The price per Kilowatt-hour (kWh) will be set at US\$ 5.7 cents per kWh for plants producing from the Bekaa region and US\$ 6.3 cents per kWh for plants producing from the rest of the country, as per the Lebanese Caretaker Minister of Energy and Water.

It is worth noting that Lebanon's experience proved the importance of securing sustainable energy alternatives to fossil fuel, however untargeted subsidies towards fuel and electricity was hindering the transition process. Therefore, following the lifting of these subsidies by the MoE, solar energy sources became less expensive than its fossil fuel counterpart. While EDL's electricity production costs US\$ 17 cent per kWh, renewable energy sources will cost, as mentioned above, between US\$ 5.7 cents/kWh and US\$ 6.3 cents/kWh depending on the plant's region of operation, as stated by the Lebanese Caretaker Minister of Energy and Water.

This move represents a positive step in two directions, namely the provision of additional hours of electricity to the Lebanese people as well as sending a message of seriousness towards the international community relating to Lebanon's willingness to work on its transition to renewable energy sources.

The MoE has set issues relating to sustainable energy as top priority on its agenda with a set plan containing all goals proposed by the International Renewable Energy Agency (IRENA) for 2030. This plan aims to reach 30% renewable energy in the national mix by 2030 with goals to install 3,000 mW in energy sourced from individual solar farms, 1,000 mW from wind farms as well as the development of both solar water heating and heat pump markets in the country, as per the Lebanese Caretaker Minister of Energy and Water.

LIBAN CABLES EXTENDS ITS SOLAR POWER SYSTEM AT ITS NAHR IBRAHIM FACILITY

Liban Cables has announced the expansion of its solar power system at its industrial facilities in Nahr Ibrahim. The system will be extended with a maximum capacity of 600 Kw bringing the total power generation for the system at peak to 1.2 mW. Additionally, the system will have a 500 kW containerized battery solution, the first of its kind. This expansion is expected to reduce Liban Cables' greenhouse gas (GhG) emission by 1.5 kilotons annually. This comes as two of the company's six diesel generators will be replaced by photovoltaic panels, as per Liban Cables.

According to the company, 3,020 photovoltaic panels will be installed and connected to the station, generating circa 1,800 MWh per year. In turn, this production will cover circa 20% of the company's need for electricity

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per annum. These installations come as part of the mother company of Liban Cables (Nexan)'s commitment to reduce GhG emission by 4.2%/annum and its contribution to mitigate the impact of climate change.

DAH ACQUIRES MAJORITY STAKE IN ONE OF TURKEY'S TOP ENGINEERING CONSULTING FIRMS

Dar Al-Handasah (DaH) has acquired a majority stake in Su-Yapi Engineering & Consulting. The company in question is an engineering consultancy firm in Turkey.

It is worth noting that Su-Yapi Engineering & Consultancy is considered a leader in water, wastewater, infrastructure, energy, dams and hydropower throughout the region. The company delivers circa 70% of all dams in Turkey and employs 200 multidisciplinary professionals.

This acquisition by DaH comes as a strategic move to cement its foothold in the Turkey and Central Asia region while also reinforcing its leadership in the MENA regions' water resources, dams and hydropower. The acquisition therefore supports DaH's growth strategy in key sectors and regions while also presenting an opportunity for both companies to leverage their combined resources and competencies in order to achieve collaborative growth.

The acquisition will keep Su-Yapi's independent operation under its own brand all the while benefiting from Dar Group's international network, capabilities and resources. Additionally, the company will benefit from the group's experience in quality, innovation, reliability, delivery and customer relationships.

It is worth highlighting that DaH was founded in 1956 in Beirut. The company has set itself as an international multidisciplinary consultancy which provides services in planning, design, engineering and project management to different infrastructure projects. The company currently employs upwards of 7,800 professionals across 47 offices set in over 30 countries. DaH has delivered 4,500 projects to 950 clients worldwide with a total value of US\$ 540 billion since its inception.

MOT OPENS AN OFFICE IN RASHAYA AS PART OF ITS DECENTRALIZATION PLAN

As part of the Ministry of Tourism's (MoT) administrative decentralization plan, the Lebanese Caretaker Minister of Tourism has opened an office in Rashaya. The plan tackles the opening of 35 offices in different regions of Lebanon, connecting the regions to each other and set the MoT as a main center for the offices.

The opening of the aforementioned office stands as the first step in putting Rashaya on the tourism map of the country. The region of Rashaya holds lots of heritage in different fields (religious, national, cultural and human). The region holds the citadel of independence in which the French mandate authorities held Lebanon's national leaders during the 1943 rebellion that led to the country's independence. Additionally, the region holds part of Mount Hermon which has religious significance. Rashaya also houses multiple artists and is known for its hospitality which contribute to the cultural and human fields. In parallel, the regions hosts multiple tourist attractions and efforts are underway to open the independence museum in Rashaya as well as promoting and encouraging eco-tourism through different laws and reserves.

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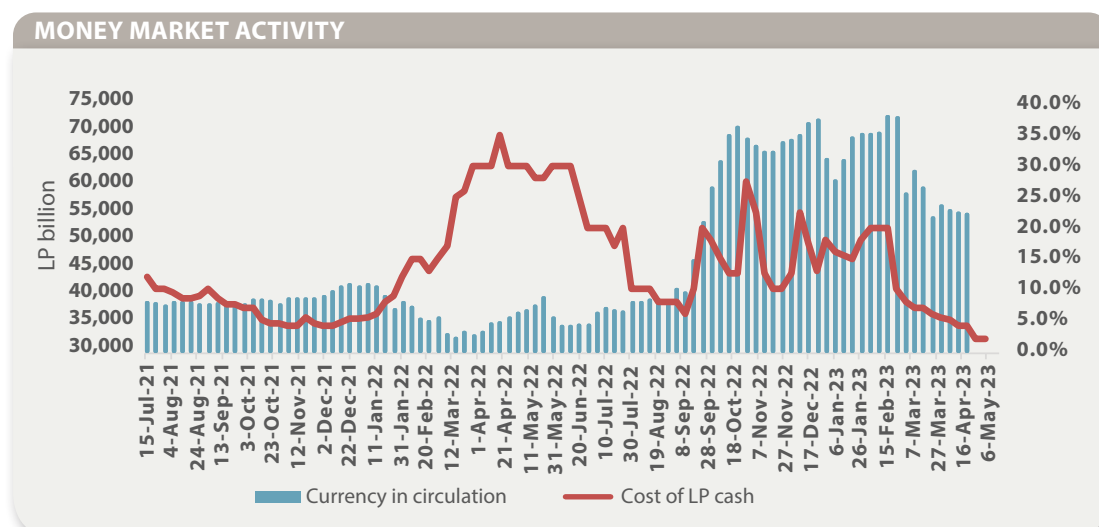
CAPITAL MARKETS

MONEY MARKET: WEEKLY EXPANSION IN TOTAL RESIDENT DEPOSITS, ON LP AND FC DEPOSIT GROWTH

The overnight rate, which is a non-cash rate on the money market, retreated further to 7% this week, as compared to 10% in the previous week. Concurrently, the cost of LP cash was quoted at 1%-3% this week as compared to 1.5%-2.5% last week.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 27th of April 2023 showed that total resident banking deposits expanded by LP 947 billion week-on-week. This is mainly attributed to a LP 454 billion rise in total LP resident deposits amid an increase in LP demand deposits of LP 517 billion and a retreat in LP saving deposits of LP 63 billion. In parallel, foreign currency resident deposits rose by LP 493 billion week-on-week (the equivalent of US\$ 33 million as per the official rate of LP 15,000). That being said, the money supply in its broadest sense (M4) expanded by LP 1,085 billion, amid a LP 388 billion weekly increase in the non-banking sector Treasury bills portfolio and a LP 249 billion decline in the currency in circulation.

Within this context, it is worth mentioning that the currency in circulation has accumulated contractions of LP 17.2 trillion over the first four months of 2023, reaching LP 55 trillion at end-April, amid continuous US dollar injection via the "Sayrafa" platform.



TREASURY BILLS MARKET: NOMINAL WEEKLY DEFICIT OF LP 263 BILLION

The latest Treasury bills auction results for value date 11th of May 2023 showed that the Central Bank of Lebanon allowed banks to subscribe in full to the three-month category (offering a yield of 3.50%), the one-year category (offering a yield of 4.50%) and the five-year category (offering a coupon of 6.00%).

The Treasury bills auction results for value date 4th of May 2023 showed subscriptions of LP 59 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 56 billion in the six-month category (offering a yield of 4.00%) and LP 3 billion in the two-year category (offering a coupon of 5.00%). These compare to maturities of LP 322 billion, which resulted into a nominal weekly deficit of LP 263 billion.

The latest Treasury bills report released by the Association of Banks in Lebanon showed that the outstanding Tbs portfolio reached LP 89,543 billion at end-March 2023, as compared to LP 89,724 billion at end-2022, noting that the banking system accounted for 79% of the total, followed by the public sector with 20% and individuals and individual institutions with 1%.

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TREASURY BILLS

	12/05/2023	05/05/2023	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%	↔
10-year	-	7.00%	7.00%	
Nom. Subs. (LP billion)		59	1	
Short-term (3&6 mths)		56	-	
Medium-term (1&2 yrs)		3	-	
Long-term (3 yrs)		-	1	
Long-term (5 yrs)		-	-	
Long-term (10 yrs)		0	-	
Maturities		322	193	
Nom. Surplus/Deficit		-263	-192	

Sources: Central Bank of Lebanon, Ministry of Finance

FOREIGN EXCHANGE MARKET: STATUS QUO MOOD SWAYS OVER BLACK FX MARKET

A status quo mood swayed over the black FX market during this week, amid increased BDL's intervention as a seller of cash US dollars via the "Sayrafa" platform. For instance, the total trading volume averaged US\$ 140 million this week compared to an average daily trading volume of US\$ 125 million last week and US\$ 64 million since the beginning of the year 2023.

Under these conditions, the LP/US\$ black market rate continued to see marginal fluctuations during this week, reaching LP/US\$ 94,300-LP/US\$ 94,500 on Friday as compared to LP/US\$ 94,000-LP/US\$ 94,200 at the end of last week. Accordingly, the spread between the LP/US\$ Sayrafa rate (LP/US\$ 86,300) and the black FX market rate was quoted around LP 8,100 this week, slightly up from LP 7,800 last week.

EXCHANGE RATES

	12/05/2023	05/05/2023	30/12/2022	
LP/US\$	15,000.00	15,000.00	1,507.50	↔
LP/£	18,798.00	18,907.50	1,813.97	↑
LP/¥	111.30	111.80	11.27	↑
LP/SF	16,819.91	16,818.03	1,628.67	↓
LP/Can\$	11,118.52	11,107.82	1,108.21	↓
LP/Euro	16,369.50	16,540.50	1,603.83	↑

Source: Bank Audi's Group Research Department

STOCK MARKET: EXTENDED WEEKLY EQUITY PRICE CONTRACTIONS

The Beirut Stock Exchange continued to witness some profit-taking operations on Solidere shares. This followed a strong year-to-date price rally of circa 40% that was mainly driven by hedging activity against crisis and currency collapse, and as market players sought to avoid any haircuts on their placements, noting that equity prices are denominated in domestic US dollars. Accordingly, the BSE price index pursued its fall for the third week in a row, moving down by 3.3%.

Bank Audi

Three out of seven traded stocks posted price drops, while one stock recorded price gains and three stocks saw no price change this week. A glance on individual stocks shows that Solidere "A" share price shed 4.8% to reach US\$ 81.35. Solidere "B" share price fell by 5.5% to US\$ 80.40. As to banking stocks, BEMO's "listed" share price plunged by 8.0% to US\$ 1.15. BLOM's "listed" share price nudged up by 0.4% to US\$ 2.56. Byblos Bank's "listed" share price stood unchanged at US\$ 0.70. BLOM's GDR price remained stable at US\$ 2.50. Bank Audi's share price remained quoted at US\$ 1.38.

As to trading volumes, the BSE total turnover expanded by 41.2% week-on-week, moving from US\$ 6.0 million last week to US\$ 8.5 million, noting that Solidere shares continued to capture the lion's share of activity (91.73%).

AUDI INDICES FOR BSE

	12/05/2023	05/05/2023	30/12/2022	
Market Cap. Index	775.04	801.79	614.50	↓
Trading Vol. Index	77.38	68.49	96.84	↑
Price Index	162.71	168.32	129.00	↓
Change %	-3.34%	-3.04%	1.30%	↓
	12/05/2023	05/05/2023	30/12/2022	
Market Cap. \$m	18,387	19,022	14,578	↓
No. of shares traded (Exc. BT)	405,109	69,954	187,711	↑
Value Traded \$000 (Exc. BT)	8,524	6,037	6,415	↑
o.w. : Solidere	7,819	6,028	6,349	↑
Banks	705	0.003	66	↑
Others	0	9	0	↓

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

BOND MARKET: LEBANESE EUROBOND PRICES AT THEIR LOWS

Lebanese Eurobond prices remained quoted below 6 cents per US dollar this week, standing at 5.875 cents per US dollar across the yield curve on Friday amid bets about low recovery rates. This came within the context of a lack of consensus for electing a new President, while the cabinet continues to act in a caretaker mode, and given the very slow progress in implementing long-overdue reforms to secure much-needed financial support from the IMF. Within this context, year-to-date bond price gains continued to hover between 0.13 pt and 0.25 pt across the curve.

EUROBONDS INDICATORS

	12/05/2023	05/05/2023	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)	5.88	5.88	5.50-5.88	↔
Average Life	5.06	5.08	5.34	↓
Yield on US 5-year note	3.38%	3.35%	3.94%	↑

Source: Bank Audi's Group Research Department

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INTERNATIONAL MARKET INDICATORS

	12-May-23	05-May-23	31-Dec-22	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	135.70	134.81	131.11	0.7%	3.5%
\$/£	1.246	1.264	1.208	-1.4%	3.1%
\$/Euro	1.085	1.102	1.071	-1.5%	1.3%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	33,300.62	33,674.38	33,147.25	-1.1%	0.5%
S&P 500	4,124.08	4,136.25	3,839.50	-0.3%	7.4%
NASDAQ	12,284.74	12,235.41	10,466.48	0.4%	17.4%
CAC 40	7,414.85	7,432.93	6,473.76	-0.2%	14.5%
Xetra Dax	15,913.82	15,961.02	13,923.59	-0.3%	14.3%
FT-SE 100	7,754.62	7,778.38	7,451.74	-0.3%	4.1%
NIKKEI 225	29,388.30	29,157.95	26,094.50	0.8%	12.6%
COMMODITIES (in US\$)					
GOLD OUNCE	2,010.77	2,016.79	1,824.02	-0.3%	10.2%
SILVER OUNCE	23.97	25.67	23.95	-6.6%	0.1%
BRENT CRUDE (per barrel)	74.17	75.30	85.91	-1.5%	-13.7%
LEADING INTEREST RATES (%)					
1-month Libor	5.11	5.10	4.39	0.00	0.72
US Prime Rate	8.25	8.00	7.50	0.25	0.75
US Discount Rate	5.25	5.00	4.50	0.25	0.75
US 10-year Bond	3.46	3.44	3.87	0.03	-0.41

Sources: Bloomberg, Bank Audi's Group Research Department

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