

## Economy

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## Markets In Brief

### p.9 MARKETS IN BRIEF: LP LOSES 10% OF ITS VALUE IN ONE WEEK ON ERRATIC "SAYRAFA" ACTIVITY

On the back of erratic "Sayrafa" activity, and following ABL's decision to resume an open-ended strike starting March 14, 2023 in protest of judicial decisions, and amid a protracted institutional vacuum and a poor track record of implementing reforms, Lebanon's capital markets saw this week a renewed fall in the Lebanese pound against the US dollar on the black FX market, while equities continued to head north and Eurobond prices remained at historical lows. In details, the Lebanese pound lost more than 10% of its value against the US dollar on the parallel market this week, on erratic "Sayrafa" activity and heated judicial-banking tensions. The LP/US\$ black market rate hit LP/US\$ 87,500-LP/US\$ 88,000 on Friday after sticking to LP/US\$ 80,000 over the past few days, following BDL's March 1 decision to intervene as a seller of banknotes via "Sayrafa". In parallel, the BSE registered extended price gains (+0.3%) for the fourth consecutive week, and the total turnover almost doubled week-on-week. Finally, sovereign bond prices remained at their lows (6.875 cents per US dollar) amid bets about low recovery rates.

### LEBANON MARKETS: MARCH 6 - MARCH 12, 2023

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

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## ECONOMY

### LOAN REDEMPTION REPRESENTS 81% OF DEPOSIT CONTRACTION SINCE CRISIS ONSET

The cumulative banking sector analysis since the onset of Lebanon's financial crisis, i.e between October 2019 and January 2023, shows the following trends:

- A cumulative decline in total deposits by US\$ 42.6 billion amid noticeable withdrawals and loan redemption: Customer deposits contracted from US\$ 168.4 billion at end-October 2019 to US\$ 125.8 billion at end-January 2023, the equivalent of 25.3%. Resident deposits contracted by US\$ 30.4 billion, while non-resident deposits dropped by US\$ 12.2 billion. FX Deposits contracted by US\$ 28.2 billion over the period to reach US\$ 95.4 billion, while LL deposits dropped by LL 21.6 trillion to reach LL 45.8 trillion as at end-January 2023. As a result, deposit dollarization went up from 73.4% in October 2019 to 75.9% in January 2023.
- A cumulative decline in total loans by US\$ 34.6 billion amid bank deleveraging efforts: Lebanese banks have been deleveraging significantly since the onset of the crisis. Their loan portfolio dropped from US\$ 54.2 billion to US\$ 19.6 billion, the equivalent of 63.9%. The loan redemption represents 81% of the deposit contraction over the period. FX loans contracted by US\$ 28.3 billion, while LL loans dropped by LL 9.4 trillion over the period. As a result, loan dollarization went down from 70.4% in October 2019 to 50.0% in January 2023.
- A cumulative decline in LL deposit interest rate by 830 basis points and in US\$ deposit interest rate by 652 basis points: The average LL deposit interest rate dropped from 9.03% at end-October 2019 to 0.73% at end-January 2023, while the average US\$ deposit interest rate declined from 6.61% to 0.09% over the same period. The spread between US\$ deposit rate and 3-month Libor reached close to -4.72% in January 2023, against +4.71% in October 2019.
- A cumulative decline in banks FX liquidity abroad by US\$ 4.2 billion: Lebanese banks' claims on non-resident financial sector dropped from US\$ 8.4 billion at end-October 2019 to US\$ 4.2 billion at end-January 2023. This comes as a result of the significant foreign liquidity usage by Lebanese banks to pay in cash for customers withdrawals at the beginning of the crisis period and more recently under BDL Article 158.
- A cumulative decline of US\$ 11.9 billion in banks Eurobonds portfolio amid net domestic sales and provisioning: Lebanese banks Eurobond portfolio reached US\$ 2.9 billion at end-January 2023, against US\$ 14.8 billion at end October 2019. The portfolio contraction is tied to banks net sales of Eurobonds at loss, mainly at the early months of the crisis, in addition to high provisioning requirements imposed by monetary authorities on bond portfolios.
- A cumulative decline in shareholders' equity by US\$ 9.0 billion amid banks' net losses: Shareholders' equity contracted from US\$ 20.6 billion at end-October 2019 to US\$ 11.6 billion at end-January 2023 as a result of net bank losses over the period. The losses incurred by Lebanese banks come as a result of noticeable FX costs (rate differential between the BDL circular 151 rate and the official exchange rate), the effects of mark-ups, the rising operating expenses tied to the surging inflation, in addition to significant provisions to face private and sovereign risks at large.

#### EVOLUTION OF BANK DEPOSITS SINCE CRISIS ONSET

|                                | Oct-19  | Jan-23  | Variation |
|--------------------------------|---------|---------|-----------|
| Total Deposits (US\$ million)  | 168,364 | 125,775 | -42,589   |
| o.w LL Deposits (LL billion)   | 67,426  | 45,789  | -21,637   |
| o.w FX Deposits (US\$ million) | 123,637 | 95,401  | -28,236   |
| Deposit dollarisation ratio    | 73.4%   | 75.9%   | 2.4%      |

#### EVOLUTION OF BANK LOANS SINCE CRISIS ONSET

|                             | Oct-19 | Jan-23 | Variation |
|-----------------------------|--------|--------|-----------|
| Total Loans (US\$ million)  | 54,166 | 19,579 | -34,587   |
| o.w LL Loans (LL billion)   | 24,164 | 14,764 | -9,399    |
| o.w FX Loans (US\$ million) | 38,136 | 9,785  | -28,351   |
| Loan dollarisation ratio    | 70.4%  | 50.0%  | -20.4%    |

Sources: Consultation and Research Institute, Bank Audi's Group Research

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## LEBANON'S NEW NATIONAL HEALTH STRATEGY "VISION 2030" UNVEILED

Vision 2030, Lebanon's new national health strategy, aims to restructure the healthcare system using five main pillars. This move will be done to ensure more equitable, integrated, patient-oriented, high-quality healthcare. The strategy was set in coordination with the World Health Organization (WHO) with the support of the European Union (EU) along with 100 experts from different related sectors in the country.

The first pillar of the strategy promotes governance through the proper management of the ministry as well as sustaining a network and partnership with stakeholders of the sector.

The transformation of the system from one that works on recovery into one that gives priority to preventative and primary healthcare is tackled in the second pillar. This transformation is done through the creation of a development plan that targets healthcare centers throughout the country with the help of the International Bank and the EU.

Agreements were signed with the WHO for the commencement of initial work for the creation of an emergency center and centralized lab.

The medical system in Lebanon suffers from lacking manpower whereas certain medical practices are extremely rare or even not present such as pediatric cardiovascular surgery. In turn, the creation of a healthier work environment in the sector is a priority in Vision 2030.

It is worth noting that 40% of the healthcare sector in Lebanon is financed by aid and loans from donor countries as well as organizations. The new strategy aims to make the system more fair and efficient amid the current crises that led to the collapse of the sector.

The strategy will include budget-spending transparency and will work on improving patients' situation with the end goal of providing an inclusive healthcare system by 2030. The sustainability of the plan along with the completion of short, medium and long term goals are secured through clear and urgent measures.

The financing of the sector can be executed through aid and loans from humanitarian organizations as well as sustainable financing. Five ways to recover the sector are given through the strategy which includes allowing the Ministry of Public Health to ensure and organize basic public health functions, the creation of a financing system and services that reach inclusive health coverage and the unification of public health funds within one independent health authority.

The new system will be based on patients, the promotion of health as well as the implementation of programs (i.e. the national nutrition strategy). Additionally, the strategy will work on the strengthening of the healthcare system's resilience.

Concurrently, Vision 2030 calls for investment into the digitalization of the sector through a health information system which will allow decisions to become evidence-based while avoiding unnecessary problems. The digitalization of the sector would also allow for accountability and the increase in transparency.

## CONTAINERS AT PORT OF BEIRUT INCREASED SLIGHTLY BY 3% IN THE FIRST MONTH OF 2023

The latest statistics released by the Port of Beirut revealed that the number of containers registered a yearly increase of 3.3% to attain 40,555 containers in January 2023, against 39,249 containers in the first month of the previous year.

In parallel, the number of ships witnessed a stagnation over this period remaining at 89 ships in January 2023, following a decrease of 6.3% between January 2021 and January 2022.

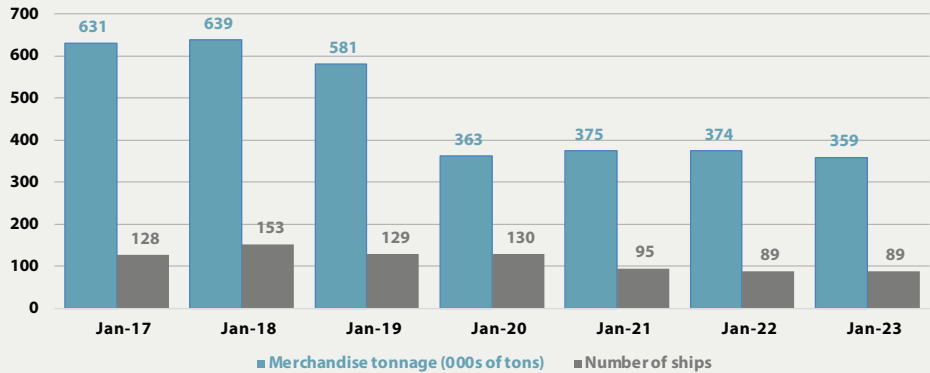
The quantity of goods reported a decrease of 4.1%, registering 359 thousand tons in January 2023, down from 374 thousand tons in the same month of 2022. This comes following a relative stagnation (negligible decrease of 0.2%) between January 2021 and January 2022.

It is worth noting that transshipments increased by 60.5% year-on-year in January 2023, following an increase of 9.4% between January 2021 and January 2022.

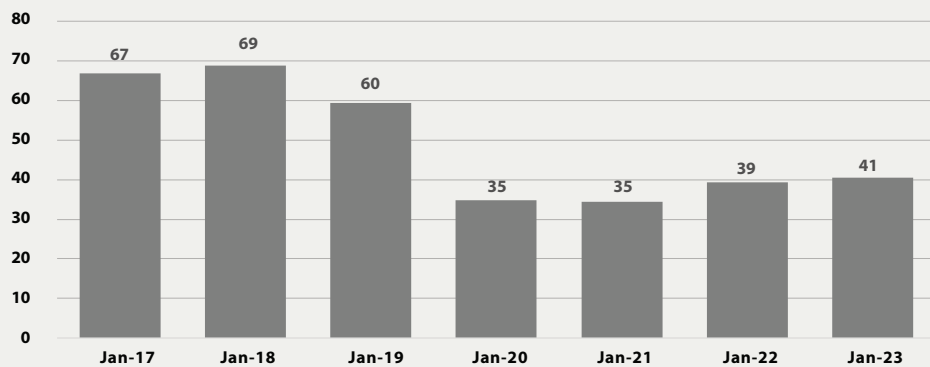
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## ACTIVITY OF PORT OF BEIRUT

### Number of ships and merchandise tonnage



### Number of containers (000s)



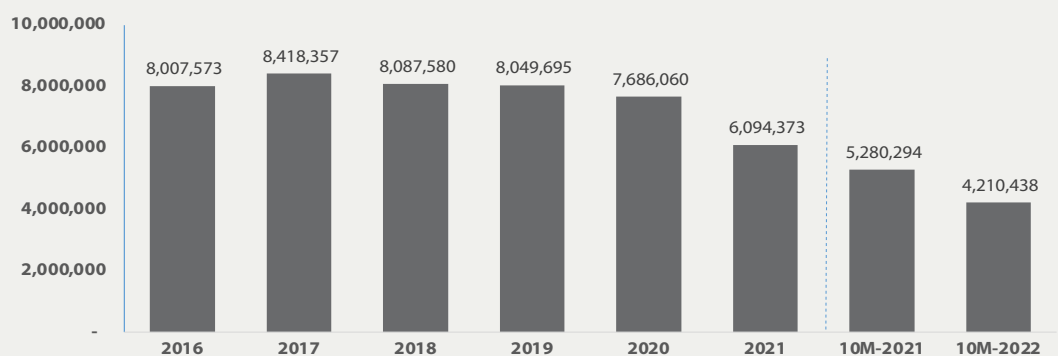
Sources: Port of Beirut, Bank Audi's Group Research Department

## IMPORTS OF PETROLEUM DERIVATIVES DECLINE BY A YEARLY 20% IN THE FIRST 10 MONTHS OF 2022

The volume of petroleum derivatives imports registered a year-on-year drop of 20.3% over the first 10 months of 2022. The latter retreated from 5,280,294 metric tons to 4,210,438 metric tons between both periods, as released by the Central Bank of Lebanon.

It is worth noting that the imports of petroleum derivatives stood at 6,094,373 metric tons in 2021, down from 7,686,060 metric tons in 2020.

## IMPORTS OF PETROLEUM DERIVATIVES (METRIC TONS)



Sources: BDL, Bank Audi's Group Research Department

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## SURVEYS

### MERCY CORPS EXPECTS FURTHER CURRENCY DEPRECIATION LOOKING FORWARD

A new Lebanon crisis update was issued by Mercy Corps this week. The report says LBP depreciation saw fuel prices reach new highs, which will have a lasting effect on household spending, particularly in terms of the Survival Minimum Expenditure Basket (SMEB) and other household costs such as transportation and generator fees. Rising transportation costs (in LBP terms) will impact the ability of laborers to commute to work, children to attend school, and even humanitarian actors to reach aid beneficiaries. Fuel price increases also impact people's ability to afford heating, a key concern as temperatures dropped and cold weather is expected to continue into the coming months. This in turn is expected to incentivise additional negative coping mechanisms such as illegal tree logging.

It is unclear how or when Lebanon's political deadlock can be broken. The absence of a president has delayed needed legislative action by the parliament - which is largely confined to electoral duties until a new president is elected - and executive-level decision making is hampered by its caretaker status. Only when Lebanon's most powerful parties are in near alignment can the executive take action, though as the latest cabinet meeting shows, not in a decisive or comprehensive manner. Regardless of the expected consequences of inaction, there is no sign of an immediate breakthrough that would see a new president elected and the naming of a prime minister designate as per Mercy Corps.

Major LBP depreciation and price volatility at the end of December and throughout January has had a significant impact on the effectiveness of humanitarian assistance denominated in LBP, such as that received by much of the Syrian refugee population. While there are frameworks for adjusting assistance levels in LBP to take into account currency volatility, these are often not able to mitigate the erosion of aid purchasing power during more dramatic periods of depreciation. Should the LBP continue to decline at an accelerated rate in the coming months, the value of assistance will decrease and aid beneficiaries will suffer. This will be compounded by persistent cold weather.

LBP depreciation has had a direct impact on Lebanon's education system, as public school teachers are refusing to end their strike before their salaries' loss of purchasing power is offset. Teachers who work on a non-contractual basis remain on the job, but reliance on them is not a sustainable solution, particularly as the rate of career teacher retirements rises.

Public sector employees plan to continue or declare new strikes in February, which will likely impact access and service delivery. For example, if Ministry of Telecommunications employees continue or escalate their strike, phone and internet services could be interrupted, making it more difficult to reach and access local communities. Further telecoms tariff increases are also possible in the near to medium term if the ministry decides to increase employee remuneration by increasing revenue, or account for a rise in other operating costs. This could have significant humanitarian consequences. General Labor Confederation strikes, which often entail road closures to pressure state action, would likely disrupt routes used by aid workers.

Lebanon's import bill for 2022 was very high relative to the country's GDP. It is likely that imports in some categories will remain high in 2023, notably fuels or items designed to mitigate the impact of service delivery collapse such as solar panels and generators. This will continue to place strong downward pressure on the LBP, with significant consequences for those dependent on LBP salaries, or on LBP-denominated assistance.

State revenues outlined in the 2022 Budget are insufficient to cover wages, meaning the MoF will likely request a treasury advance from the Central Bank to make up the difference. In order for the Central Bank to comply with this request, it would need to increase money supply, resulting in further LBP market rate depreciation. This is unlikely to change in the absence of comprehensive economic reforms. In the event expansionary monetary policy is implemented, the positive results of it would likely be short-lived, while in the longer-term such a move would likely dampen prospects for an economic recovery.

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## HOTEL OCCUPANCY AT 49% IN 2022, AS PER EY

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East for 2022 (four and five star hotels), in which it showed that the performance of Lebanon's hospitality sector witnessed an expansion in occupancy rates, average room rates and room yields.

As a matter of fact, the occupancy rate of four and five-star hotels within the capital reached 49% in 2022, against 42% in the previous year, up by 7%, as per EY.

The occupancy rate within Beirut was ranked 13th among 13 regional cities included in the survey. It was directly surpassed by Muscat and Cairo (52% and 71% respectively).

Dubai ranked first in the Middle East, with a 73% occupancy rate, while Beirut came last.

Beirut's room rate moved slightly up to US\$ 46 in 2022 from US\$ 43 in the previous year.

The rooms' yield rose to reach US\$ 22 in 2022, compared to US\$ 18 in the previous year.

### ERNST & YOUNG MIDDLE EAST HOTEL BENCHMARK SURVEY

|               | Occupancy % |           | Average Room Rate (US\$) |           | Room Yield (US\$) |           |
|---------------|-------------|-----------|--------------------------|-----------|-------------------|-----------|
|               | 12M 2022    | 12M 2021  | 12M 2022                 | 12M 2021  | 12M 2022          | 12M 2021  |
| Dubai         | 73          | 64        | 339                      | 283       | 246               | 180       |
| Jeddah        | 55          | 49        | 237                      | 209       | 130               | 102       |
| Kuwait City   | 46          | 39        | 224                      | 229       | 103               | 89        |
| Riyadh        | 63          | 59        | 180                      | 139       | 113               | 81        |
| Doha          | 60          | 74        | 166                      | 99        | 100               | 73        |
| Abu Dhabi     | 76          | 78        | 90                       | 75        | 68                | 58        |
| Manama        | 50          | 39        | 153                      | 129       | 76                | 50        |
| Madinah       | 74          | 43        | 145                      | 106       | 108               | 46        |
| Amman         | 49          | 32        | 146                      | 135       | 72                | 43        |
| Makkah        | 67          | 27        | 165                      | 140       | 111               | 38        |
| Cairo         | 71          | 55        | 102                      | 63        | 73                | 35        |
| Muscat        | 52          | 32        | 126                      | 94        | 66                | 30        |
| <b>Beirut</b> | <b>49</b>   | <b>42</b> | <b>46</b>                | <b>43</b> | <b>22</b>         | <b>18</b> |

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

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## CORPORATE NEWS

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### CEDAR OXYGEN APPROVES US\$ 77 MILLION IN INDUSTRIAL LOANS IN 2022

The Cedar Oxygen fund approved upwards of 60 loans to the industrial sector in 2022 with a value of US\$ 77 million. These loans were majoritarily used in the funding of raw materials import. The size of loans available in the fund range from US\$ 200,000 to US\$ 10 million with a median value of US\$ 1.1 million. During 2022, the fund boosted its lending portfolio by seven times, as per the CEO of Cedar Oxygen.

The company has an additional 25 loans under way. The reason for this growth during the year prior is accredited to the development of the fund's offering to better suit the needs of the market as well as the bettering of loan conditions (including interest rates, and ease of access) for the benefit of the recipient, as per the CEO of Cedar Oxygen.

It is worth noting that more than 70% of loans are used in the financing of raw material imports.

Additionally, the fund offers capital expenditure financing (CAPEX) for the purchase of equipment with discounts on manufacturer's receivables. In parallel, Cedar Oxygen aims to raise additional funding to expand into different sectors.

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### THE JAPANESE EMBASSY TO LEBANON EXTENDS THREE GRANTS TOWARDS LEBANESE INSTITUTIONS

The Japanese Embassy to Lebanon has signed grants for the instalment of solar panel systems in three Lebanese institutions.

The embassy extended a fund towards Yeghishe Manoukian College (YMC) through the Grant Assistance for Grassroots Human Security Program (GGP) for the installation of a solar panel system. The grant agreement was signed between the Japanese Ambassador to Lebanon and the General Manager of YMC.

A grant was also provided to the Environment Academy of the American University of Beirut (AUB) under the GGP. The target of the grant is the installation of a solar panel system in Baalechmay's water pumping facility. The agreement was signed between the Japanese Ambassador to Lebanon and the Provost of AUB.

In Parallel, through the GGP, the Embassy also provided a grant to the Banin Charity Organization. The grant aims to install a solar panel system at the water pumping facility in Ouzai. The agreement was signed between the Japanese Ambassador to Lebanon and the Executive Manager at Benin Charity Organization.

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### 15% OF LEBANESE PEOPLE NO LONGER HAVE CAR INSURANCE IN 2023

The payment of insurance premiums and third-party liability & comprehensive coverage has become too expensive for some as the local currency continues to devaluate. In turn, this led to circa 15% of the Lebanese population to become without car insurance in 2023, as per the Head of the Insurance Companies' Union in Lebanon.

The major problem stems from the fact that in the event of an accident, the minimum charge of comprehensive insurance stands at US\$ 450 per year with variations tied to the car's price, manufacturing date and model. An alternative presents itself with third-party liability insurance which only covers material damages and costs US\$ 40 per year.

It is worth noting that mandatory insurance costs US\$ 35 for private cars and covers up to US\$ 400,000 per year with variations depending on different conditions. While for those who paid the old fee which stands at LP 800,000 per year, the coverage stands at LP 7 billion per year.



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## RDCL HOLDS MEETING TO DEVELOP B2B NETWORK BETWEEN LEBANON AND POLAND

The Lebanese Business Leaders Association (RDCL) held a meeting with the Polish Ambassador to Lebanon, the Deputy Head of Mission of the Polish Embassy in Beirut as well as the Chairman of the Mazovia Cluster ICT. The meeting aimed to develop the B2B network between Lebanon and Poland.

As the Lebanese private sector contributes majorly to the betterment of the Balance of Payment's deficit, the sector is looking out for opportunities to broaden its market and spread its products and experience, as per the President of RDCL.

It is worth noting that the Mazovia Cluster ICT offers financing, R&D and administrative support to businesses and projects.

The Polish Ambassador to Lebanon along with the Chairman of the Mazovia Cluster ICT listed the fields of expertise where Lebanese firms can consider doing business in including: FinTech, renewable energy, pharmaceuticals, wood furniture, medical tech, agriculture, etc.

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## EDL ANNOUNCES THE FIRST PHASE OF THE PLAN TO REMOVE ENCROACHMENTS ON THE ELECTRICAL NETWORK

The first phase of the national emergency plan for the removal of encroachments from the electricity gridline was announced by the Électricité du Liban (EDL) in coordination with the security forces. As per the decision No.3 of the Council of Ministers made in mid-January 2023 as well as the decisions of the ministerial committee that is responsible to overlook the implementation of the emergency plan for the electricity sector, 216 main outlets out of a total of 800 will be inspected throughout the country.

It is worth noting that meetings were held between relevant figures in the Lebanese Army and the General Directorate of the Internal Security Forces with EDL's encroachment removal team to secure cooperation during the campaign. Additionally, a meeting was held at EDL with the service provider company. The meetings led to a decision to start the removal campaign on March 6<sup>th</sup> 2023.

EDL requested the support of the Lebanese population in ensuring the success of this plan as it will help the sector receive help from donor countries to ensure the financial balance within the electricity sector.

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## NETFLIX OFFERS PRICE REDUCTION FOR MONTHLY SUBSCRIPTION IN LEBANON

Rates on the monthly subscription plan for Netflix was reduced by around 20% in Lebanon.

The revised pricing is as follows: For the Basic plan (720p resolution) US\$ 3.99/month, for the Standard plan (1080p resolution) US\$ 7.99/month and for the Premium plan (4K+HDR resolution) US\$ 9.99/month. In turn, this reduction in price is expected to increase the presence of Netflix in the Lebanese market.

It is worth noting that people in Lebanon who were already subscriber previously for the Standard plan which used to cost US\$ 9.99/month, were automatically upgraded to the Premium plan.



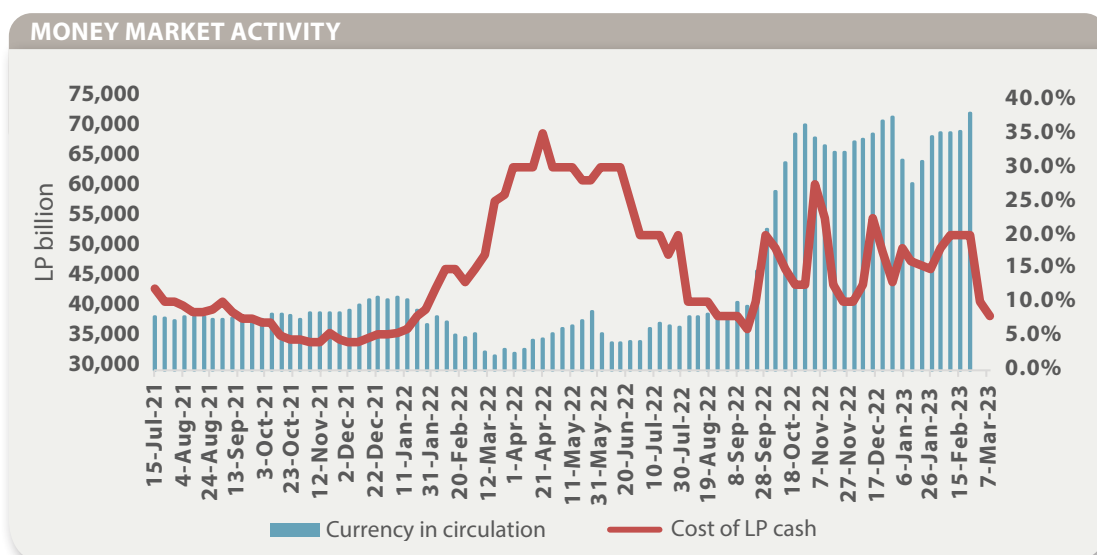
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## CAPITAL MARKETS

### MONEY MARKET: WEEKLY CONTRACTION IN TOTAL RESIDENT DEPOSITS, ON FC DEPOSIT DECLINE

The overnight rate, which is a non-cash rate on the money market, fell from 30% last week to 10% this week, mainly due to Sayrafa-linked operations. Concurrently, the cost of LP cash was quoted at 7%-9% this week as compared to 9%-11% in the previous week.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 23rd of February 2023 showed that total resident banking deposits contracted by LP 3,005 billion. This is mainly driven by a LP 2,734 billion fall in foreign currency resident deposits (the equivalent of US\$ 182 million as per the official rate of LP 15,000), while total LP resident deposits contracted slightly by LP 271 billion amid a LP 567 billion drop in LP demand deposits and a LP 296 billion increase in LP saving deposits. Yet, the money supply in its broadest sense (M4) expanded by a shy LP 16 billion over the covered week amid a large expansion in the money in circulation of LP 3,179 billion, which has preceded BDL's 1st of March decision to intervene as a seller of cash US dollars via "Sayrafa".



### TREASURY BILLS MARKET: NOMINAL WEEKLY DEFICIT OF LP 143 BILLION

The latest Treasury bills auction results for value date 9th of March 2023 showed that the Central Bank of Lebanon allowed banks to subscribe in full to the six-month category (offering a yield of 4.00%), the two-year category (offering a yield of 5.00%) and the ten-year category (offering a coupon of 7.00%).

The Treasury bills auction results for value date 2nd of March 2023 showed subscriptions of LP 146 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 87 billion in the three-month category (offering a yield of 3.50%), LP 59 billion in the one-year category (offering a yield of 4.50%) and LP 85 million in the five-year category (offering a coupon of 6.00%). These compare to maturities of LP 289 billion, which resulted into a nominal weekly deficit of LP 143 billion.

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## TREASURY BILLS

|                                | 10/03/2023 | 03/03/2023  | 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%       |   |
| 10-year                        | 7.00%      | -           | 7.00%       |   |
| <b>Nom. Subs. (LP billion)</b> |            | <b>146</b>  | <b>1</b>    |   |
| Short-term (3&6 mths)          |            | 87          | -           |   |
| Medium-term (1&2 yrs)          |            | 59          |             |   |
| Long-term (3 yrs)              |            | -           | 1           |   |
| Long-term (5 yrs)              |            | 0.09        | -           |   |
| <b>Maturities</b>              |            | <b>289</b>  | <b>193</b>  |   |
| <b>Nom. Surplus/Deficit</b>    |            | <b>-143</b> | <b>-192</b> |   |

Sources: Central Bank of Lebanon, Ministry of Finance

## FOREIGN EXCHANGE MARKET: RENEWED FALL IN LP AGAINST US DOLLAR ON BLACK MARKET

Amid erratic "Sayrafa" activity, and following the Association of Banks in Lebanon's decision to resume an open-ended strike on March 14, 2023 urging rapid legal measures to put an end to imbalances in adopting contradictory standards that would reduce the chances for depositors to recover their funds in foreign currencies, and amid deepened economic and political crisis, the black FX market saw this week a renewed deterioration in the Lebanese pound against the US dollar. In details, the LP lost more than 10% of its value on the parallel FX market this week, with the LP/US\$ rate moving from LP/US\$ 79,000-LP/US\$ 79,400 at the end of last week to LP/US\$ 87,500-LP/US\$ 88,000 on Friday.

Concurrently, the Central Bank of Lebanon lifted this week the LP/US\$ rate via the "Sayrafa" platform to LP/US\$ 73,100 from LP/US\$ 70,000. Accordingly, the spread between the Sayrafa rate and the parallel FX market rate rose from circa 9,000 at the end of last week to around 15,000 on Friday, noting that it has peaked at 37,000 ahead of BDL's 1st of March decision to intervene as a seller of banknotes via "Sayrafa".

## EXCHANGE RATES

|          | 10/03/2023 | 03/03/2023 | 30/12/2022 |   |
|----------|------------|------------|------------|---|
| LP/US\$  | 15,000.00  | 15,000.00  | 1,507.50   | ↔ |
| LP/£     | 17,977.50  | 17,979.00  | 1,813.97   | ↑ |
| LP/¥     | 109.68     | 110.17     | 11.27      | ↑ |
| LP/SF    | 16,122.10  | 15,994.88  | 1,628.67   | ↓ |
| LP/Can\$ | 10,841.28  | 11,058.68  | 1,108.21   | ↑ |
| LP/Euro  | 15,870.00  | 15,915.00  | 1,603.83   | ↑ |

Source: Bank Audi's Group Research Department

# Bank Audi

## STOCK MARKET: BSE HEADING NORTH FOR FOURTH CONSECUTIVE WEEK

The Beirut Stock Exchange continued to head north for the fourth consecutive week, as reflected by a shy rise in the price index of 0.3%. Two out of eight traded stocks registered price gains, while four stocks posted price falls and two stocks saw no price change week-on-week.

A closer look at individual stocks shows that Solidere "B" share price rose by 1.6% week-on-week to reach US\$ 81.40 on Friday, while Solidere "A" share price fell by 2.7% to US\$ 80.00. As to banking stocks, Bank Audi's GDR price dropped by 1.4% to US\$ 1.37. BLOM's GDR price shed 5.2% to US\$ 2.75. Bank Audi's "listed" share price remained stable at US\$ 1.56. BEMO's "listed" share price stood unchanged at US\$ 1.15. Amongst industrials, Holcim Liban's share price surged by 3.7% to US\$ 32.46.

As to trading volumes, the BSE total turnover almost doubled week-on-week, moving from US\$ 5.3 million last week to US\$ 10.5 million, noting that Solidere shares captured more than 96% of activity.

### AUDI INDICES FOR BSE

|                    | 10/03/2023 | 03/03/2023 | 30/12/2022 |   |
|--------------------|------------|------------|------------|---|
| Market Cap. Index  | 766.40     | 764.26     | 614.50     | ↑ |
| Trading Vol. Index | 95.51      | 48.12      | 96.84      | ↑ |
| Price Index        | 160.89     | 160.44     | 129.00     | ↑ |
| Change %           | 0.28%      | 11.05%     | 1.30%      | ↑ |

|                                | 10/03/2023    | 03/03/2023   | 30/12/2022   |          |
|--------------------------------|---------------|--------------|--------------|----------|
| Market Cap. \$m                | 18,182        | 18,131       | 14,578       | ↑        |
| No. of shares traded (Exc. BT) | 260,138       | 91,690       | 187,711      | ↑        |
| Value Traded \$000 (Exc. BT)   | 10,528        | 5,304        | 6,415        | ↑        |
| <b>o.w. : Solidere</b>         | <b>10,144</b> | <b>5,269</b> | <b>6,349</b> | <b>↑</b> |
| <b>Banks</b>                   | <b>229</b>    | <b>27</b>    | <b>66</b>    | <b>↑</b> |
| <b>Others</b>                  | <b>154</b>    | <b>8</b>     | <b>0</b>     | <b>↑</b> |

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

## BOND MARKET: LEBANESE BOND PRICES AT HISTORICAL LOWS ON DARKENED POLITICAL AND REFORM OUTLOOK

As Lebanon is reeling under the weight of a myriad of political, economic and monetary crises, and on bets that the preliminary deal reached with the IMF on April 7, 2022 may have lost its validity especially within the context of a sharp currency collapse, and given the tough reform road, Lebanese Eurobond prices remained at historical lows this week amid bets about low recovery rates not exceeding 20% in best scenarios.

In details, prices of Lebanese sovereign papers maturing between 2022 and 2037 remained quoted at 6.875 cents per US dollar on Friday. On a cumulative basis, year-to-date bond price gains hovered between 1.13 pt and 1.25 pt.

### EUROBONDS INDICATORS

|                                 | 10/03/2023    | 03/03/2023    | 30/12/2022    |          |
|---------------------------------|---------------|---------------|---------------|----------|
| Total tradable size \$m         | 32,364        | 32,364        | 32,364        | ↔        |
| <b>o.w.: Sovereign bonds</b>    | <b>31,314</b> | <b>31,314</b> | <b>31,314</b> | <b>↔</b> |
| Bid price (cents per US dollar) | 6.88          | 6.88          | 5.50-5.88     | ↔        |
| Average Life                    | 5.19          | 5.20          | 5.34          | ↓        |
| Yield on US 5-year note         | 3.98%         | 4.25%         | 3.94%         | ↓        |

Source: Bank Audi's Group Research Department

# Bank Audi

## INTERNATIONAL MARKET INDICATORS

|                                   | 10-Mar-23 | 03-Mar-23 | 31-Dec-22 | Weekly change | Year-to-date change |
|-----------------------------------|-----------|-----------|-----------|---------------|---------------------|
| <b>EXCHANGE RATES</b>             |           |           |           |               |                     |
| YEN/\$                            | 135.03    | 135.87    | 131.11    | -0.6%         | 3.0%                |
| \$/£                              | 1.203     | 1.204     | 1.208     | 0.0%          | -0.4%               |
| \$/Euro                           | 1.064     | 1.064     | 1.071     | 0.1%          | -0.6%               |
| <b>STOCK INDICES</b>              |           |           |           |               |                     |
| DOW JONES INDUSTRIAL AVERAGE      | 31,909.64 | 33,390.97 | 33,147.25 | -4.4%         | -3.7%               |
| S&P 500                           | 3,861.59  | 4,045.64  | 3,839.50  | -4.5%         | 0.6%                |
| NASDAQ                            | 11,138.89 | 11,689.01 | 10,466.48 | -4.7%         | 6.4%                |
| CAC 40                            | 7,220.67  | 7,348.12  | 6,473.76  | -1.7%         | 11.5%               |
| Xetra Dax                         | 15,427.97 | 15,578.39 | 13,923.59 | -1.0%         | 10.8%               |
| FT-SE 100                         | 7,748.35  | 7,947.11  | 7,451.74  | -2.5%         | 4.0%                |
| NIKKEI 225                        | 28,143.97 | 27,927.47 | 26,094.50 | 0.8%          | 7.9%                |
| <b>COMMODITIES (in US\$)</b>      |           |           |           |               |                     |
| GOLD OUNCE                        | 1,868.26  | 1,856.48  | 1,824.02  | 0.6%          | 2.4%                |
| SILVER OUNCE                      | 20.54     | 21.26     | 23.95     | -3.4%         | -14.2%              |
| BRENT CRUDE (per barrel)          | 82.78     | 85.83     | 85.91     | -3.6%         | -3.6%               |
| <b>LEADING INTEREST RATES (%)</b> |           |           |           |               |                     |
| 1-month Libor                     | 4.80      | 4.71      | 4.39      | 0.09          | 0.41                |
| US Prime Rate                     | 7.75      | 7.75      | 7.50      | 0.00          | 0.25                |
| US Discount Rate                  | 4.75      | 4.75      | 4.50      | 0.00          | 0.25                |
| US 10-year Bond                   | 3.70      | 3.95      | 3.87      | -0.25         | -0.17               |

Sources: Bloomberg, Bank Audi's Group Research Department

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