

## Economy

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#### p.9 MARKETS IN BRIEF: BDL'S DECISION TO PUMP US DOLLARS VIA "SAYRAFA" CURBS CURRENCY FALL

Amid a long-simmering institutional vacuum and a poor track record in implementing reforms, and awaiting the IMF's delegation visit to Lebanon this month to continue discussions on an aid program supported by reforms, the Central Bank of Lebanon's decision to sell cash US dollars to individuals and companies via the "Sayrafa" platform helped curbing the fall of the Lebanese pound against the US dollar on the black FX market, while equities pursued their upward trajectory on hedging activity and on talks about a possible increase in the LP/US\$ rate for FC deposit withdrawals, and Eurobond prices remained at record lows on bets of low recovery rates. In details, the LP/US\$ black market rate recovered to LP/US\$ 79,000-LP/US\$ 79,400 on Friday after piercing the LP/US\$ 90,000 level upward early this week, and compared to a rate of LP/US\$ 80,000- LP/US\$ 80,500 at the end of the previous week. On the equity market, the BSE price index surged by 11.1% week-on-week, mainly as market players continued to flock to realty stocks to hedge against a multifaceted crisis and currency collapse. At the level of the bond market, prices of sovereigns remained at their lows of 6.875 cents per US dollar, amid bets about low recovery rates not exceeding 20% in best scenarios.

### LEBANON MARKETS: FEBRUARY 27 - MARCH 5, 2023

Money Market	↑
LP Tbs Market	↓
LP Exchange Market	↑

BSE Equity Market	↑
Eurobond Market	↔
CDS Market	↔

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## ECONOMY

### IIF ANTICIPATES A REAL GDP CONTRACTION OF -7 PERCENT IN 2023

Lebanon's economic and financial situation is extremely dire, and it is getting worse every day as per the Institute of International Finance (IIF). The economy of Lebanon will continue to deteriorate until the implementation of a comprehensive economic program backed by the International Monetary Fund and the international community.

Due to political gridlock and the lack of reforms, IIF estimates indicate that real GDP shrank by -6.5 percent in 2022. IIF anticipates a further contraction of -7 percent in 2023. The GDP in US dollar as per IIF will drop further, to about US\$ 14.8 billion in 2023. (One-third of its level in 2019).

The inflation rate will increase and continue to be in the triple digits. By the end of this year, the black market exchange rate may surpass 110,000 Lebanese pounds to the US dollar as per IIF. The rate of deduction (haircut) from dollar deposits increases with each decline in the currency's value because their use is severely constrained.

People who lack access to foreign currency or have no way to acquire it will see a steady decline in their standard of living. However, it is challenging to distinguish between self-deception and intentional deception because politicians consistently assert that depositors' money is sacred and will be protected as per IIF.

Official reserves (excluding gold and Eurobonds) will continue to decrease, from US\$ 10.6 billion at the end of 2022 to about US\$ 6 billion at the end of 2023, as the current account deficit will still be huge. The Banque Du Liban (BDL) will need to use more reserve requirements for commercial banks.

There will be more poverty and more unemployment as per IIF. Additionally, as the middle-class declines, more skilled workers will leave the country. IIF estimates that more than 200,000 people have left Lebanon by 2022, and an additional 200,000 may do so this year.

Lebanon's economic and financial crisis cannot be resolved without the International Monetary Fund and financial assistance from the international community.

Even so, it would be a miracle if the political class in power today would agree to carry out the required reforms to open the door to a deal with the IMF and the release of financial aid from the international community.

There is no way to stop the Lebanese economy's and country's financial collapse without implementing a comprehensive economic plan backed by the IMF. Most of the IMF's initial conditions were not followed. In contrast, others (such as the law governing banking secrecy and capital controls) were changed to accommodate particular interests.

Finally, the IIF attributes the sharp rise in imports primarily to three factors:

- The use of multiple, distorted exchange rates. With the help of corrupt lawmakers in Parliament, importers and traders took advantage of the low exchange rate (1,500 LBP/USD until the end of January 2023) to pay minimal customs duties.
- A significant increase in the cost of food and oil globally.
- Significant smuggling of goods into Syria because of inadequate border control.

According to IIF calculations, at least US\$ 3 billion of the US\$ 19 billion in total recorded imports were smuggled into Syria. Smuggling and multiple exchange rate distortions have reduced potential tax revenues for the government, reducing spending on social sectors and widening deficits. Since Lebanon's GDP is less than US\$ 18 billion, it cannot accommodate US\$ 19 billion in imports of goods. From about 40% of GDP on average between 2012 and 2020, imports rose to 70% of GDP in 2021 and 103% of GDP in 2022, an odd and unrealistic development says the IIF.

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## LEBANON'S TOURISM SECTOR EDGES UP CLOSE TO PRE-CRISIS LEVELS IN 2022

The number of tourists coming into Lebanon continued to grow in 2022, though at a slower rate than the one noticed in 2021. In 2022, Lebanon noticed an influx of 1,465,953 tourists during the year showing a 64.7% hike year-on-year from 889,953 tourists in 2021, as per data gathered from Lebanon's Ministry of Tourism.

It is worth noting that in 2019 the number of tourist influx into the country was registered at 1,936,320 showing a 1.4% decrease year-on-year against 2018. In October 2019, Lebanon saw the start of a myriad of economic shocks and crises that impacted internal security by stirring up civil unrest. Paired with political uncertainty, these factors were bound to affect tourism. In 2020, the number of tourist influx dropped by 78.6% year-on-year against figures from 2019 to reach 414,168 tourists. This came as the economic and political crises in the country were worsening, accelerated substantially by the COVID-19 outbreak along with the August 4th port explosion which led to the dwindling of tourism to the country. Lebanon saw a gradual reopening with a partial stabilization of the security situation in 2021 which contributed to a 115.0% year-on-year in the number of tourist influx to be registered at 889,953 during the year.

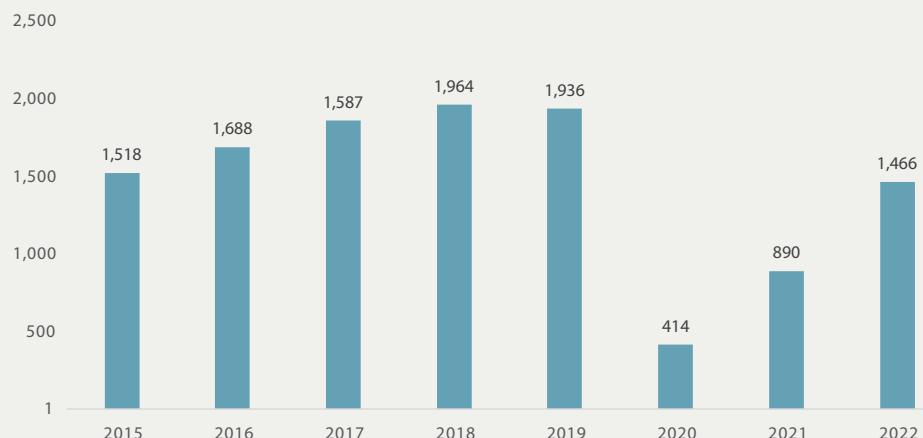
In details regarding the performance noticed in 2022, tourists coming from Europe constituted the biggest share of incoming tourists to the country with 584,224 tourists (39.9% of the total). The second biggest contributor to tourism are Arab countries with 395,405 tourists (27.0% of the total). Tourists from the Americas stand as the third biggest contributors with 20.9% followed by Asia with 4.3%, Oceania with 4.2%, Africa with 3.8% and other countries with a minimal contribution.

Lebanon has two main high seasons for tourism: the summer season spanning from June to September and the Christmas season in December. In 2021, the high seasons accounted for 63.9% of all tourist influx into the country (568,503 individuals). In 2022, the high seasons accounted for 56.9% of total tourist influx (833,367 individuals).

It is worth highlighting that during this period, Beirut's International Airport noticed a hike in the number of passengers of 48.0% year-on-year in 2022 as compared with 2021. Also, as per GlobalBlue, the firm that reimburses VAT to tourists at Lebanese border points, transactions by tourists in Lebanon whose VAT was claimed and which gives a fair view about tourists' shopping trends has increased by 0.5% in 2022 as compared with 2021. Although the number of transactions has slightly improved, the spending of tourists has decreased significantly by 19% due to the fact that the majority of transactions (57%) are worth less than EUR 300.

This improvement in tourism performance was driven by multiple factors. Notably, the reopening of touristic attractions and institutions, the devaluation of the Lebanese Pound which makes the country cheaper for foreigners, tourism campaigns, relative stabilization of the security situation which led to the lifting of travel bans as well as the lifting of COVID-19 restrictions stand as the main drivers for 2022's performance.

### NUMBER OF TOURISTS (000S)



Source: Ministry of Tourism, Bank Audi Research Department

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## CARETAKER GOVERNMENT ANNOUNCES DECISION TO TRIPLE THE CUSTOMS DOLLAR RATE

The Lebanese caretaker government in cooperation with the Banque du Liban recently announced the sudden hike in customs dollars exchange rate. The new customs tax was set at LP 45,000/US\$, effectively tripling the exchange rate set only a few months ago of LP 15,000/US\$. This move was justified by the government in saying that it will provide the state with additional revenue for the revival of work in the public sector, as per a cabinet resolution.

It is worth noting that Lebanon has been going through one of the worst economic crisis in modern history paired with a severe liquidity crisis that led to a collapse in the value of the local currency. According to the UN, circa two thirds of the population in the country are impoverished and find that life is unaffordable in Lebanon. Therefore as this decision is set to increase prices drastically for most goods, there are worries this will worsen there purchasing power.

Lebanon is a country that heavily relies on imports for local consumption and production. This can be seen in the country's balance of trade that is in a constant state of deficit as the country exports very little goods. Lebanon imports upwards of 90% of its goods including primary components used in local production which companies have to pay for in US\$, as per the Lebanese Caretaker Minister of Economy.

However, the vast majority of the country's workforce are paid in LP which, as the currency keeps plummeting, sets a downwards trend to people's purchasing power.

On the other hand, this increase in customs tax is not expected to affect the price of foodstuff majorly as around 65% of all foodstuff are exempt from that tax. This includes oils, grains and most other essential foodstuff. Additionally, for foodstuff with little to no exemption, the fluctuation in prices is expected to range between 2 and 10%, as per the President of the Foodstuff Importers Syndicate.

It is worth highlighting that the goods that are expected to be most affected by this decision are the import of cars, car parts, electronic devices, etc.

The decision from the government was kept secret until it was to be executed to avoid repeating the campaign of mass imports seen in 2022 (after the decision to increase the customs tax tenfold to LP 15,000/US\$ up from LP 1,500/US\$) that occurred as importers tried to escape from the burden of additional import costs. The mass import seen in 2022 was partially responsible for the 39.7% increase in imports which drove to a 59.5% hike in trade deficit.

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## SURVEYS

### IFI ISSUES A REPORT ON WHY IMF IS NEEDED IN LEBANON

The Issam Fares Institute for Public Policy & International Affairs (IFI) at the American University of Beirut issues a report on why an IMF program is needed in Lebanon.

The most important aspect of an IMF-supported program is the credibility that it would give to Lebanon's economic policies, and this is the key argument as per the report. This single consideration is more important than the amount of IMF lending. Lebanon could implement a reform program without IMF involvement. However, the IMF's participation—by helping to formulate the program, monitoring its implementation, and providing an independent assessment of the appropriateness of policies—would give Lebanon's reform program the credibility it needs that appropriate policies are being taken to address its macroeconomic imbalances and structural weaknesses.

Lebanon would also receive substantial additional financial support for implementing an IMF program. While the funding to be provided by the IMF is significantly below Lebanon's needs, an agreement with the IMF would lead donors and creditors to provide significant assistance to Lebanon. International financial institutions, like the World Bank, and other bilateral creditors and donors, would provide financial support to Lebanon once the IMF Executive Board approves the program. This aspect of IMF programs is quite common, and it is referred to as the IMF's catalytic role. Irrespective of the amount to be provided by the IMF, an IMF program would not be approved by the IMF Executive Board without assurances from donors and creditors that Lebanon's external financing needs will be met. This additional support is estimated at about USD 8-10 billion over the four-year duration of the program.

An arrangement with the IMF would also facilitate negotiations with bond holders. Bond holders have made an agreement on the restructuring of the public debt contingent on an IMF program, as they have done with other countries before. Bond holders need assurances that Lebanon will be able to honor the renegotiated terms of the bond contracts, and an IMF program would help provide these assurances.

Lebanon may receive additional financial support from the IMF once program implementation begins. Under IMF policy, lending to Lebanon is limited to specific multiples of its quota with the IMF given that the Lebanese government is currently in default. IMF lending to countries whose public debt is assessed to be unsustainable is limited to 145% of their quota per year, or a cumulative of 435% at any time. Lebanon's quota is SDR 633.5 million, equivalent to about USD 840 million. This lending limit translates to about USD 1.2 billion per year, subject to a ceiling of about USD 3.6 billion for total lending. Amounts in excess of these limits are considered exceptional and are subject to additional criteria related to the need for higher financing, debt sustainability, the ability to regain market access, and prospects for the program's success. The IMF may therefore have some room to increase lending to Lebanon, even if Lebanon's debt is assessed as unsustainable, in the event that there is a balance of payments need and the program is on track.

An IMF program will give priority to technical assistance requests. The IMF provides technical assistance in several economic and financial areas. This assistance is provided free of charge to most countries, including to Lebanon. Country requests for technical assistance exceed the capacity of the IMF to deliver it, so the IMF prioritizes this assistance. Typically, countries with current IMF programs get priority, especially for measures that are key to the success of the program. This assistance covers a wide range of areas related to central banking, fiscal measures and development of statistics, all which could be very useful for Lebanon as it rebuilds its public institutions.

True, there is sometimes a stigma in having to resort to the IMF. IMF programs are usually an indication that country authorities have messed up the management of the economy (except in the event of an unforeseen external shock) and are in need of outside advice and financial support to get them out of their difficulties, subjecting their policies to intense scrutiny by IMF staff. However, these considerations pale in comparison to the benefits stemming from an IMF program, assuming a country is truly serious about economic and financial reform according to the report.

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## FITCH SOLUTIONS PROJECT REAL HOUSEHOLD SPENDING TO EXPAND BY 3.5%

Fitch solutions forecast that household spending in Lebanon will see improved growth levels in 2023, with solid remittance inflows, as more Lebanese citizens move abroad, away from the economic and social conditions in the country. They project real household spending to expand by 3.5% over the year, an improvement on the 2.7% growth estimated in 2022. These figures indicate the economy is continuing its emergence out of its economic challenges, where household spending recorded significant contractions over 2018 – 2020 as per the Fitch Solutions report. They forecast household spending will increase by an annual average of 3.04% over the medium term (2023-2027).

Fitch Solutions forecast for growth in consumer spending in 2023 is in line with our Country Risk team's forecast that the Lebanese economy will post growth of 3.7% in 2023, which is following positive growth of 3.53% in 2022. This came after decline of 9.3% in 2021 and a contraction of 26.0% in 2020. While this will be the second consecutive year, since 2018, that the Lebanese economy will be in positive territory, they highlight that growth will be fragile. Slow growth will be the result of high consumer price inflation as well as weak domestic political conditions and a challenging operating environment, all of which will discourage investment, weighing on employment opportunities.

They think that relations with Gulf Cooperation Council (GCC) markets are unlikely to improve in the short term, This will continue to have an adverse impact on exports of goods and services over 2023.

They yet believe the maritime border agreement between Lebanon and Israel will reduce security risks and provide economic benefits to Lebanon through exploration rights. They also believe that remittance inflows will increase over the year, as more Lebanese emigrate amid worsening economic and social conditions in the country. These sources of income, alongside the return of tourism in Lebanon, should somewhat alleviate the impact of subsidy removals and the weakening of the currency, strengthening real household spending growth in 2023.

Fitch Solutions expect the unemployment rate to recover from its peak in 2022, following economic challenges and the Covid-19 pandemic, reaching an average of 30% of the labour force in 2023. While this is still not as strong as the pre-Covid levels of 6.2% and 9.3 seen over 2018 and 2019, it is down from the 45% and 50% posted over 2021 and 2022 respectively. However, should economic conditions worsen in the market, there is a risk of elevated unemployment, which will quickly feed through into a weaker consumer outlook.

Many Lebanese consumers are highly indebted, with household debt increasing substantially in recent years. High levels of indebtedness lead to a reluctance to spend during periods of uncertainty as per the report.

### LEBANON - ECONOMIC OVERVIEW

	2023f	2024f
Real GDP growth, % y-o-y	3.66	3.76
Unemployment, % of total labour force, ave	30	25
Consumer price inflation, % y-o-y, ave	95.3	44
Total Tourist Arrivals '000 % y-o-y	12.81	8.24

Sources: Fitch Solutions estimate/forecast. Source: National Statistics, Fitch Solutions

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## CORPORATE NEWS

### LEBANON AMONG TOP MENA COUNTRIES IN FINTECH STARTUPS ON THE BACK OF DIGITAL PAYMENTS

Out of all FinTech startups in the MENA region, Lebanon ranked third with 9% of total FinTechs in the region, according to the 2019 MENA FinTech Venture Reporting. Lebanon had 28 startups in the sector as of 2020, according to Findevgatway.

In Lebanon, the largest segment in the FinTech sector is estimated to be digital payments with a total transaction value of US\$ 4.9 billion in 2023. The average value of transaction per user in the country is projected at US\$ 2.5 thousand during the year, as per IBS intelligence.

Three FinTech companies have a massive impact on the sector, notably Bluering. The software company in question offers Credit Automation and Credit Risk solutions to the global banking and financial sector. Bluering offers comprehensive, fully integrated software applications with a variety of functions (Corporate Credit, SME Credit, Retail Credit, Risk Rating, Collateral Management and Contracts Management) and helps clients implement the company's products through different methods (consulting, integration, business process reengineering, etc.).

Capital Banking Solutions (CBS) is another company having a large impact on the FinTech market in Lebanon. The company provides end-to-end integrated banking software for its clients around the world. CBS's products cover matters of retail, corporate and private banks as well as financial institutions.

PinPay, the third company holding heavy weight in the Lebanese FinTech market, offers a platform for mobile payment and banking solutions. The company created an application for clients to be able to pay for different bills and subscriptions from their phones. Also, it is possible to link the application to the user's bank account which allows interpersonal money transfers.

### IASCA GIVES 50% DISCOUNT FOR LEBANESE ACCOUNTANTS APPLYING TO PROFESSIONAL QUALIFICATION EXAMS

A 50% discount for applying to professional qualification exams in the International Arab Society of Certified Accountants (IASCA) was given to countries who saw heavy currency devaluation, including Lebanon, as per the President and Founder of the IASCA.

The discount is set on applications to the society's qualification exams such as the International Arab Certified Public Accountant (IACPA), International Arab Certified Management Accountant (IACMA) and the International Financial Reporting System (IFRS). Additionally, an exemption from the one-time IASCA membership fee was given to students and accountants.

It is worth noting that the IASCA was founded in the UK in 1984 as a professional accounting and non-profit body. The company was then moved and officially registered in Jordan in 1994. The society aims to promote auditing, accounting and related fields at the international level. In parallel, IASCA also aims to maintain accountant's professional independence, apply standards of professional supervision over accountants as well as insure their protection in order to develop accounting and auditing professions.

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## BERYTECH LAUNCHES THE SCALESMART PROGRAM FOR INVESTMENT READINESS IN LEBANESE STARTUPS

Berytech announced the launch of the ScaleSmart program for a period of four years. The program tackles investment readiness and scale-up for pre-seed and seed startups in Lebanon. This is done through the bridging of the funding gap in startups and also equipping them with the tools and the know-how essential for the planning of a viable fundraising path and the scaling up of their ventures. The program was funded due to the difficulty faced by early-stage startups in the country to access necessary funds for their development. ScaleSmart program will provide pre-seed and seed startups across all sectors with specialized training and mentorship.

It is worth highlighting that the program is part of the ACT Smart Innovation Hub, a cooperation between Berytech and the Embassy of the Netherlands. The initiative was initially launched in 2019 and renewed in 2022.

Berytech's aim through this project is to help startups grow and sustain their operations in order to contribute to job creation for the country's youth. The program will in turn support 20 pre-seed and seed startups over a period of 4 years. This move is seen as essential support for high growth potential startups to scale successfully and for the growth of the local economy as well, as per the COO of Berytech.

Experts will work with participants to build their data rooms and valuate the startup. The creation of a robust investment pitch deck and the linking of startups with senior executives from Lebanon, the Netherlands and internationally will also be tackled during the program. These are among the various types of support that ScaleSmart will offer the startups.

The program will cover all sectors in the country with a focus on impact creation with 5 participants in each cycle. Startups must be a pre-seed or seed level, legally registered or in the process of registering, should have a valid Go-To market strategy, should have a multidisciplinary and complementary team as well as being partially or fully operated in Lebanon to qualify. Also, a clear need for funding must be present as well as a tech-enabled or science-based product or service with an environmental or social impact are necessary to participate in the program.

## RE-MED COMMUNITY APPLICATION LAUNCHED BY THE MOE

The Lebanese Ministry of Environment (MoE) organized a seminar to launch the RE-MED Community platform and application. This platform was created with the help of the Centre for Studies and Expertise on Risks, the Environment, Mobility and Urban Planning (CEREMA), along with the Lebanese Contractors Syndicate for Public Works & Buildings. RE-MED Community aims to pursue the commitment to enable the circular economy in the Mediterranean.

It is worth noting that actors in the construction sector from Italy, France and Tunisia participated in the symposium to share knowledge and innovations in the relevant field.

The project of recycling and treating construction waste is regarded as crucial. The MoE is also working towards a decentralization plan which includes the establishment of 14 service areas for waste collection and sorting in the country, as per the Lebanese Caretaker Minister of Environment.

The RE-MED Community tools are a space for exchange that allows the circulation of documentary resources, job and training offers, educational opportunities, expert databases, tenders and events related to the platform's projects. The tools will allow the publication of offers of materials and equipment regarding the management and exploitation of construction and demolition waste.

It is worth noting that those participating in the application and platform will be working with actors in the value chain to apply circular economy as well as be active in the improvement of their living spaces.

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## CAPITAL MARKETS

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

The overnight rate, which is a non-cash rate, declined from 35% last week to 30% on the money market this week, while the cost of LP cash was quoted around 9%-11%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 16<sup>th</sup> of February 2023 showed that total resident banking deposits expanded by LP 6,184 billion. This is mainly attributed to an increase in foreign currency resident deposits of LP 6,019 billion (the equivalent of US\$ 401 million as per the official rate of LP 15,000), while total LP resident deposits rose slightly by LP 165 billion amid a LP 247 billion expansion in LP demand deposits and an LP 82 billion decline in LP saving deposits. Within this context, the money supply in its broadest sense (M4) expanded by LP 6,105 billion over the covered week.

#### MONEY MARKET ACTIVITY



### TREASURY BILLS MARKET: NOMINAL DEFICIT OF LP 197 BILLION OVER FIRST TWO MONTHS OF 2023

The latest Treasury bills auction results for value date 2nd of March 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 23rd of February 2023 showed subscriptions of LP 57 billion, fully allocated to the Central Bank of Lebanon and concentrated in the six-month category (offering a yield of 4.00%). These compare to maturities of LP 176 billion, which resulted into a nominal weekly deficit of LP 119 billion.

On a cumulative basis, total subscriptions amounted to LP 2,051 billion during the first two months of 2023, fully allocated to the Central Bank of Lebanon. The six-month category captured 35% of the total, followed by the two-year category with 29%, the three-month category with 15%, the one-year category with 11% and the three-year category with 10%. These compare to maturities of LP 2,248 billion, resulting into a nominal deficit of LP 197 billion during the first two months of 2023.

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## TREASURY BILLS

	03/03/2023	24/02/2023	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>57</b>		<b>1</b>	
Short-term (3&6 mths)	-	-	-	
Medium-term (1&2 yrs)	-	-	-	
Long-term (3 yrs)	0.04		1	
Long-term (5 yrs)			-	
Long-term (7 yrs)	0		-	
<b>Maturities</b>	<b>176</b>		<b>193</b>	
<b>Nom. Surplus/Deficit</b>	<b>-119</b>		<b>-192</b>	

Sources: Central Bank of Lebanon, Ministry of Finance

## FOREIGN EXCHANGE MARKET: LP RECOVERS AGAINST US DOLLAR ON BLACK MARKET FOLLOWING BDL'S INTERVENTION VIA "SAYRAFA"

Amid a protracted political crisis, lingering reform uncertainties and dwindling FX buffers, the Central Bank of Lebanon's decision to sell cash US dollars via the "Sayrafa" platform to individuals and companies at a monthly cap of LP 1 billion and LP 10 billion respectively for each account in every bank starting March 2, 2023 at a rate of LP 70,000 per US dollar, helped curbing the currency collapse on the parallel FX market over this week.

The LP/US\$ black market rate fell to LP/US\$ 79,000-LP/US\$ 79,400 on Friday after piercing the LP/US\$ 90,000 level upward mid-week, and compared to LP/US\$ 80,000-LP/US\$ 80,500 at the end of last week. Under these conditions, the differential between the LP/US\$ black FX market rate and the LP/US\$ Sayrafa rate narrowed to circa 9,000 at the end of this week against 35,000 at the end of last week.

In parallel, the latest BDL's bi-monthly balance sheet ending 28th of February 2023 showed that the Central Bank's foreign assets contracted further by US\$ 79 million over the second half of the month. This drove BDL's liquid foreign exchange reserves to circa US\$ 9.7 billion at end-February 2023.

## EXCHANGE RATES

	03/03/2023	24/02/2023	30/12/2022	
LP/US\$	15,000.00	15,000.00	1,507.50	↔
LP/£	17,979.00	18,040.50	1,813.97	↑
LP/¥	110.17	110.99	11.27	↑
LP/SF	15,994.88	16,049.65	1,628.67	↑
LP/Can\$	11,058.68	11,054.61	1,108.21	↓
LP/Euro	15,915.00	15,882.00	1,603.83	↓

Source: Bank Audi's Group Research Department

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## STOCK MARKET: DOUBLE-DIGIT RISE IN BSE PRICE INDEX WEEK-ON-WEEK, ON STRONG PRICE GAINS IN SOLIDERE SHARES

Amid a lingering Presidential gridlock while the government continues to function in caretaker status, and amid tough reform challenges to pull the country out of a myriad of crises, market players continued to flock to realty stocks on the Beirut Stock Exchange over this week to hedge against a multifaceted crisis and currency collapse. This resulted into a significant surge in the BSE price index of 11.1% week-on-week.

A closer look at individual stocks shows that Solidere "A" share price skyrocketed by 19.8% week-on-week, hitting an unprecedented high level of US\$ 82.20 on Friday. Solidere "B" share price surged by 12.6% to US\$ 80.15. This brought year-to-date price gains in Solidere shares to 33%-35%. At the level of the banking shares, Bank Audi's "listed" share price and Bank Audi's GDR price remained stable at US\$ 1.56 and US\$ 1.39 respectively. Byblos Bank's "listed" share price stood unchanged at US\$ 0.75. BEMO's "listed" share price remained stable at US\$ 1.15. Amongst industrials, Holcim Liban's share price decreased by 2.6% to US\$ 31.30.

As to trading volumes, the BSE total turnover rose by 19.7% week-on-week, moving from US\$ 4.4 million last week to US\$ 5.3 million, noting that Solidere shares continued to capture the lion's share of activity.

### AUDI INDICES FOR BSE

	03/03/2023	24/02/2023	30/12/2022	
Market Cap. Index	764.26	688.19	614.50	↑
Trading Vol. Index	48.12	40.18	96.84	↑
Price Index	160.44	144.47	129.00	↑
Change %	11.05%	3.65%	1.30%	↑
	03/03/2023	24/02/2023	30/12/2022	
Market Cap. \$m	18,131	16,326	14,578	↑
No. of shares traded (Exc. BT)	91,690	71,996	187,711	↑
Value Traded \$000 (Exc. BT)	5,304	4,431	6,415	↑
o.w. : Solidere	5,269	4,388	6,349	↑
Banks	27	4	66	↑
Others	8	39	0	↓

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

## BOND MARKET: LEBANESE BOND PRICES REMAIN AT THEIR LOWS, ON BETS ABOUT LOW RECOVERY RATES

Amid a multilayered institutional vacuum, darkened political outlook, a poor track record in implementing much-needed reforms, extended currency collapse since end-2022 and ongoing economic uncertainties, and awaiting the IMF's delegation visit this month to continue discussions on an aid program supported by reforms, recovery values on the Eurobond market remained exceptionally uncertain. Under these circumstances, prices of Lebanese sovereigns remained at their lows of 6.875 cents per US dollar at the end of this week. This brought bond price gains to 1.13 pt-1.25 pt since the beginning of the year 2023.

### EUROBONDS INDICATORS

	03/03/2023	24/02/2023	30/12/2022	
Total tradable size \$m	32,364	32,364	32,364	↔
o.w.: Sovereign bonds	31,314	31,314	31,314	↔
Bid price (cents per US dollar)	6.88	6.88	5.50-5.88	↔
Average Life	5.20	5.22	5.34	↓
Yield on US 5-year note	4.25%	4.20%	3.94%	↑

Source: Bank Audi's Group Research Department

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## INTERNATIONAL MARKET INDICATORS

	03-Mar-23	24-Feb-23	31-Dec-22	Weekly change	Year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	135.87	136.48	131.11	-0.4%	3.6%
\$/£	1.204	1.194	1.208	0.8%	-0.4%
\$/Euro	1.064	1.055	1.071	0.8%	-0.7%
<b>STOCK INDICES</b>					
DOW JONES INDUSTRIAL AVERAGE	33,390.97	32,816.92	33,147.25	1.7%	0.7%
S&P 500	4,045.64	3,970.04	3,839.50	1.9%	5.4%
NASDAQ	11,689.01	11,394.94	10,466.48	2.6%	11.7%
CAC 40	7,348.12	7,187.27	6,473.76	2.2%	13.5%
Xetra Dax	15,578.39	15,209.74	13,923.59	2.4%	11.9%
FT-SE 100	7,947.11	7,878.66	7,451.74	0.9%	6.6%
NIKKEI 225	27,927.47	27,453.48	26,094.50	1.7%	7.0%
<b>COMMODITIES (in US\$)</b>					
GOLD OUNCE	1,856.48	1,811.04	1,824.02	2.5%	1.8%
SILVER OUNCE	21.26	20.76	23.95	2.4%	-11.2%
BRENT CRUDE (per barrel)	85.83	82.82	85.91	3.6%	-0.1%
<b>LEADING INTEREST RATES (%)</b>					
1-month Libor	4.71	4.63	4.39	0.07	0.32
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	3.95	3.94	3.87	0.01	0.08

Sources: Bloomberg, Bank Audi's Group Research Department

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