

Economy

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Amidst IMF's warnings that Lebanon may be mired in a never-ending crisis without rapid reforms, and following BDL's decision to sell cash US dollars unlimitedly via the "Sayrafa" platform and ABL's decision to suspend strike, the Lebanese pound held back its downward spiral on the black FX market over this week, while equities shifted to a negative territory on profit taking operations, and bonds dipped deeper into the red. In details, the Central Bank of Lebanon's announcement about an "open" sale of cash US dollars via "Sayrafa" at a rate of LP/US\$ 90,000 and the suspended bank's strike helped curbing the currency collapse on the parallel market, as the LP/US\$ rate returned to previous week's level of LP/US\$ 108,000 after topping LP/US\$ 140,000 earlier this week. At the level of the equity market, the BSE price index contracted by 11% week-on-week, mainly as market players sought to book gains on Solidere shares after registering year-to-date price gains of 63% on average. On the bond market, sovereign prices plunged deeper into the red to reach 6.625 cents per US dollar amid tough reform challenges and bets about low recovery rates.

LEBANON MARKETS: MARCH 20 - MARCH 26, 2023

Money Market	↔	BSE Equity Market	↓
LP Tbs Market	↓	Eurobond Market	↓
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ECONOMY

IMF SAYS LEBANON IS AT A PARTICULARLY DIFFICULT JUNCTURE

The Concluding Statement of the IMF 2023 Article IV Mission was issued this week. It says Lebanon is at a particularly difficult juncture. For over three years, it has been facing an unprecedented crisis, with severe economic dislocation, a dramatic depreciation of the Lebanese lira and triple-digit inflation that have had a staggering impact on people's lives and livelihoods. Unemployment and emigration have increased sharply, and poverty is at historically high levels. The provision of basic services like electricity, public health, and public education have been severely disrupted, and essential social support programs and public investment have collapsed. More broadly, capacity in public administration has been critically weakened. Banks are unable to extend credit to the economy and bank deposits are mostly inaccessible to customers. The presence of a large number of refugees exacerbates Lebanon's challenges.

Despite the severity of the situation, which calls for immediate and decisive action, there has been limited progress in implementing the comprehensive package of economic reforms, set out in the Staff Level Agreement, notwithstanding some efforts by the government. This inaction disproportionately harms the low-to-middle-income population and undermines Lebanon's long-term economic potential. The Government, Parliament, and the Central Bank (BdL) must act together, rapidly and decisively to tackle longstanding institutional and structural weaknesses to stabilize the economy and pave the way for a strong and sustainable recovery.

The IMF says there is a path that would lead to stability and growth. The mission emphasized the urgency of implementing the following package of comprehensive reforms:

- A medium-term fiscal strategy to restore debt sustainability and create space for increasing social and development spending. The first step should be to adopt a 2023 Budget that uses a unified market exchange rate for customs and tax purposes, adjusts specific taxes to inflation, and makes the first steps toward restoring public administration. The Budget should also provide the necessary funding for essential social spending and initiate important public sector reforms which over time would improve efficiency. In subsequent years, strengthening public finances would require revenue mobilization reforms focused on broadening the tax base, closing existing loopholes, and improving tax compliance across taxpayers through strengthened and modernized tax administration. The revenue mobilization effort is critical to support a gradual scale up of priority social and development spending to more appropriate levels.
- Credible restructuring of the financial system to restore its viability and support economic recovery. This requires acknowledging and addressing upfront the large losses incurred by the central bank and commercial banks, respecting the hierarchy of claims, protecting small depositors, and limiting the recourse to the public sector given its current unsustainable debt position. Viable banks should be restructured and recapitalized under a timebound plan, and unviable banks should exit the market. The effective implementation of the strategy requires amending the Banking Secrecy Law to address outstanding critical weaknesses, notwithstanding the important improvements from the recent reform. In particular, relevant agencies should have access to data on individuals' transactions and deposits at the client level. In addition, the legal and institutional framework of the central bank and other banking authorities should be modernized to strengthen governance and accountability so that trust in institutions is rebuilt. To increase transparency, the special audit of the central bank should be published.
- Unification of exchange rates and tightening monetary policy to rebuild credibility and improve the external position of the economy. Unification would remove harmful distortions, eliminate rent-seeking opportunities, reduce pressures on the central bank's FX reserves, and pave the way for a market-determined exchange rate. The process should be accompanied by temporary capital controls to help guard the limited FX resources in the financial system needed to ensure an equitable solution for depositors. To help reduce inflation following unification, tight monetary policy would need to make use of all the available tools, and central bank financing to the government should be strictly prohibited. Foreign exchange interventions will need to be very limited and only for the purpose of addressing disorderly market conditions.
- Ambitious structural reforms to supplement economic policies and create an enabling environment for stronger growth. Strengthening the public finance management (PFM) framework is important to ensure proper oversight of public finances, enhance fiscal discipline and improve transparency of budgetary process. Reforming state-owned enterprises would ensure good governance, transparency, financial and operational viability, better provision of services and to contain fiscal risks. Enhancing governance, anti-corruption, and anti-money laundering/combating the financing of terrorism (AML/CFT) frameworks is finally needed to re-gain social trust of government policies and promote inclusive growth.

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UTILIZED L/CS FOR IMPORTS WITNESS A HIKE OF 148% IN THE FIRST MONTH OF 2023

Figures released by the Central Bank of Lebanon show that documentary letters of credits utilized to finance imports activities in the first month of 2023 recorded a 148.2% hike year-on-year standing at US\$ 14.0 million, against US\$ 5.6 million during the same month of the previous year.

Opened credits decreased by 10.7% in the first month of 2023 to reach US\$ 21.6 million, down from US\$ 24.1 million during the first month of 2022.

Concurrently, outstanding credits for import financing increased significantly by 48.8% year-on-year to reach US\$ 70.6 million in January 2023 against the same month of 2022.

In parallel, inward bills for collection, another documentary credit form of financing, inclined by 13.0% in the first month of 2023 to reach US\$ 20.7 million, versus US\$ 18.3 million in the same period of 2022.

It is worth noting that documentary letters of credits opened to finance exports activities worsened significantly and retreated by 82.8% in the first month of 2023 recording US\$ 0.7 million, down from US\$ 3.9 million during the same period of the previous year.

Similarly, utilized credits for exports for the first month of 2023 decreased by 14.6% standing at US\$ 9.0 million against US\$ 10.5 million during same period of 2022. Outward bills for collection, another documentary credit form of financing contracted significantly by 67.1% in the first month of 2023 to reach US\$ 6.8 million, versus US\$ 20.6 million over the same period of the previous year.

During 2022, credits opened, utilized and outstanding for import financing saw significant improvements of 138.2%, 93.3% and 13.7% respectively year-on-year against figures from the year prior. This improvement came after a majorly negative performance during 2021 which saw the aforementioned sections decrease by 67.2%, 74.0% and 70.2% respectively against figures recorded in 2020.

DOCUMENTARY CREDITS FOR IMPORTS' FINANCING

(US\$ million)	2020	2021	2022	1M-2022	1M-2023	1M-23/1M-22
Documentary L/Cs						
Opened credits	342.9	112.6	268.3	24.1	21.6	-10.7%
Utilized credits	443.7	115.5	223.2	5.6	14.0	148.2%
Outstanding credits	2,017.9	602.3	684.8	47.4	70.6	48.8%
Bills for collection						
Inward bills	307.8	212.1	191.2	18.3	20.7	13.0%
Outstanding bills	410.6	540.0	519.8	47.6	39.2	-17.7%

Sources: BDL, Bank Audi's Group Research Department

DOCUMENTARY CREDITS FOR EXPORTS' FINANCING

(US\$ million)	2020	2021	2022	1M-2022	1M-2023	1M-23/1M-22
Documentary L/Cs						
Opened credits	188.5	108.6	100.8	3.9	0.7	-82.8%
Utilized credits	408.6	68.9	77.2	10.5	9.0	-14.6%
Outstanding credits	3,403.3	1,520.3	1,092.4	93.7	94.2	0.5%
Bills for collection						
Inward bills	272.2	206.1	143.4	20.6	6.8	-67.1%
Outstanding bills	2,921.1	2,488.4	2,055.6	196.0	164.1	-16.3%

Sources: BDL, Bank Audi's Group Research Department

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On the side of bills for collection for imports financing, inward bills and outstanding bills for collection decreased by 9.8% and 3.7% year-on-year in 2022 against the year prior.

Concurrently, documentary credits for export financing saw a mixed performance in 2022. Whereas opened credits and outstanding credits for export financing saw a decrease of 7.2% and 28.1% respectively year-on-year against figures from the year prior, credits utilized for export financing on the other hand increased by 12.1% during the year against figures in 2021. This came after a negative performance during 2021 which saw the aforementioned sections decrease by 42.4%, 55.3% and 83.1% respectively against figures recorded in 2020.

On the side of bills for collection for exports financing, outward bills and outstanding bills for collection decreased by 30.4% and 17.4% year-on-year in 2022 against the year prior.

THE TELECOMMUNICATIONS SECTOR IN LEBANON DETERIORATES AS THE LOCAL CURRENCY LOSES VALUE

The telecommunications (telecom) sector in Lebanon, which has previously been one of the primary sources of revenue for the state treasury, has been deteriorating ever since the onset of the crisis in 2019. Driven by the continuous devaluation of the local currency, which has recently reached its lowest level seen so far (circa a 98.9% devaluation compared with the exchange rate (FX) pre-crisis), the telecom sector has become a burden on the treasury. This comes as its revenues are negatively affected by the disparity between the sayrafa FX rate which determines revenues and the black market FX rate which determines costs.

In details, looking at the problems faced by the Ministry of Telecommunications (MoT), the issue of electricity presents itself as a major one. Daily, three to four generators breakdown as the generators are outdated and need to be upgraded. However, due to a lack of liquidity, the change cannot be made and the ministry has not been able to install solar panels to fuel its energy needs. This issue has in turn led to a decline in the quality of services provided, as per the MoT.

It is worth noting that before the crisis began, the MoT had issued a tender, with funding secured in LP, for the purchase of 300 new generators. However, as the FX rate increased in the black market this number was reduced to 26 generators in 2020 which were not purchased. Also, as per the ministry, the budget allocated to the MoT was cancelled.

The difference between the sayrafa FX rate and the black market FX rate stands as another main driver for the deterioration of the sector. Revenues of the MoT are linked to the sayrafa rate which is set by the Banque du Liban (BDL). At times this FX rate stands several tens of thousands of LP lower than the black market rate. Taking into consideration that expenses incurred by the MoT are calculated following the black market FX rate, this creates a disparity between income and expenses which makes it almost impossible to achieve gains. However, even if the sayrafa FX rate is lower than the rate noticed in the black market, several citizens are starting to prefer disconnecting from the country's cellular network as prices are regarded as too steep. Therefore, the MoT in cooperation with "Alfa" and "Touch" are coming up with incentives to avoid that issue, as per the MoT.

In parallel, the issue of salaries and wages for employees at OGERO has been discussed in the Council of Ministers. This led to the agreement for the settling of arrears for the year of 2022 as well as the payment of dues for six months of the year 2023. However, salaries of the employees have not noticed any additions, as per the MoT.

Finally, the ministry is taking steps to tackle illegal internet activity in the country with the establishment of a task force. In turn, this led to the receipt of data for 105 companies out of the 108 suspected and the information of around 600,000 subscribers. This entails 600,000 users from which the state had not been receiving dues for the usage of the network, as per the MoT.

It is worth noting that this illegal activity is occurring as the company doesn't pay the government its share for the usage of the network. In fact, the entire network in Lebanon is solely state-owned under Law 126 which means that any usage of the network in the country involves the payment of a fee to the government.

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SURVEYS

LEBANON SCORES 58.8 IN WORLD BANK'S WOMEN, BUSINESS AND THE LAW 2023 INDEX

The World Bank published the "Women, Business and the Law 2023" report in which Lebanon ranked ninth out of 23 countries in the Arab MENA region with a WBL index score of 58.8.

Lebanon came after Comoros and Tunisia which scored 65.0 and 64.4 respectively and surpassed Algeria and Egypt which scored 57.5 and 50.6 respectively. UAE topped the Arab MENA region with a score of 82.5, while West Bank and Gaza came last with a score of 26.3.

Women, Business and the Law measures legal differences between men's and women's access to economic opportunities in 190 economies. Lebanon actually ranked 95th globally in the WBL index 2023.

Thirty-five aspects of the law are scored across eight indicators of four or five binary questions. Each indicator represents a different phase of a woman's career. The indicators are: Mobility, Workplace, Pay, Marriage, Parenthood, Entrepreneurship, Assets and Pension. The methodology was designed as an easily replicable measure of the legal environment for women as entrepreneurs and employees. The data is updated based on feedback from respondents with expertise in family, labor and criminal law. Indicator-level scores are obtained by calculating the unweighted average of the questions within that indicator and scaling the result to 100. Overall scores are then calculated by taking the average of each indicator, with 100 representing the highest possible score.

Looking at the indicators, Lebanon scored 100 on Mobility, 100 on Workplace, 50 on Pay, 60, on Marriage 20 on Parenthood, 75 on Entrepreneurship, 40 on Assets and 25 on Pension.

The global average Women, Business and the Law score is 77.1 out of 100, 2.4 billion women of working age worldwide still are not afforded equal economic opportunities.

Just 14 economies score 100, indicating that women are on equal legal standing with men across all areas.

ARAB MENA COUNTRIES' WOMEN, BUSINESS AND THE LAW 2023 INDEX

Country	Main Business City	Mobility	Workplace	Pay	Marriage	Parenthood	Entrepreneurship	Assets	Pension	WBL 2023 Index	Regional Rank
United Arab Emirates	Dubai	100	100	100	60	60	100	40	100	82.50	1
Morocco	Casablanca	100	100	50	60	80	100	40	75	75.60	2
Saudi Arabia	Riyadh	50	100	100	40	40	100	40	100	71.30	3
Djibouti	Djibouti Ville	100	100	50	20	60	100	40	100	71.30	4
Bahrain	Manama	50	75	100	40	40	100	40	100	68.10	5
South sudan	Juba	100	100	100	80	40	75	20	25	67.50	6
Comoros	Moroni	75	75	100	40	40	75	40	75	65.00	7
Tunisia	Tunis	100	75	25	60	40	75	40	100	64.40	8
Lebanon	Beirut	100	100	50	60	20	75	40	25	58.80	9
Algeria	Algiers	75	75	50	60	60	75	40	25	57.50	10
Egypt	Cairo	50	75	0	20	20	100	40	100	50.60	11
Libya	Tripoli	75	50	75	20	40	75	40	25	50.00	12
Mauritania	Nouakchott	100	25	25	0	60	75	0	100	48.10	13
Iraq	Baghdad	25	100	50	0	20	100	40	50	48.10	14
Jordan	Amman	25	0	75	20	40	100	40	75	46.90	15
Somalia	Mogadishu	75	50	50	20	40	75	40	25	46.90	16
Syria	Damascus	50	25	0	40	40	75	40	50	40.00	17
Oman	Muscat	25	75	25	20	0	75	40	50	38.80	18
Kuwait	Kuwait City	50	50	0	40	0	75	40	25	35.00	19
Sudan	Khartoum	0	0	0	0	20	75	40	100	29.40	20
Qatar	Doha	25	0	50	20	0	75	40	25	29.40	21
Yemen	Sanaa	25	25	25	0	0	75	40	25	26.30	22
West Bank and Gaza	Ramallah	25	25	0	20	0	75	40	25	26.30	23

Sources: World Bank, Bank Audi's Research Department

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IFI SUGGESTS A DIFFERENT APPROACH TO ECONOMIC POLICY

IFI issues a new report on Lebanon entitled “A different approach to Economic Policy”. The report says that Lebanon has been going through one of the worse economic crises in modern history. Banking, currency, and sovereign debt crises are not uncommon, but very few countries experience all three at once. What also makes Lebanon’s crisis unprecedented is its severity, given the collapse in the value of its currency, the extent of banking system insolvency, and the inadequacy of public resources to deal with it. A proper response to the crisis has been relatively non-existent, undermined by the continued political vacuum and the country’s dysfunctional state institutions, including the judiciary.

There are no easy solutions to Lebanon’s crisis says IFI. Crisis mitigation policies usually seek tradeoffs between potentially conflicting objectives, namely the protection of depositors, ensuring the health of the banking system, and minimizing the recourse to public resources. In Lebanon, most (if not all) banks are insolvent if they were to value their assets at market prices, which makes it impossible to cover all deposits without public support or massive increases in bank equity. Public support to banks is not a viable option, given the collapse in government revenues and concerns about the use of state assets to bail out depositors. Meanwhile, there may be few incentives for banks to raise capital without credible macroeconomic reform and significant improvements in governance.

IFI says there are measures that the authorities should take to halt the deterioration of the currency and to lower inflation, as well as to strengthen public finances and the social safety net. These measures can be adopted irrespective of prospects for implementing their plan to deal with the crisis or for IMF support of that plan.

First, there is a need for a monetary policy anchor to replace the exchange rate peg. The only viable option at present is a monetary growth target given current prospects for an exchange rate peg or for inflation targeting in Lebanon. Monetary growth targets would be set in line with inflation objectives, taking into account the needs of the economy. This target would be supported by limits on lending to the government, and by limits on the amount that could be withdrawn from bank deposits in LBP, should that scheme be continued.

Second, it is important to unify the exchange rate as early as possible and to have all transactions at a single free-floating rate. The central bank has already moved towards that objective with the devaluation of the official rate in February and by the adjustment of the Sayrafa rate at the beginning of March. Multiple exchange rates provide opportunities for the misuse of public resources, they are distortionary, besides having been an important source for monetary expansion. In the immediate future, until exchange rates are unified, keeping the margin between the Sayrafa and parallel market rate — and Sayrafa volumes — to a minimum would help to contain monetary growth.

Third, tax and fee assessments should be based on the market exchange rate. As an immediate and interim step, the Sayrafa rate could be used for taxes and excises pending the unification of exchange rates. This move would help to further restore tax rates and fiscal revenues, providing an opportunity to strengthen the social safety net. The adjustment in the exchange rate for customs valuations in March was an important step in this regard. A targeted subsidy system should also be put in place as a matter of priority, taking advantage of the experiences in other countries. The increased tax revenues could finance an increase in public sector wages, preferably as part of overall civil service reform. Such a policy would be an important step in the rehabilitation of state institutions, which have suffered badly since the beginning of the crisis according to IFI.

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CORPORATE NEWS

16% FUNDING GAP FOR LEBANON'S EDUCATION SECTOR IN 2022

Of the US\$ 349.5 million funding required for the Lebanese education sector, US\$ 56.7 million or around 16.2% were not received in 2022. Moreover, 41.8% or US\$ 146.2 million were carried over from the year 2021. This in turn shows that during the year, 42.0% of the funding required by the Lebanese education sector was received since January 2022, amounting to US\$ 146.6 million, as per the United Nations High Commissioner for Refugees' (UNHCR) 2022 4th quarter sector dashboard.

It is worth noting that the dashboard gives a summary of the Lebanese government's progress done with the help of sector partners involved in the Lebanon Crisis Response. The subject dashboard also shows trends that affect vulnerable people in the Lebanese population.

During 2022, the target population consisted of 900,908 vulnerable individuals out of which 62.8% or 566,276 individuals were reached with the necessary help. In details, 468,711 vulnerable Lebanese individuals were targeted, 60.7% (295,646 individuals) of which were helped. From the vulnerable displaced Syrian population, 374,211 individuals were targeted with 61.2% being reached. Furthermore, vulnerable individuals in the Palestinian refugee population were divided into Palestinian Refugees in Lebanon (PRL) and Palestinian Refugees from Syria (PRS). 35,141 PRL vulnerable individuals were targeted with 36,878 (105% of targeted individuals) individuals reached with the necessary support. Among the PRS population, 99% of the 4,845 vulnerable individuals targeted received the necessary support which amounts to 4,828 individuals during 2022, as per the UNHCR sector dashboard.

Three key achievements were highlighted in the report for 2022. One of the achievements was the subsidizing in full or partially of registration fees for public/UNRWA schools for 528,695 vulnerable individuals or 82.7% of the target number. 112.3% of the target was reached in giving remedial or homework support to vulnerable individuals. Moreover, 30.4% of targeted registration fees for regulated NFE/MFP programs were partially or fully subsidized.

The education sector continues to face economic issues that majorly impact the ability of schools to provide education and for families to give access to it for their kids. As multiple crises affect Lebanon and as poverty becomes worse, the demand for formal-public education decreases even when fees are subsidized. This fact is due to the increasing price of supplies, transportation and food. These factors act as drivers for vulnerable individuals to retire their children from school for them to engage in child labor or marriage. Moreover, massive learning losses pose a big threat to the sector, as per the UNHCR report.

TAGTECH FACTORY PRODUCTION LINE TO BE INSTALLED IN LU

Talal Abu-Ghazaleh for Technology (TAGTech) has announced the arrival of its production lines to Lebanon. This comes as preparation for the opening of its technological devices factory at the Lebanese University (LU). The installation of the aforementioned production lines will occur in the next few weeks while production of "made in Lebanon" products will start before the end of the year.

It is worth noting that this factory will be the first Arab technological device factory in Lebanon. This move falls in line with the mission of Talal Abu Ghazaleh Global (TAG.Global), which TAGTech is a part of.

The creation of this factory came after multiple discussions between the Founder and Chairman of TAG.Global with the Lebanese government and educational leads for the implementation of digitalization, e-government and digital illiteracy plans. The production lines will manufacture laptops, tablets and smartphones with high specifications to meet the needs of the local market.

Additionally, the factory will provide university students and others with practical technological training. In order to serve digital education in Lebanese schools, a new tablet will be manufactured as well called "Smart School Bag", as stated by the Founder and Chairman of TAG.Global.

It is worth mentioning that TAGTech operates factories in Jordan, Egypt and China apart from the one it will open in Lebanon.

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US\$ 20 MILLION FUND BY USAID FOR SOLAR & RENEWABLE ENERGY IN LEBANON

The launch of a US\$ 20 million Solar & Renewable Energy Fund was announced by the US Ambassador to Lebanon during an event. The aforementioned event included the Lebanese Minister of Energy and Water, the Lebanese Minister of Industry, the Lebanese Minister of Environment, investors, local enterprises and the Lebanon Acting Mission Director of the United States Agency for International Development (USAID).

The fund was created by the Trade and Investment Facilitation (TIF) activity and the Lebanon Investment Initiative (LII) of the USAID in Lebanon. The goal of the fund is to enable private sector investment for the financing of solar panel installation in Lebanese entities.

Through the TIF and LII, USAID made a commitment with a value of US\$ 4 million for seed funding as well as US\$ 500,000 for the structure of the fund. The total valuation of the fund with the pitching in of investors is expected at circa US\$ 20 million.

This fund is expected to sustain production operation in Small to Medium Enterprises (SMEs) through the securing of renewable energy investment. In turn, the benefiting SMEs are forecasted to increase their export capabilities. Additionally, this fund aims to aid households in the country working in affected institutions to sustain their work.

It is worth noting that the aforementioned fund will help 25 entities in the first funding opportunity round.

THE MINISTRY OF ENERGY INAUGURATES THE LAUNCH OF THE I-REC IN LEBANON

The national workshop on "Launching the Renewable Energy Certification Mechanism", organized by the United Nations Development Program (UNDP) in Lebanon, was inaugurated recently by the Caretaker Minister of Energy. This mechanism is known worldwide as the I-REC certificates.

The Caretaker Minister of Energy stressed on the flourishing development witnessed in Lebanon's renewable energy projects, especially in solar energy.

Additionally, work will carry on with the parliament for the approval of the distributed renewable energy law that allows the creation of large-scale renewable energy projects. However, preserving a minimum amount of fossil energy sources is crucial to ensure a balance in the network of *Électricité du Liban* (EDL). In turn, this stability will allow the connection of solar energy projects to the national power grid, as per the Lebanese Caretaker Minister of Energy.

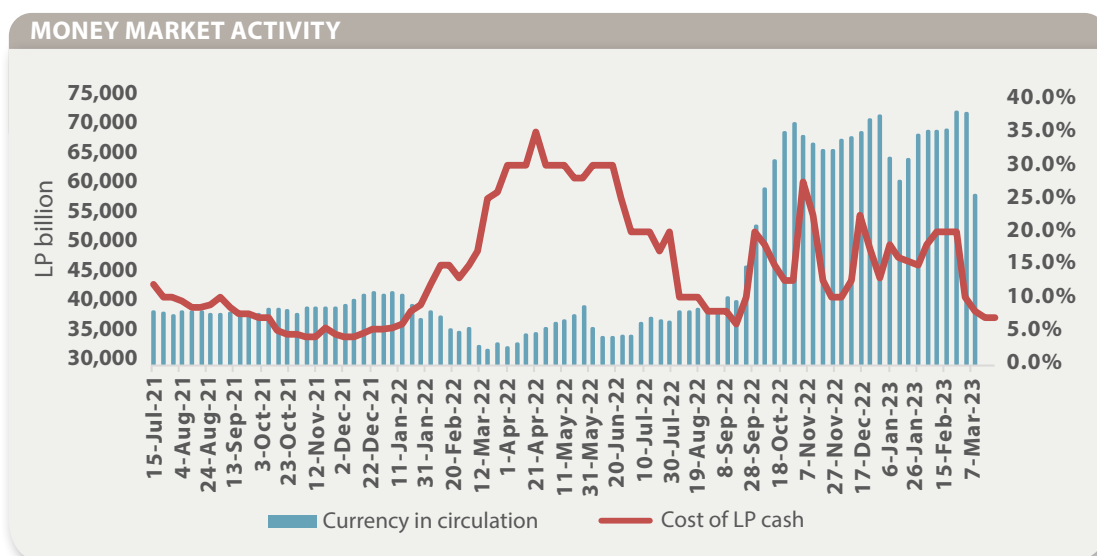
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CAPITAL MARKETS

MONEY MARKET: LARGE WEEKLY CONTRACTION IN MONEY IN CIRCULATION FOLLOWING BDL'S INTERVENTION VIA "SAYRAFA"

The overnight rate, which is a non-cash rate on the money market, remained stable at 10% this week, and the cost of LP cash stayed quoted at 6%-8%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 9th of March 2023 showed that currency in circulation contracted significantly by LP 14,027 billion following BDL's 1st of March decision to intervene on the FX market as a seller of cash US dollars via the "Sayrafa" platform. In contrast, total resident banking deposits expanded by LP 3,728 billion week-on-week. This is mainly driven by a LP 6,355 billion rise in total LP resident deposits amid a large expansion in LP demand deposits of LP 6,342 billion and a shy rise in LP saving deposits of LP 13 billion. As to foreign currency resident deposits, they have dropped by LP 2,627 billion week-on-week (the equivalent of US\$ 175 million as per the official rate of LP 15,000). Within this context, the money supply in its broadest sense (M4) contracted significantly by LP 10,016 billion over the covered week, mainly due to a large fall in the currency in circulation.



TREASURY BILLS MARKET: NOMINAL WEEKLY DEFICIT OF LP 123 BILLION

The latest Treasury bills auction results for value date 23rd 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 three-year category (offering a yield of 5.50%) and the seven-year category (offering a coupon of 6.50%).

The Treasury bills auction results for value date 16th of March 2023 showed subscriptions of LP 109 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 40 billion in the three-month category (offering a yield of 3.50%), LP 69 billion in the one-year category (offering a yield of 4.50%) and LP 7 million in the five-year category (offering a coupon of 6.00%). These compare to maturities of LP 232 billion, which resulted into a nominal weekly deficit of LP 123 billion.

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TREASURY BILLS

	24/03/2023	17/03/2023	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%	-	6.50%	
Nom. Subs. (LP billion)		109	1	
Short-term (3&6 mths)		40	-	
Medium-term (1&2 yrs)		69	-	
Long-term (3 yrs)		-	1	
Long-term (5 yrs)		0.01	-	
Maturities		232	193	
Nom. Surplus/Deficit		-123	-192	

Sources: Central Bank of Lebanon, Ministry of Finance

FOREIGN EXCHANGE MARKET: LP/US\$ BLACK MARKET RATE RETURNS TO LAST WEEK'S LEVELS FOLLOWING BDL'S STATEMENT AND SUSPENSION OF BANK STRIKE

Following its rapid downward spiral on the black FX market earlier this week, the Lebanese pound showed some signs of recovery following BDL's 21st of March decision to sell cash US dollars unlimitedly via the "Sayrafa" platform at a rate of LP/US\$ 90,000 and the Association of Banks in Lebanon's decision to suspend an open-ended strike.

In details, the LP/US\$ parallel market rate returned to last week's levels of LP/US\$ 107,000-LP/US\$ 108,000 on Friday, after topping LP/US\$ 140,000 earlier this week. Accordingly, the spread between the "Sayrafa" rate and the parallel FX market rate tightened to LP 18,000 this week, as compared to LP 28,000 at the end of the previous week.

EXCHANGE RATES

	24/03/2023	17/03/2023	30/12/2022	
LP/US\$	15,000.00	15,000.00	1,507.50	↔
LP/£	18,327.00	18,195.00	1,813.97	↓
LP/¥	115.60	112.68	11.27	↓
LP/SF	16,338.09	16,193.46	1,628.67	↓
LP/Can\$	10,890.08	10,949.70	1,108.21	↑
LP/Euro	16,102.50	15,969.00	1,603.83	↓

Source: Bank Audi's Group Research Department

STOCK MARKET: BSE PRICE INDEX DOWN BY 11% ON PROFIT TAKING OPERATIONS

Following strong year-to-date price gains, the Beirut Stock Exchange saw some profit taking operations during this week, which resulted into a 10.8% contraction in the price index.

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Solidere shares, which capture the lion's share of activity, registered weekly price falls, as market players sought to book gains following strong year-to-date price rally of circa 63% on average, stoked by hedging activity against multifaceted crisis. In details, Solidere "A" and "B" share prices fell by 12.7% and 15.5% respectively week-on-week to reach US\$ 85.60 and US\$ 84.50 respectively on Friday. As to banking stocks, Bank Audi's "listed" share price edged up by 0.7% to US\$ 1.51. Byblos Bank's "listed" share price rose by 1.4% to US\$ 0.73. Amongst industrials, Ciments Blancs Nominal's share price jumped by 13.7% to US\$ 14.50.

As to trading volumes, the BSE total turnover expanded by 16.0% week-on-week, moving from US\$ 13.3 million to US\$ 15.4 million.

AUDI INDICES FOR BSE

	24/03/2023	17/03/2023	30/12/2022	
Market Cap. Index	792.73	888.61	614.50	↓
Trading Vol. Index	139.83	120.63	96.84	↑
Price Index	166.42	186.55	129.00	↓
Change %	-10.79%	15.95%	1.30%	↓
	24/03/2023	17/03/2023	30/12/2022	
Market Cap. \$m	18,807	21,081	14,578	↓
No. of shares traded (Exc. BT)	279,939	191,719	187,711	↑
Value Traded \$000 (Exc. BT)	15,421	13,299	6,415	↑
o.w. : Solidere	15,280	13,178	6,349	↑
Banks	96	98	66	↓
Others	45	24	0	↑

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

BOND MARKET: LEBANESE BOND PRICES PLUNGE DEEPER INTO RED

Lebanese Eurobond prices continued to fall without finding a floor. Prices of sovereigns maturing between 2020 and 2037 closed at 6.625 cents per US dollar on Friday as compared to 6.875 cents per US dollar at the end of the previous week.

This came within the context of a prolonged institutional vacuum, darkened political outlook and IMF's warnings that Lebanon would be mired in a never-ending crisis without the implementation of a package of comprehensive reforms revolving around (1) a medium-term fiscal strategy to restore debt sustainability and create space for increasing social and development spending, (2) credible restructuring of the financial system to restore its viability and support economic recovery, (3) unification of exchange rates and tightening monetary policy to rebuild credibility and improve the external position of the economy, (4) ambitious structural reforms to supplement economic policies and create an enabling environment for stronger growth, and (5) enhancing governance, anti-corruption, and anti-money laundering/combating the financing of terrorism frameworks to regain social trust of government policies and promote inclusive growth.

EUROBONDS INDICATORS

	24/03/2023	17/03/2023	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)	6.63	6.88	5.50-5.88	↓
Average Life	5.16	5.19	5.34	↓
Yield on US 5-year note	3.39%	3.52%	3.94%	↓

Source: Bank Audi's Group Research Department

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INTERNATIONAL MARKET INDICATORS

	24-Mar-23	17-Mar-23	31-Dec-22	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	130.72	131.84	131.11	-0.8%	-0.3%
\$/£	1.223	1.217	1.208	0.5%	1.3%
\$/Euro	1.076	1.067	1.071	0.8%	0.5%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	32,237.53	31,861.98	33,147.25	1.2%	-2.7%
S&P 500	3,970.99	3,916.64	3,839.50	1.4%	3.4%
NASDAQ	11,823.96	11,630.51	10,466.48	1.7%	13.0%
CAC 40	7,015.10	6,925.40	6,473.76	1.3%	8.4%
Xetra Dax	14,957.23	14,768.20	13,923.59	1.3%	7.4%
FT-SE 100	7,405.45	7,335.40	7,451.74	1.0%	-0.6%
NIKKEI 225	27,385.25	27,333.79	26,094.50	0.2%	4.9%
COMMODITIES (in US\$)					
GOLD OUNCE	1,978.21	1,989.25	1,824.02	-0.6%	8.5%
SILVER OUNCE	23.23	22.60	23.95	2.8%	-3.0%
BRENT CRUDE (per barrel)	74.99	72.97	85.91	2.8%	-12.7%
LEADING INTEREST RATES (%)					
1-month Libor	4.83	4.78	4.39	0.05	0.44
US Prime Rate	8.00	7.75	7.50	0.25	0.50
US Discount Rate	5.00	4.75	4.50	0.25	0.50
US 10-year Bond	3.38	3.43	3.87	-0.05	-0.49

Sources: Bloomberg, Bank Audi's Group Research Department

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