

Economy

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As the cabinet gave the green light to launch Bloomberg currency exchange platform, which would replace the "Sayrafa" platform that has been decommissioned since end-July 2023, and in line with draft budget 2024 cabinet discussions, a status-quo mood continued to reign over the parallel FX market over this week, while equities posted price rebounds and bond prices remained relatively stable at single-digit levels. In details, the LP/US\$ black market rate continued to register marginal movements over this week, hovering around LP 89,000 per US dollar, while the cabinet approved adopting Bloomberg platform that is set to promote transparency and governance within the context of the emerging cash economy. In parallel, equities registered a 0.8% rise in prices, while the BSE total turnover increased fourfold week-on-week to reach US\$ 31 million. Finally, Eurobond prices remained quoted at 7.875 cents per US dollar on Friday, which marks more than 90% loss relative to par. This took place amid a protracted constitutional vacuum and a very slow progress in implementing reforms to unlock much-needed international financial support, while Lebanon is embarking into a new financial and monetary era under the new BDL leadership.

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LEBANON MARKETS: SEPTEMBER 4 - SEPTEMBER 10, 2023

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ECONOMY

A 307% ANNUAL INFLATION IN JULY

This July the year-on-year index has surged by 306.7% compared to results of July 2022 as per the Consultation and Research Institute.

All nine main indices registered increases this July. The highest increase was registered by the "Housing" category (1,351.4%), followed by the "Other Goods and Services" category (731.8%), then by the "Healthcare" category (644.3%), the "Recreation" category (449.2%) and the "Apparel" category (303.0%).

The July 2023 year-on-year "Food and Beverages" index has significantly increased by 246.0% since July 2022. All of the four main indices registered increases this month, as follows: the "Tobacco Products" category (345.9%), the "Nonalcoholic Beverages" category (273.6%), the "Alcoholic Beverages" category (263.1%) and the "Food" category (241.4%). The index for "Food" increased by 241.4% compared to its level last year, as all of the twelve food group indices have witnessed increases this July. The most significant increase was registered in the "Food Away from Home" category (350.4%), followed by the "Chocolate and Candy" category (335.4%), the "Vegetables" category (267.8%), the "Other Food Products" category (261.6%), and the "Fruits" category (249.7%).

Apparel year-on-year prices registered a 303.0% increase in July 2023. This was the result of the increase in the "Footwear" category (334.2%), and in the "Clothing and Sewing Materials" category (293.8%) this month.

The index for "Housing" has surged by 1,351.4% in July 2023 from its level last year. This was mainly due to the increase in the "Household Energy" category (1,840.7%), followed by the "Public Water Subscription" category (438.6%) and the "Household Maintenance" category (254.7%). The "Municipal Fees" category remained stable this month.

The "Durable Consumer Goods" index has increased by 258.5% since July 2022. All eight indices witnessed increases this July, most significantly those of the "Housekeeping Services" category (671.9%), followed by the "Glassware" category (331.0%), the "Miscellaneous Household Products" category (317.5%) and the "Cleaning Products and Services" category (303.8%).

The healthcare index has increased by 644.3% since July 2022. This is due to the increases registered in the "Health Insurance" category (10,157%), followed by the "Inpatient Services" category (1,471.0%), then by the "Medications and Medical Accessories" category (459.5%) and the "Outpatient Services" category (363.4%) in July 2023.

The CPI component for "Transportation and Telecommunications" has increased by 202.6% (year-on-year) in July 2023, due to the increase in the "Telephone Services" category (222.5%) and the "Transportation" category (202.2%).

The index for education has increased by 219.9% from the previous year, due to the significant increase in the "Tuition Fees" category (302.5%), followed by the "School Transportation" category (162.2%) and the "Educational Books and Supplies" category (117.2%).

The index for recreation has increased by 449.2% compared to its results in July 2022, due to the surge in the "Reading Materials and Photography" category (2,187.5%) and the "Movies and Restaurants" category (329.2%).

The index of "Other Goods and Services" has increased by 731.8% since July 2022. This was basically due to the increases registered in all of its four main indices, as follows: the "Jewelry" category (6,633.3%), the "Travel" category (1,900.0%), the "Financial Services" category (296.9%) and the "Personal Care" category (287.3%).

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NUMBER OF PASSENGERS AT THE AIRPORT INCREASED BY 20% YEAR-ON-YEAR IN THE FIRST EIGHT MONTHS OF 2023

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

In details, total number of passengers increased by 19.7% in the first eight months of 2023 when compared to the same period of 2022, reaching 4,997,542 passengers in the former period, up from 4,174,909 in the latter. In addition, the number of aircraft increased by 15.6% year-on-year. In parallel, the total freight handled by the airport decreased by 2.1% year-on-year during the aforementioned periods.

The number of incoming passengers increased by 20.7% year-on-year reaching 2,514,447 in the first eight months of 2023, up from 2,083,168 in the first eight months of 2022. Passengers departing from BIA during the first eight months of 2023 reached 2,483,095 recording an increase of 18.7%, up from 2,091,741 departing passengers in the same period of the year prior.

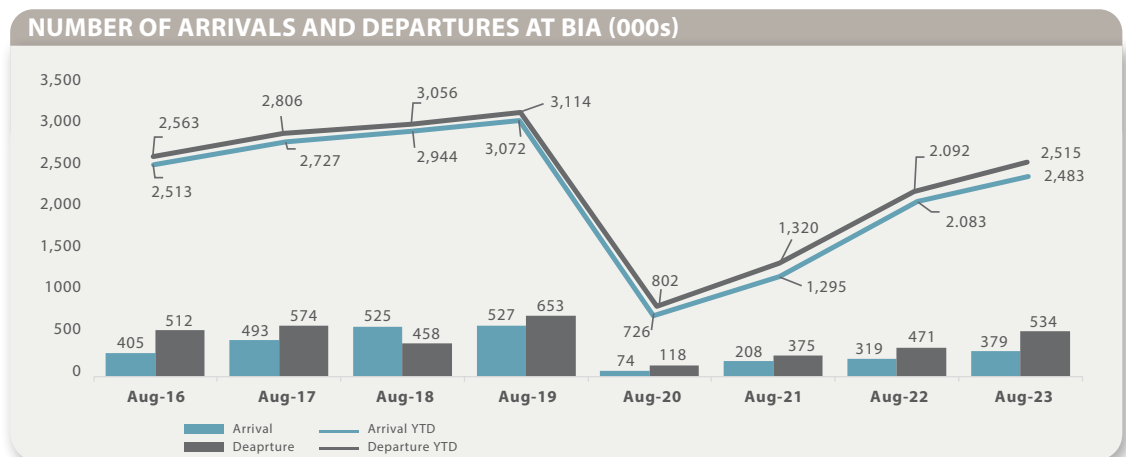
In parallel, landings and take-offs increased by 15.6% year-on-year in the first eight months of 2023 with 19,950 planes landing and 19,937 planes taking-off during the period. In turn, the number of aircraft coming in and out of BIA during the first eight months of 2023 reached 39,887 planes, registering a 15.6% year-on-year increase up from 34,510 in the same period of 2022.

Regarding the freight movement within the airport, a total of 21,394 tons were imported and unloaded during the first eight months of 2023, while 19,034 tons were exported and loaded. The first mentioned activity posted an increase of 12.4% while the latter posted a 16.2% decrease on a yearly basis in the first eight months of 2023. Looking at the recovery rate in arriving passenger activity at BIA between the first eight months of 2023 and the same period of 2019, an indicator of recovery in incoming passengers' activity against pre-crisis and pre-COVID levels, we note a recovery rate of 80.7%. This shows a 13.8 percentage point improvement in recovery rate up from 66.9% in 2022.

It is worth noting that incoming passengers at BIA in 2019 were recorded at 3,114,102 individuals.

When looking at the performance of the summer season so far, total passengers at BIA between June and August 2023 reached 2,543,302 showing an increase of 16.3% up from 2,186,772 total passengers in the same period of 2022. Number of incoming passengers at BIA increased by 17.2% year-on-year in the aforementioned period while the number of departing passengers increased by 15.4% during the same period. Additionally, looking at the recovery rate of incoming passengers in BIA for the summer season so far of 2023 against that of 2019, we note an 83.8% recovery rate. This recovery rate outperforms the recovery rate of incoming passengers noticed so far in 2023 which shows the success of the summer season so far.

It is worth mentioning that Lebanon's summer season for tourism extends from June to September with its peak usually in July and August. This season historically shows an increase in tourism levels for the country.



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LCPS RELEASES A POLICY BRIEF ON LEBANON'S AGRICULTURAL SECTOR

The Lebanese Center for Policy studies released a policy brief report on Lebanon's agricultural sector titled "Lebanon's Economic Crisis by Sector: Agriculture's Roadmap to Resilience" in which they note the facts and figures about the sector in Lebanon, its challenges and opportunities within the crisis as well as recommendations moving forward.

According to the report, Lebanon's economic crisis has majorly impacted the agricultural sector within the country. However, the woes of the sector were already present prior to the crisis with productivity constraints, limited access to finance, insufficient agricultural technologies, employment challenges, inefficient use of water and inputs, poor infrastructure, inefficiencies of the public extension service, gender gaps in the access and control of resources, decision making & access to finance as well as weak institutional support. The crisis, which began in October 2019, has therefore only exacerbated the problems that already plagued the sector leading to the devastation of the agricultural sector, threatening Lebanon's food security and putting farmers at risk of bankruptcy.

The Lebanese economic crisis brought with it a scarcity in basic necessities (i.e. fuel, electricity) which exacerbated the difficulty of farmers to access adequate sources of water irrigation in turn affecting crop yields, quality and cost. Additionally, the depreciation of the local currency against the US\$ and lack of access to loans has made it difficult for farmers to finance their input needs for production. Demand was also affected as the crisis led to a substantial jump in the Survival Minimum Expenditure Basket and prices in general therefore majorly affecting consumption in Lebanon.

It is worth mentioning that despite having the highest proportion of arable land in the Arab world, Lebanon's agricultural sector plays a relatively minor role in the country's economy. The sector is estimated to contribute to 5% of the Lebanese GDP and to the employment of circa 8% of the effective labor force. Additionally, the sector is a key contributor to Lebanon's agri-food industry which adds another estimated contribution of 5% to GDP and the employment of circa 8% of the effective labor force, as per the LCPS policy brief.

The agricultural sector has the ability to contribute to the financial recovery of the country. However, several challenges present themselves that stun the sector's development ability, of which: Competitiveness (with high input and production costs making local product unable to compete with cheaper imported products), Employment (the agricultural labor force mainly consists of seasonal, low-skilled workers which hinders farmers' capacity to adopt new technologies and good farming practices), Financial challenges (due to the inability to access credit), Supply chain and marketing challenges (Low bargaining power of farmers in market operations, weak cooperative work, imbalanced market power, risks of unfair trade practices as well as a mismatch between supply and demand), Lack of compliance with quantity and quality requirements, Poor agricultural infrastructure, Inefficiency of public extension services, research & education, The political aspect and Climate change and use of natural resources.

On the other hand, some opportunities present themselves that can be leveraged to promote and strengthen the sector. The shortage of US\$ within the Lebanese market has made it difficult to import food which created an opportunity to support local food production to meet domestic demand. In order for such opportunities to materialize, they must be accompanied by initiatives to support small-scale farmers, improve access to finance and inputs as invest in infrastructure. The current crisis offers multiple opportunities of which: those relating to comparative advantage of certain crops and agro-food products especially in matters of pricing and competitiveness on the global market. This offers investors potential to produce agricultural and agri-food products that present a comparative advantage (i.e. new industries, specialized farms, wine, etc.). Additionally, innovation and technology have brought forward new ways of farming that replace conventional inputs (i.e. fertilizers and pesticides) with other solutions such as organic farming and precision agriculture. In parallel the role of international and local organizations in supporting the growth within the sector, which has increased recently, might help in improving the quality of Lebanese produce and the resilience of less advantaged segments of the population by producing niche products for exports, as per the LCPS report.

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SURVEYS/REPORTS

HOTEL ROOM RATE AND YIELD UP IN FIRST FIVE MONTHS 2023, AS PER EY

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

As a matter of fact, the occupancy rate of four and five-star hotels within the capital reached 39% in the first five months 2023, against 42% in the same period of the previous year, down by 3%, as per EY.

The occupancy rate within Beirut was ranked 13th among 13 regional cities included in the survey. It was directly surpassed by Manama, Kuwait City and Amman (56%, 56% and 50% respectively).

Madinah and Dubai ranked first in the Middle East, with an 83% occupancy rate, while Beirut came last.

Beirut’s room rate moved up to US\$ 82 in the first five months of 2023 from US\$ 56 in the same period of the previous year.

The rooms’ yield rose to reach US\$ 34 in the first five months of 2023, compared to US\$ 24 in the same period of 2022 as a result of the rise in room rate, yet coupled with a decline in occupancy.

ERNST & YOUNG MIDDLE EAST HOTEL BENCHMARK SURVEY

	Occupancy %		Average Room Rate (US\$)		Room Yield (US\$)	
	5M 2023	5M 2022	5M 2023	5M 2022	5M 2023	5M 2022
Madinah	83	77	190	140	157	108
Dubai	83	77	356	378	294	290
Abu Dhabi	81	78	105	82	84	64
Makkah	75	63	244	191	184	121
Cairo	71	66	139	66	99	44
Riyadh	65	63	193	176	125	111
Muscat	62	50	134	125	83	62
Jeddah	59	51	244	225	144	115
Doha	59	59	114	111	67	66
Manama	56	45	159	163	90	73
Kuwait City	56	42	182	245	102	103
Amman	50	41	141	143	70	58
Beirut	39	42	82	56	32	24

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

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IFI PUBLISHES ITS ANALYSIS OF THE BDL FORENSIC REPORT

The “final preliminary” forensic report of the Banque du Liban (BdL) was issued on August 7, one week after the end of the term of the outgoing governor who headed the BdL for 30 years. According to an analysis report by IFI, the forensic audit is reported to have been a key demand of donor countries that want Lebanon to enact reforms before releasing funds to help address its financial crisis; it was not part of the Staff Level Agreement with the IMF.

Preparation of the report took considerably longer than had been anticipated, which the authors attribute to difficulties in obtaining information from the BdL. The assessment was initially expected to take 12 weeks, but it took almost three years to complete, after the first contract to conduct it was signed with the government. The authors note that repeated delays in the provision of information led to a pause of the review at several intervals. The assessors were not given access to BdL premises, and interaction with BdL staff was restricted to written questions and answers, which limited the possibility for follow-up questions and to explore issues in depth.

The aim of the assessment – as indicated in the first pages of the report – was to “perform a forensic audit and a governance and controls assessment of the Banque du Liban” covering the period 2015-2020. The forensic audit investigated whether financial transactions were used for their intended purpose; whether prices paid by the BdL were unduly inflated; whether payments were made to fictitious companies; and whether there were inappropriate reporting schemes or misuse of funds. It was also tasked to examine changes in the BdL balance sheet and composition of its foreign exchange accounts; examine the “financial engineering” operations and related movements in commercial bank accounts; and look into commercial bank holdings of government debt and their balances with the central bank. The governance and controls assessment reviewed the internal controls at the BdL, including in comparison with other central banks, and made relevant recommendations.

The report’s recommendations focus on governance, namely on strengthening institutions and regulations. While there is certainly a need to strengthen institutions, there seems to be a broader issue of a culture of non-accountability, which may go well beyond the BdL and beyond laws and regulations. There are mechanisms already in place for the government to supervise the BdL that it did not use. This lack of accountability may be symptomatic of other state institutions in Lebanon. Possible ongoing examples are progress in dealing with the Beirut port explosion and the electricity sector. It is therefore unclear whether the report will lead to meaningful changes in governance.

The report also outlines several areas for further investigation, including with regards to the financial engineering operations and BdL commissions. These areas could be investigated with better access to information from the BdL, especially given public concerns about the motivation and beneficiaries of some of the BdL’s actions.

Lastly, since the report covers the years 2015-2020, an assessment of the BdL during more recent years – particularly related to the Sayrafa foreign exchange platform and the policies that led to the massive decline in foreign exchange reserves – would be highly relevant to addressing concerns related to its handling of the crisis. However, the report was probably expected to be completed in early 2021, which might explain having the year 2020 as the end of the audited period as per IFI. An assessment of the BdL covering earlier years would also be interesting from a historical perspective, but such an assessment would probably offer little insight into what needs to be done today according to IFI.

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CORPORATE NEWS

BANK AUDI RELEASES ITS UNAUDITED CONSOLIDATED FINANCIAL FIGURES FOR END-JUNE 2023

Bank Audi has released in unaudited consolidated balance sheet and income statement for end-June 2023. The interim report denotes changes in banking aggregates between the first six months of 2023 against the first six months of 2022.

It is worth noting that on the 1st of February 2023, the Banque du Liban (BDL) announced a re-peg of the LP to the US\$ at the rate of LP 15,000/US\$, up from a prior LP 1,507.5/US\$. Therefore, LP figures for end-June 2023 will be substantially higher than those in 2022 as a result of the decision. Figures are in turn translated in US\$ from LP using the prevailing official exchange rates for the period (LP 1,507.5/US\$ for 2022 figures and LP 15,000/US\$ for 2023 figures).

In details, at the level of the balance sheet, assets were recorded at US\$ 18.0 billion (LP 269.6 trillion at the FX rate of LP 15,000/US\$) at end-June 2023, down from US\$ 26.9 billion (LP 40.6 trillion at the FX rate of LP 1,507.5/US\$) at end-2022 showing a 33.1% drop in the aforementioned period. This decrease is caused by an FX effect over the period.

At the level of the income statement, in the first six months (H1) of 2023, Bank Audi reported consolidated net profits of LP 1 trillion, corresponding to US\$ 79 million when translated at the compounded average exchange rate of LBP 12,751.25 per 1 USD over the same period. A detailed analysis of the performance of Bank Audi Lebanon, by currency (LP, Local dollars and "fresh") while excluding any income generated from BDL or sovereign instruments, and translated at the prevailing market rate of exchange for the Lebanese Pounds versus US\$ shows that the Bank is able to generate positive core profits from its operations despite the quasi absence of traditional banking activity.

Consolidated net interest income net of taxes, translated at the prevailing average exchange rate for the period, amounted to US\$ 258 million in the first half of 2023, compared to US\$ 629 million in the corresponding period of 2022, representing a decrease by 59.0%. This decrease in consolidated net interest income stems principally from entities operating in Lebanon registering a net interest income of US\$ 152 million in the first half of 2023 relative to US\$ 548 million in the corresponding period of last year.

The drastic decrease reflects predominantly the negative impact of the translation of LP versus US\$ in addition to the diminished interest earning activity, stemming from the comprehensive deleveraging of the loan portfolio, maturing and the liquidation of high yielding placements in Lebanese securities denominated in LP to buy foreign currencies, as well as by the effect of regulatory interest rates cuts on placements with the Central Bank of Lebanon denominated in foreign currencies.

On the other hand, the contribution of entities operating outside Lebanon to consolidated interest income reinforced moving from US\$ 81 million in the first half of 2022 to US\$ 106 million in the first half of 2023. Normalized consolidated non-interest income moved from US\$ 165 million in the first half of 2022 to US\$ 105 million in the first half of 2023, reporting a decrease by 36.4%, entirely accounted for by Lebanese entities as a fallout of the decreased banking activity system-wide.

In the first half of 2023, the Bank's consolidated normalized total operating expenses reached US\$174 million relative to US\$ 298 million in the first half of 2022, registering a decrease of 42%. Notwithstanding, the US\$ 124 million decrease in consolidated expenses stems from Lebanese entities, reflecting the impact of the devaluation of the official exchange rate on the backdrop of the large share of LP denominated operating expenses, totally offsetting the impact of the prevailing excessive inflation driven by the dollarization of commodities and the reliance for some services on the prices of the domestic oil grid, as per the report.

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USAID LAUNCHES US\$ 97 MILLION QITABI 3 PROJECT

A contract was awarded by the United States Agency for International Development (USAID) to RTI International in order to implement the new five-year Quality Instruction Towards Access and Basic Education Improvement (QITABI) 3 project. The aforementioned project is valued at US\$ 96.9 million and aims to support Lebanon's education system. USAID's QITABI 3 will work on improving literacy, numeracy, Social and Emotional Learning (SEL) as well as inclusive education outcomes for students throughout the country. These goals will be achieved with the collaboration of the Lebanese Ministry of Education and Higher Education (MEHE) and the Center for Educational Research and Development (CRDP). Additionally, life skills and career guidance will be offered to students at intermediate and secondary levels through the USAID project.

Technical support will be provided to MEHE and CRDP from QITABI 3 in a bid to improve inclusive curriculum, research and assessment capabilities. The project is forecast to improve the learning outcomes for circa 350,000 learners, enhance instructional practices for 25,000 teachers, increase the rates of retention across 1,200 public and low-cost private schools as well as strengthen the system to ensure access to more equitable learning opportunities for the most disadvantaged and for children with disabilities.

THE EMBASSY OF THE CZECH REPUBLIC IN LEBANON LAUNCHES ITS CALL FOR SSP PROPOSALS FOR 2024

The Embassy of the Czech Republic in Beirut is launching its annual call for proposals with regard to the Small Scale Projects (SSP) for 2024. SSPs are instruments of bilateral development cooperation of the Czech Republic with the support of the country's Ministry of Foreign Affairs with these projects being directly managed by the Embassy. Through these projects, the Czech Republic offers support to small-scale development projects carried out directly by local stakeholders in line with the benefiting country's national development plan. All participating projects must be in line with the aforementioned plan as well as promote gender equality and respect for the environment. Additionally, SSPs are required to contribute to increasing the Czech Republic's visibility in Lebanon.

The Czech Republic offers funding for each SSP ranging from CZK 200,000 (US\$ 8,000) to CZK 500,000 (US\$ 20,000) with co-funding from applicants or other sources being welcomed. However, overhead costs of the project must be borne by the applicants. The aforementioned funding is to be used for implementing the main project goal and is required to be handled effectively. In turn, costs relating to total salaries/fees, subsistence allowance, accommodation, travel cost as well as insurance and vaccination of the experts (personal and travel costs) are not to exceed 25% of the projects' total costs. Additionally, the SSP budget cannot include the payment of the implementer's administrative costs. The funding will be in Czech currency and will be binding for the conversion into US\$ at the official exchange rate with the approved amount being final and cannot be changed.

Only projects which can show their independent legal status in Lebanon can submit proposals and this includes non-political and non-governmental organizations only, implementers with legal status and being local to the country of implementation only, implementers eligible to sign a contract with MFA CZ only entailing that the contract falls under the jurisdiction of Czech law and courts.

The majority of SSP funding targets local civil society organizations as well as other organizations working at the local level. Eligibility can be given to other entities (including international, intergovernmental, multilateral and regional organizations) to receive contributions as long as these entities are working with local partners and on local projects. Additionally, educational, health, social or cultural institutions can be eligible to receive SSP funding as long as their projects are of a local nature.

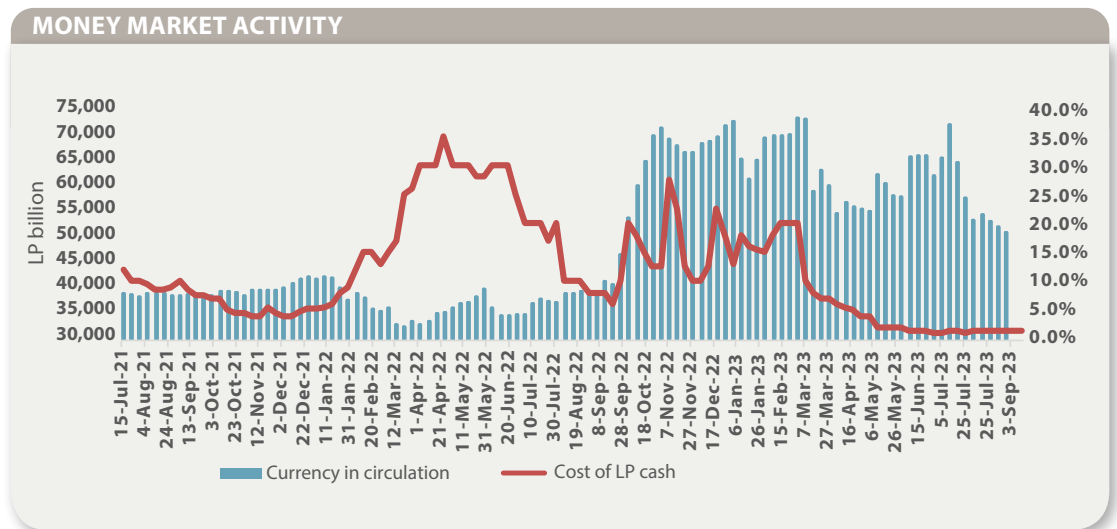
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CAPITAL MARKETS

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

The overnight rate, which is a non-cash rate on the money market, was quoted at 85% on Friday compared to 100% at the end of last week, while the cost of LP cash remained at its lows (1%-2%).

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 24th of August 2023 showed that total resident banking deposits contracted further by LP 838 billion. This is mainly attributed to a LP 886 billion weekly drop in foreign currency resident deposits (the equivalent of US\$ 59 million as per the official rate of LP 15,000), while total LP resident deposits registered a shy rise of LP 48 billion amid a LP 103 billion increase in LP demand deposits and a LP 54 billion decline in LP saving deposits. Within this context, the money supply in its broadest sense (M4) contracted by LP 1,115 billion over the covered week amid a LP 1,037 billion contraction in the currency in circulation and a LP 760 billion increase in the non-banking sector Treasury bills portfolio.



TREASURY BILLS MARKET: NOMINAL DEFICIT OF LP 1,907 BILLION OVER FIRST 8M 2023

The latest Treasury bills auction results for value date 7th of September 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 coupon of 5.50%) and the seven-year category (offering a coupon of 6.50%).

The Treasury bills auction results for value date 31st of August 2023 showed subscriptions of LP 2,635 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 50 billion in the three-month category (offering a yield of 3.50%), LP 2,585 billion in the one-year category (offering a yield of 4.50%) and LP 44 million in the five-year category (offering a coupon of 6.00%). These compare to maturities of LP 605 billion, which resulted into a nominal weekly surplus of LP 2,030 billion.

On a cumulative basis, total subscriptions amounted to LP 12,955 billion over the first eight months of 2023, fully allocated to the Central Bank of Lebanon. The one-year category captured 54.1% of the total, followed by the two-year category with 22.3%, the six-month category with 13.4%, the three-month category with 7.7%, the three-year category with 1.6% and the seven-year category with 0.9%, while the five-year category accounted for the remaining 0.01%. These compare to maturities of LP 14,862 billion, resulting into a nominal deficit of LP 1,907 billion over the first eight months of 2023.

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TREASURY BILLS

	08/09/2023	01/09/2023	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)		2,635	1	
Short-term (3&6 mths)		50	-	
Medium-term (1&2 yrs)		2,585	-	
Long-term (3 yrs)		-	1	
Long-term (5 yrs)		0.04	-	
Maturities		605	193	
Nom. Surplus/Deficit		2,030	-192	

Sources: Central Bank of Lebanon, Ministry of Finance

FOREIGN EXCHANGE MARKET: CALM MOOD SWAYS OVER BLACK FX MARKET, WHILE A NEW CURRENCY PLATFORM IS COMING UNDERWAY

Amid news that the cabinet has given the green light to launch a new currency exchange platform operated by Bloomberg, which would come in succession of the "Sayrafa" platform that has been phased out after the end of the Central Bank governor's term on July 31, and amid continuous BDL efforts to promote transparency and governance, the black FX market remained governed by a slow and calm mood over this week.

The LP/US\$ parallel market rate continued to register marginal fluctuations over this week, reaching LP/US\$ 89,000-LP/US\$ 89,500 on Friday, with no change relative to the end of the previous week, while a new currency platform is coming underway. The LP/US\$ exchange rate on the new platform would be determined by demand and supply forces, while the Central Bank of Lebanon would mostly stay on the sidelines. This would help preventing further FX reserves burn, noting that BDL's liquid FX reserves hit US\$ 8.5 billion mid-August 2023, as per latest BDL statement.

EXCHANGE RATES

	08/09/2023	01/09/2023	30/12/2022	
LP/US\$	15,000.00	15,000.00	1,507.50	↔
LP/£	18,730.50	19,014.00	1,813.97	↑
LP/¥	101.74	103.11	11.27	↑
LP/SF	16,836.91	16,991.39	1,628.67	↑
LP/Can\$	10,973.74	11,102.89	1,108.21	↑
LP/Euro	16,069.50	16,272.00	1,603.83	↑

Source: Bank Audi's Group Research Department

STOCK MARKET: BSE SHIFTS TO POSITIVE TERRITORY THIS WEEK AMID INCREASED ACTIVITY

The Beirut Stock Exchange shifted to a positive territory this week, as reflected by a 0.8% increase in the price index. A closer look at individual stocks shows that Solidere "B" share price jumped by 4.0% to US\$ 77.60, followed by Holcim Liban's shares with +0.1% to US\$ 69.00. In contrast, Solidere "A" share price retreated by 0.4% to US\$ 77.40. Bank Audi's GDR price stood unchanged at US\$ 1.40.

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As to trading volumes, the BSE total turnover registered a fourfold increase, moving from US\$ 7.7 million last week to US\$ 31.0 million, noting that Solidere shares captured the lion's share of activity (99.95%). On a cumulative basis, the BSE total trading value contracted by 2.9% year-on-year during the first eight months of 2023 to reach US\$ 269 million. In parallel, the BSE market capitalization grew by 36.5% between end-August 2022 and end-August 2023. Accordingly, the total turnover ratio, measured by the annualized trading value to market capitalization, reached 2.2% during the first eight months of 2023 and compared to 3.1% a year earlier.

AUDI INDICES FOR BSE

	08/09/2023	01/09/2023	30/12/2022	
Market Cap. Index	793.84	787.72	614.50	↑
Trading Vol. Index	281.88	69.66	96.84	↑
Price Index	166.65	165.37	129.00	↑
Change %	0.78%	-2.14%	1.30%	↑
	08/09/2023	01/09/2023	30/12/2022	
Market Cap. \$m	18,833	18,688	14,578	↑
No. of shares traded (Exc. BT)	402,594	209,404	187,711	↑
Value Traded \$000 (Exc. BT)	31,002	7,651	6,415	↑
o.w. : Solidere	30,985	7,514	6,349	↑
Banks	3	104	66	↓
Others	14	33	0	↓

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

BOND MARKET: LEBANESE EUROBOND PRICES REMAINING STABLE WEEK-ON-WEEK

Lebanese Eurobond prices remained quoted at 7.875 cents per US dollar across the curve this week, while Lebanon is embarking into a new financial and monetary era under the new BDL leadership, which is viewed by international investment banks as a chance of improvements in monetary/FX regimes, and amid plans to gradually move to a managed float system, in addition to bets that the FX liberalization would allow BDL's FX reserves to stabilize. On a cumulative basis, the bond market registered year-to-date price gains of 2.13 pts to 2.25 pts.

EUROBONDS INDICATORS

	08/09/2023	01/09/2023	30/12/2022	
Total tradable size \$m	31,793	31,793	31,793	↔
o.w.: Sovereign bonds	31,314	31,314	31,314	↔
Bid price (cents per US dollar)	7.88	7.88	5.50-5.88	↔
Average Life	4.82	4.83	5.34	↓
Yield on US 5-year note	4.36%	4.20%	3.94%	↑

Source: Bank Audi's Group Research Department

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INTERNATIONAL MARKET INDICATORS

	08-Sep-23	01-Sep-23	31-Dec-22	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	147.84	146.22	131.11	1.1%	12.8%
\$/£	1.247	1.259	1.208	-1.0%	3.2%
\$/Euro	1.070	1.078	1.071	-0.7%	0.0%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	34,576.59	34,837.71	33,147.25	-0.7%	4.3%
S&P 500	4,457.49	4,515.77	3,839.50	-1.3%	16.1%
NASDAQ	13,761.53	14,031.81	10,466.48	-1.9%	31.5%
CAC 40	7,240.77	7,296.77	6,473.76	-0.8%	11.8%
Xetra Dax	15,740.30	15,840.34	13,923.59	-0.6%	13.0%
FT-SE 100	7,478.19	7,464.54	7,451.74	0.2%	0.4%
NIKKEI 225	32,606.84	32,710.62	26,094.50	-0.3%	25.0%
COMMODITIES (in US\$)					
GOLD OUNCE	1,919.08	1,940.06	1,824.02	-1.1%	5.2%
SILVER OUNCE	22.93	24.19	23.95	-5.2%	-4.3%
BRENT CRUDE (per barrel)	90.65	88.55	83.10	2.4%	9.1%
LEADING INTEREST RATES (%)					
Term SOFR 1-month	5.33	5.33	4.36	0.00	0.97
US Prime Rate	8.50	8.50	7.50	0.00	1.00
US Discount Rate	5.50	5.50	4.50	0.00	1.00
US 10-year Bond	4.26	4.18	3.87	0.09	0.39

Sources: Bloomberg, Bank Audi's Group Research Department

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