

## Economy

### CONTACTS

#### Treasury & Capital Markets

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

#### Corporate Banking

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

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

#### Marketing and Communications

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

### p.2 IMF STAFF CONCLUDES VISIT TO LEBANON

The IMF said, in a press release that Lebanon has not undertaken the urgently needed reforms, and this will weigh on the economy for years to come.

Also in this issue

**p.3** Quantity of goods at Port of Beirut increased by 2% in the first seven months of 2023

**p.4** US\$ 30 million military aid given from the USA to the LAF

**p.4** New specifications set on electric generators to reduce pollution

## Surveys/Reports

### p.5 HOTEL ROOM RATE UP BY 62% YEAR-ON-YEAR IN FIRST SIX MONTHS 2023, AS PER EY

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East for the first six 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.

Also in this issue

**p.5** IFI issues Landscape Report on tobacco consumption and taxation in Lebanon.

## Corporate News

### p.7 CHINA DONATES US\$ 8 MILLION TO LEBANON'S OGERO

China has donated US\$ 8 million for the supply of solar power to circa 380 Ogero sites in the country.

Also in this issue

**p.7** The WB and UNICEF launch Forastech in co-operation with Forward MENA

**p.8** HRW Lebanon says new school year at risk amid funding struggles

## Markets In Brief

### p.9 MARKETS IN BRIEF: LOW BOND PRICES ATTRACT INTERNATIONAL BID, AWAITING POSITIVE BREAKTHROUGH

Amid IMF's warning that a lack of domestic political will to launch urgently needed reforms would weigh on the Lebanese economy for years to come, and as the Fund has welcomed BDL's new leadership recent decisions to phase out the Sayrafa platform, establish a reputable and transparent FX trading platform and end the drawdown of FX reserves, and amid continuous international calls to unify all exchange rates at the market exchange rate, the country's capital markets witnessed this week marginal movements in the LP/US\$ exchange rate on the black FX market, while Eurobonds attracted some international bid and equities shifted to positive territory. In details, the LP/US\$ parallel market rate continued to hover around LP/US\$ 89,000 this week, while preparations started for the launch of the Bloomberg currency exchange platform aimed to promote transparency and governance. At the level of the equity market, the BSE shifted to a positive territory this week (+1.3%), while the total turnover contracted by 80%. Finally, Lebanese Eurobonds attracted some international bid this week, as their very low prices enticed investors, while awaiting a positive breakthrough at the domestic political and reform front.

### RESEARCH

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

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

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

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

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

### LEBANON MARKETS: SEPTEMBER 18 - SEPTEMBER 24, 2023

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

# Bank Audi

## ECONOMY

### IMF STAFF CONCLUDES VISIT TO LEBANON

The IMF said, in a press release last week that Lebanon has not undertaken the urgently needed reforms, and this will weigh on the economy for years to come. The lack of political will to make difficult, yet critical, decisions to launch reforms leaves Lebanon with an impaired banking sector, inadequate public services, deteriorating infrastructure, worsening poverty and unemployment conditions, and a further widening of the income gap. Inflation remains in triple digits, further compressing real incomes, and foreign exchange (FX) reserves continued to decline in the first half of the year, including due to Banque du Liban's (BdL's) financing of quasi-fiscal operations and the large current account deficit.

The seasonal uptick in tourism has increased FX inflows over the summer months. While this is unlikely to persist, it gives the impression that the economy has bottomed out of the crisis and is leading to complacency. However, receipts from tourism and remittances fall far short of what is needed to offset a large trade deficit and lack of external financing. The current trajectory of the external balance is unsustainable and underscores the urgency of the situation.

The recent decisions taken by the BdL's new leadership to phase out the Sayrafa platform, establish a reputable and transparent FX trading platform, end the drawdown of FX reserves, curb monetary financing, and enhance financial transparency are steps in the right direction. Building on this progress, there is now the opportunity for comprehensive reforms to strengthen BdL's governance, accounting, and FX operations in line with international best practices. Moreover, all official exchange rates should be unified at the market exchange rate, which would help eliminate opportunities for arbitrage and rent-seeking that place a burden on public finances according to the IMF.

These steps should be supported temporarily by the capital and withdrawal restrictions law, and complemented with policy action from the Government and Parliament to curb the twin deficits and address the problems in the financial sector by recognizing the losses and advancing the restructuring of banks.

The government needs to implement a coherent fiscal strategy to restore debt sustainability and create space for social and infrastructure spending. For this strategy to be effective, improving revenue mobilization is a critical priority. The government has taken gradual action towards adjusting revenue collection to the exchange rate depreciation by adopting a more realistic rate for tax base valuation and readjusting tax schedules and fees to plausible values, which has resulted in notably higher revenues. However, more needs to be done. The 2023 budget remains lacking in terms of timeliness and coverage. It does not accurately reflect the true extent of the deficit and associated monetary financing. While on time, the proposed 2024 budget should ensure that it is consistent with the exchange rate unification process, started by BdL, and that the preferential treatment of certain taxpayers over others is avoided. It should also include sufficient resources to rebuild the tax administration to strengthen compliance and improve tax fairness. In this respect, we encourage the authorities to start implementing the key elements of the Fund's tax policy reform recommendations, published in the 2023 Technical Assistance Report on Putting Tax Policy Back on Track, and start rehabilitation plans of major SOEs.

A plan to restructure the banking sector is still not in place. This inaction has led to a significant decline in recoverable deposits and impedes the provision of credit to the economy. While work is progressing well on a revised bank resolution law, it needs to be completed so that the law can be resubmitted to Parliament. Amendments to the Bank Secrecy Law, which are aimed at addressing deficiencies, and the draft Law on Capital Controls and Deposit Withdrawals, are still awaiting parliamentary approval as per the IMF.

The next Article IV discussions are expected to take place in the first half of 2024 to take stock of progress on key reforms and policies.

# Bank Audi

## QUANTITY OF GOODS AT PORT OF BEIRUT INCREASED BY 2% IN THE FIRST SEVEN MONTHS OF 2023

The latest statistics released by the Port of Beirut revealed that the quantity of goods reported a slight increase of 2.0% year-on-year, registering 3,004 thousand tons in the first seven months of 2023, up from 2,945 thousand tons in the same period of 2022.

Additionally, the number of ships witnessed an increase over this period reaching 760 ships in the first seven months 2023 against 671 ships in the same period of 2022, showing an increase of 13.3% year-on-year.

On the other hand, the number of containers registered a yearly decrease of 3.8% to reach 309,270 containers in the first seven months of 2023, against 321,547 containers in the same period of the previous year.

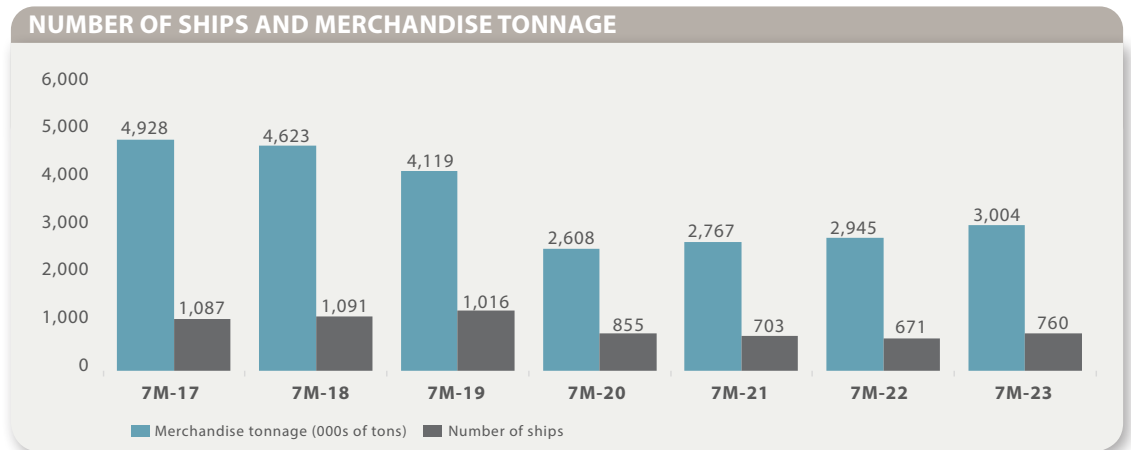
It is worth noting that transshipments increased drastically by 110.5% year-on-year in the first seven months of 2023, following a decrease of 12.1% between the first seven months of 2021 and the first seven months of 2022.

Looking at the Port of Beirut's performance during July 2023, the quantity of goods reported a decrease of 7.9% year-on-year, registering 453.0 thousand tons, down from 491.7 thousand tons in the same month of 2022.

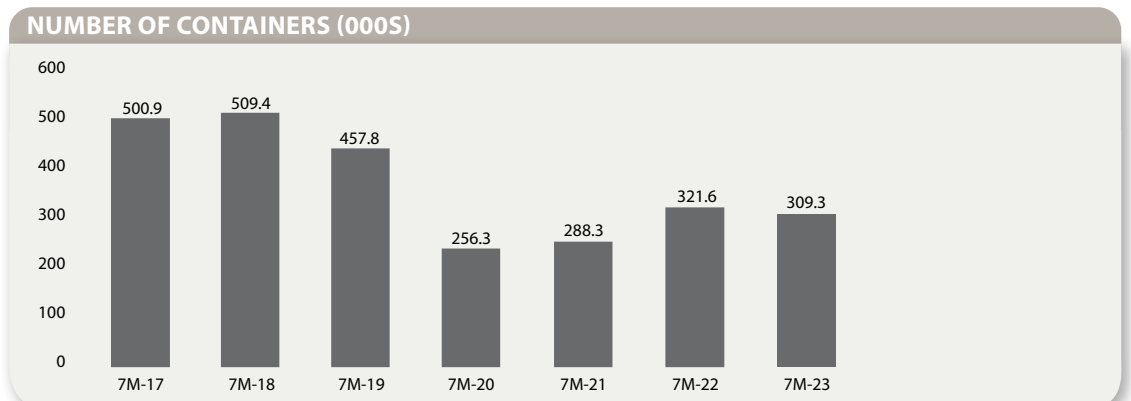
Additionally, the number of containers registered a yearly decreased of 10.4% to reach 43,622 containers in July 2023, against 48,668 containers in the same month of the previous year.

On the other hand, the number of ships witnessed an increase over this period reaching 131 ships in July 2023 against 110 ships in the same month of 2022, showing an increase of 19.1% year-on-year.

Transshipments at the Port of Beirut increased drastically between July 2022 and July 2023 to reach 37,812 Twenty-foot Equivalent Units (TEUs) in the latter, up from 10,977 TEUs in the former, as per data from Port of Beirut.



Source: Port of Beirut, Bank Audi Group Research Department



# Bank Audi

---

## US\$ 30 MILLION MILITARY AID GIVEN FROM THE USA TO THE LAF

The United States of America (USA) has allocated US\$ 30 million in military aid to the Lebanese Armed Forces (LAF). This move comes after the Presidential Administration of the USA informed congress that it would redirect US\$ 85 million in military funds for Egypt due to human rights violations.

The decision consists of reallocating the aid that was meant for Egypt as US\$ 55 million to Taiwan and US\$ 30 million to the LAF.

It is worth noting that the USA has sent billions of dollars in humanitarian, education and military aid to Lebanon since 2006 traditionally given with little pushback from senators and members of Congress. At the level of military aid, a bipartisan understanding exists that support to the LAF is vital to maintain stability in Lebanon especially during the current crisis. Additionally, the USA considers that support to the LAF is essential for US national security interests as the latter helped in fighting terrorist groups and intercepting almost 90% of Captagon and other narcotics along the border with Syria.

---

## NEW SPECIFICATIONS SET ON ELECTRIC GENERATORS TO REDUCE POLLUTION

The Lebanese Caretaker Minister of Environment has issued a new circular in which they set new specifications on the appropriate way to operate and invest in electric generators.

This move comes with the aim to reduce pollutants resulting from electricity creation which is increasing throughout the country as a result of the rationing of electrical supply to Lebanon's region, pushing people to rely on private generators.

The circular bases itself on a study undertaken by the Ministry of Environment (MoE) in co-operation with Lebanese universities showing the negative effects electric generators have on health and the environment. The studies estimate that the number of generators present in Lebanon is in the thousands as there are circa 9,000 generators in administrative Beirut alone.

The circular dictates the need to immediately treat generator exhaust smoke through the usage of exhausts paired with an effective and efficient system capable of removing even fine particles. Additionally, the circular specifies the minimum exhaust height requirement and enforces regular maintenance work. These decisions will apply to all reciprocating engines with violating generators being put out of commission.

In parallel, the circular also obliges generator owners to use diesel particulate soot filter for generators with a thermal power exceeding 200 Kilowatts.

These decisions fall in line with efforts by MoE to protect air quality in accordance with Law No.78/1 of 2018 for Air Quality Protection and in implementation of the National Strategy for Ambient Air Quality Management under Decree No. 6212 of 2020 and Resolution 16/1 of 2022 relating to the protection of air quality within the country.

It is worth noting that the issuance of this circular was preceded earlier this year by a workshop organized by MoE in co-operation with the Hanns Seidel Foundation on air pollution. The workshop warned of the high level of air pollution which causes fatal diseases to form in one in nine people. Additionally, according to the World Health Organization, the yearly death toll caused by ambient and household air pollution stands at circa 7 million.

The workshop came following the stopping of mechanical inspection for vehicles and the expansion of private generator use. Additionally and according to the Lebanese Caretaker Minister of Environment, the health costs stemming from air pollution stand at circa US\$ 900 million per annum.

# Bank Audi

## SURVEYS/REPORTS

### HOTEL ROOM RATE UP BY 62% YEAR-ON-YEAR IN FIRST SIX MONTHS 2023, AS PER EY

Ernst & Young issued its latest Hotel Benchmark Survey on the Middle East for the first six 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 42% in the first six months 2023, against 45% 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 (57%, 56% and 50% respectively).

Madinah and Dubai ranked first in the Middle East, with an 81% occupancy rate, while Beirut came last.

Beirut’s room rate moved up to US\$ 107 in the first six months of 2023 from US\$ 66 in the same period of the previous year, up by 62% year-on-year.

The rooms’ yield rose to reach US\$ 45 in the first six months of 2023, compared to US\$ 29 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\$)	
	6M 2023	6M 2022	6M 2023	6M 2022	6M 2023	6M 2022
Dubai	81	75	328	350	266	261
Madinah	81	72	209	144	169	103
Abu Dhabi	78	76	101	81	79	61
Makkah	74	58	269	183	199	105
Cairo	70	68	140	69	98	47
Riyadh	63	62	192	173	121	107
Muscat	60	50	130	122	78	61
Jeddah	60	53	250	234	149	123
Doha	59	60	112	111	66	67
Manama	57	45	159	162	90	73
Kuwait City	56	44	179	240	101	105
Amman	50	43	143	144	72	62
<b>Beirut</b>	<b>42</b>	<b>45</b>	<b>107</b>	<b>66</b>	<b>45</b>	<b>29</b>

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

### IFI ISSUES LANDSCAPE REPORT ON TOBACCO CONSUMPTION AND TAXATION IN LEBANON

In a new report by IFI, growing concerns over the economic and health consequences of tobacco consumption have pushed many governments to pursue control policies and tools to reduce its prevalence. Of these, increasing tobacco prices through increased taxes has been identified as the most impactful and cost-effective approach.

In Lebanon, tobacco has been the top risk factor driving death and disability, and the country ranking third in the world for per capita cigarette consumption. Approximately thirty-eight per cent of the population aged 15 or above currently consume tobacco products, 19% above the Middle East and North Africa (MENA) regional average, with smoking rates among Lebanese adolescents being remarkably high as well (11%). As a result, noncommunicable diseases appear to be among the leading causes of death.

# Bank Audi

The Lebanese household's average expenditure on tobacco in 2012 accounts for 1.26% of its total annual expenditures. In 2019, the cost of purchasing 100 packs of the most-sold brand in the country was equivalent to 1.3% of GDP per capita. In 2022, after three years of economic and financial meltdown, this cost surged to 1.77% of the projected GDP per capita, indicating that cigarettes are becoming less affordable.

Around 80,000 dunams are currently utilized to grow tobacco leaves (equivalent to 3.5% of the total arable land area). The total annual output produced is around 8,000 metric tons per year, grown by approximately 25,000 farmers in 458 villages, 37% of whom are concentrated in the south of the country. However, other sources put the number at a much lower 11,000 full-time tobacco farmers.

Tobacco farming in Lebanon is subject to a licensing system that determines the surface area to be planted, the location, the type of seeds to be used, and other conditions. To grow tobacco, a farmer would need a permit from the Régie Libanaise des Tabacs et Tombacs, a state-run monopoly, which oversees organizing and monitoring all tobacco-related activities from planting to sorting, packaging, pricing, and selling, and which acts as an intermediary between farmers, international tobacco companies, and distributors of manufactured tobacco products in the country. The Ministry of Finance gives Régie an annual budget to cover its operation.

Unmanufactured tobacco leaves are one of Lebanon's main commodity exports, whereby most of the domestically produced tobacco leaves are exported, and imports of tobacco leaves are limited. On the other hand, Lebanon is a net importer of manufactured tobacco products, particularly cigarettes.

The ongoing economic crisis in Lebanon and its attendant inflation has eroded the purchasing power of Lebanese households, with prices of tobacco products soaring by nearly 345%. Yet the actual impact of price changes on tobacco demand remains poorly understood. A study from 2015 indicates that the demand for imported cigarettes is inelastic (-0.22) while that for local ones is relatively more elastic (-1.54). The own-price elasticity of demand for waterpipe reveals a high sensitivity to price changes (1.45), higher than most other countries.

In summer 2019 (at the onset of the economic crisis), the demand for premium cigarettes has become elastic (-1.16), whereas discount cigarettes are inelastic (-0.63).

The difference in cigarette elasticity estimates between the two time periods seems to be due to the evolution of cigarette market conditions and consumer behavior adjustments, whereby the drastic changes macroeconomic conditions had significant impact on consumer responsiveness to price changes. Moreover, there were changes in product characteristics, mostly in the local brand, which could have impacted consumer perception and subsequently relative willingness to pay and substitutability between the products.

Taxes on imported tobacco products in Lebanon can be broken down into three categories: (i) an ad valorem excise tax (108% of CIF), (ii) an import tax, and (iii) a value-added tax (VAT; 11%). In terms of tobacco control policies, these remain insufficient. Lebanon adopted several tobacco control policies, among which Law 174 stands as the most comprehensive control policy adopted. Law 174 controls product manufacturing, packaging, and advertising of tobacco products and regulates smoking in public places, workplaces, and public transport. However, the law has not been effectively enforced.

Simulation exercises conducted by previous studies indicate that raising the specific tax on waterpipe tobacco by US\$ 2.41 (from 0.03 to 2.4) while removing the ad valorem component would avert 1,000,000 premature deaths, reduce consumption by 71% and raise government revenues by 37%. Similarly, enacting a tax on all cigarettes instead of imported ones will significantly raise government revenues and reduce the amount of cigarettes consumed highlighting the public health and economic benefits of tobacco tax controls as per IFI.

# Bank Audi

## CORPORATE NEWS

### CHINA DONATES US\$ 8 MILLION TO LEBANON'S OGERO

China has donated US\$ 8 million for the supply of solar power to circa 380 Ogero sites in the country. Additionally, the Lebanese Cabinet approved LP 1.5 trillion in maintenance and development fees to be disbursed soon in order to ensure the continuity of Ogero's services, as per the Lebanese Ministry of Telecommunication (MoT).

The MoT will also soon organize a ceremony to launch a campaign aiming to collect donations in a bid to secure the necessary credits for the installation of the solar panels. This is provided that the project is completed and enters operation during the summer of 2024.

### THE WB AND UNICEF LAUNCH FORASTECH IN CO-OPERATION WITH FORWARD MENA

The World Bank (WB) and the United Nations International Children's Emergency Fund (UNICEF) launched a new national online learning platform "Forastech" in Lebanon with the help of Forward MENA. This new platform will provide Lebanese youths with access to affordable, subsidized and easily accessible digital skills learning. These lessons are endorsed by leading global tech companies such as Microsoft, LinkedIn and AWS with certificates granted by these companies to those who pass the courses which will open doors for participants to specialized employment opportunities.

Forastech was developed under the PROSPECTS program and was funded by the Kingdom of the Netherlands. The platform was created with the goal of empowering, educating and uplifting Lebanon's youth aged 17 to 32 from all socio-economic backgrounds in the country. The implementation of the platform is undertaken by Forward MENA which is an NGO launched by Beirut Digital District in a bid to tackle the talent gap between education outcomes and labor market needs as well as develop the digital skills of the youth within Lebanon. According to the Lebanese Caretaker Prime Minister, this platform stands as an important and necessary initiative in order to develop the skills and capabilities of young people in the country. Additionally, within the context of the current economic crisis, directing efforts and investments towards the skills and capacities of the youth is regarded as crucial. Forastech is seen as necessary for its contribution in enhancing job opportunities and improving the economy through the development and enhancement of young people's skills.

It is worth mentioning that under Forastech, multiple partnerships were developed with the relevant Lebanese ministries and the Office of the Minister of State for Administrative Reform (OMSAR) in order to ensure the platform caters specifically to the needs of Lebanon's most vulnerable youth.

The Forastech platform will allow users to review the most demanded careers and the current trends in the labor market, compare their skills against selected careers in order to create a learning development pathway as well as receive a job-matching scorecard against the selected career. Additionally, users can receive learning pathways recommendations as well as support and guidance in a bid to identify, prepare and apply for jobs accessible through the platform.

According to the UNICEF Representative in Lebanon and citing a rapid assessment made by UNICEF in 2022, 58% of Lebanon's youth were not optimistic about finding a job in the future. In turn, especially during the current crisis, this platform is considered a hope for the transformation of the youth, a pathway to unlocking their full potential and an opportunity in their pursuit of a meaningful career. UNICEF's goal is to align participants' skills with their aspiration and provide them with access to demanded skills relevant to the current labor market. Forastech aims to support circa 5,000 eligible Lebanese youth in completing free training courses using the platform. Out of these youth, 1,000 are expected to complete free certificates and 200 are expected to secure a work opportunity.

In a statement, the World Bank Middle East Country Director saw that Forastech represents a comprehensive learning journey which builds on partnerships with leading global tech firms and training providers. Additionally, the WB will continue to support digital transformation in Lebanon and to empower the country's youth to reap the benefits of the digitalization through close work with the government and stakeholders throughout different sector.

# Bank Audi

It is worth noting that Forastech will cover a diverse range of young people with courses upskilling software development, data, artificial intelligence, marketing design, financial administration, customer relationship management and content & document processing among other things.

---

## HRW LEBANON SAYS NEW SCHOOL YEAR AT RISK AMID FUNDING STRUGGLES

Human Rights Watch (HRW) Lebanon has published an article titled "New School Year at Risk" in which it states that the Lebanese Ministry of Education (MoE) has yet to secure the necessary funds for the school year set to begin in October. Additionally, Lebanese and donor officials stand at loggerheads over the funding for the salary of some teachers.

According to HRW, the Lebanese cabinet has approved circa LP 5 trillion (circa US\$ 50 million) for the MoE in August which constitutes only around 33.3% of the budget request of US\$ 150 million. Also, it remains unclear when the funds will be transferred to the ministry. Quoting the Lebanese Caretaker Minister of Education, the article states that the approved funds would allow schools to open for only three to four months leaving at least another four months unfunded. In turn, donor funding is crucial for public schools however donors did not disclose how much funding they would provide for the coming school year. This funding issue, if not agreed on and solved by the Lebanese government and foreign donors, will lead to a children's rights violation, as per the Associate Children's Rights Director at HRW.

Citing humanitarian sources HRW states that support from foreign donors have been misrepresented by Lebanese politicians as being solely targeted towards Syrian children. However, donor funding covers stationary, textbooks and operating costs for all students within the school. Additionally, the higher contribution on a per-child basis from donors comes originally as a way to offset the additional costs to scale up the schools to accommodate the Syrian students but is now seen as crucial to keeping schools open in general. Also, Donors usually supported the salaries of teachers that taught Syrian children or mixed classes. But, a disagreement exists between the MoE and foreign donors over the funding of salaries for teachers in solely Lebanese classes. Although, flexibility was shown from donors during the last two years with performance-based incentives for all teachers as well as a US\$ 200 million from the World Bank and the UK used as a one-time supplement to all teachers which has now been exhausted.

It is worth mentioning that according to HRW, Lebanon's schools were not providing quality education even prior to the crisis with the decline in learning only accelerating since. Grade 6 students on average, answered fewer than half of the questions correctly on Arabic Literacy Tests in 2021-2022 and most students across all grades are one to two years behind their grade levels.

The MoE and due to financial constraints, has reduced teaching days from 180 in 2016 to 96 in 2020 to only about 60 days in 2021 and 2022 as well as canceled one of two nationwide examinations in the country since 2020. However, the ministry also published curricular and pedagogical reform plans developed with donor support, which humanitarian education actors were positive towards although in early September 2023, the MoE backtracked and said that priority lies in stopping the loss of learning hours and opening schools on time for now.

According to HRW, education funding in Lebanon has been affected by mismanagement from the government, corruption and the Ministry of Finance's overvaluation of exchange rates in turn devaluing foreign currency donation and further devaluing teachers' salaries. This has led to education donors transferring funds directly to school bank accounts in US\$ and wiring funds directly to teachers with improved transparency, check and audits under the Transition Resilience Education Fund project.

These facts have led HRW to ask foreign countries that provide education funding to regularly publish transparent financial updates, enabling Lebanese civil society to hold the government accountable, avoid politicized disputes over funding shortfalls and undercut misrepresentations about donor funding for refugee education.



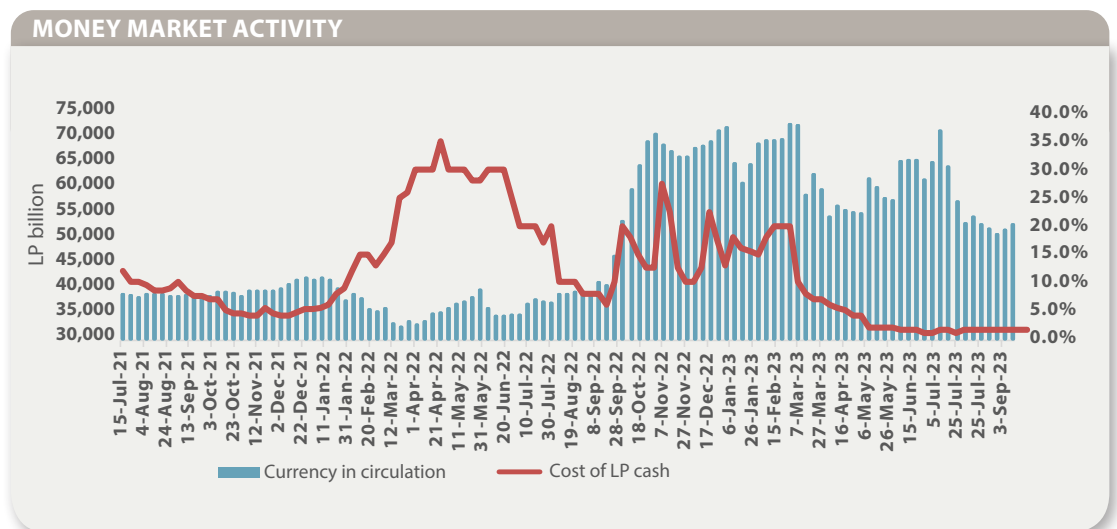
# Bank Audi

## CAPITAL MARKETS

### MONEY MARKET: WEEKLY CONTRACTION IN TOTAL RESIDENT DEPOSITS, MAINLY ON FC DEPOSITS FALL

The overnight rate, which is a non-cash rate on the money market, rose from 50% last week to 100% this week, while the cost of LP cash continued to hover between 1% and 2%.

In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 7th of September 2023 showed a LP 5,280 billion contraction in total resident banking deposits. This is mainly attributed to a LP 4,146 billion weekly fall in foreign currency resident deposits (the equivalent of US\$ 276 million as per the official rate of LP 15,000), and a LP 1,134 billion decline in total LP resident deposits amid a LP 928 billion decrease in LP demand deposits and a LP 206 billion retreat in LP saving deposits. Within this context, the money supply in its broadest sense (M4) contracted by LP 4,138 billion over the covered week amid a LP 1,135 billion rise in the currency in circulation and a tiny increase in the non-banking sector Treasury bills portfolio of LP 7 billion.



### TREASURY BILLS MARKET: NOMINAL WEEKLY DEFICIT OF LP 491 BILLION

The latest Treasury bills auction results for value date 21st 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 two-year category (offering a coupon of 5.00%) and the ten-year category (offering a coupon of 7.00%).

The Treasury bills auction results for value date 14th of September 2023 showed subscriptions of LP 119 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 42 billion in the three-month category (offering a yield of 3.50%), LP 77 billion in the one-year category (offering a yield of 4.50%) and LP 7 billion in the five-year category (offering a coupon of 6.00%). These compare to maturities of LP 610 billion, which resulted into a nominal weekly deficit of LP 491 billion.

# Bank Audi

## TREASURY BILLS

	22/09/2023	15/09/2023	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%	↔
10-year	7.00%	-	7.00%	
<b>Nom. Subs. (LP billion)</b>		<b>119</b>	<b>1</b>	
Short-term (3&6 mths)		42	-	
Medium-term (1&2 yrs)		77	-	
Long-term (3 yrs)		-	1	
Long-term (5 yrs)		0.01	-	
Maturities		610	193	
<b>Nom. Surplus/Deficit</b>		<b>-491</b>	<b>-192</b>	

Sources: Central Bank of Lebanon, Ministry of Finance

## FOREIGN EXCHANGE MARKET: MARGINAL MOVEMENTS IN LP/US\$ PARALLEL MARKET RATE

While the IMF has welcomed in its end-of-mission press release BDL's new leadership recent decisions to phase out the Sayrafa platform, establish a reputable and transparent FX trading platform, end the drawdown of FX reserves, curb monetary financing and enhance financial transparency, the Central Bank of Lebanon continued its effort to promote transparency by disclosing its liquid net foreign assets at end-August 2023.

In details, the latest statement released by BDL showed that the Central Bank of Lebanon's liquid foreign assets reached US\$ 8,498 million at end-August 2023, down from US\$ 8,542 million mid-August 2023, against liquid foreign liabilities of US\$ 1,279 million, which resulted into net liquid foreign assets of US\$ 7,219 million. In parallel, the Central Bank reiterated that it would maintain its disclosure policy and remain committed to preserve liquid FX reserves and use them only for the purpose of meeting BDL circular No.158 requirements. Under these circumstances, the LP/US\$ parallel market rate hovered between LP/US\$ 89,000 and LP/US\$ 89,600 on Friday, with no change relative to the previous week.

## EXCHANGE RATES

	22/09/2023	15/09/2023	30/12/2022	
LP/US\$	15,000.00	15,000.00	1,507.50	↔
LP/£	18,379.50	18,661.50	1,813.97	↑
LP/¥	101.15	101.51	11.27	↑
LP/SF	16,552.64	16,750.42	1,628.67	↑
LP/Can\$	11,140.82	11,103.71	1,108.21	↓
LP/Euro	15,969.00	15,999.00	1,603.83	↑

Source: Bank Audi's Group Research Department

## STOCK MARKET: BSE SHIFTS TO POSITIVE TERRITORY THIS WEEK

The Beirut Stock Exchange shifted to a positive territory this week, as reflected by a 1.3% rise in the price index. Four out of eight traded stocks posted price gains, while three stocks recorded price falls and one stock saw no price change week-on-week.

# Bank Audi

A closer look at individual stocks shows that BLOM's GDRs led the advance on the BSE this week, posting price rises of 16.8% to reach US\$ 2.50, followed by Holcim Liban shares with +6.5% to US\$ 66.00, Solidere "A" shares with +3.6% to US\$ 79.75 and Byblos Bank's "listed" shares with +1.4% to US\$ 0.71. In contrast, Bank Audi's GDR price shed 14.1% to US\$ 1.16. Bank Audi's "listed" share price fell by 6.4% to US\$ 2.20. Solidere "B" share price closed 0.1% lower at US\$ 77.30. BEMO's "listed" share price remained unchanged at US\$ 1.25.

As to trading volumes, the BSE total turnover contracted by 80% week-on-week, moving from US\$ 34.7 million last week to US\$ 7.0 million, noting that Solidere shares captured the lion's share of activity (97%).

## AUDI INDICES FOR BSE

	22/09/2023	15/09/2023	30/12/2022	
Market Cap. Index	786.43	776.13	614.50	↑
Trading Vol. Index	63.66	316.28	96.84	↓
Price Index	165.10	162.94	129.00	↑
Change %	1.33%	-2.23%	1.30%	↑

	22/09/2023	15/09/2023	30/12/2022	
Market Cap. \$m	18,657	18,413	14,578	↑
No. of shares traded (Exc. BT)	190,983	473,477	187,711	↓
Value Traded \$000 (Exc. BT)	7,011	34,842	6,415	↓
o.w. : Solidere	6,799	34,695	6,349	↓
Banks	159	9	66	↑
Others	52	138	0	↓

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

## BOND MARKET: LEBANESE EUROBONDS IN INTERNATIONAL INVESTORS' RADAR SCREEN

Lebanese Eurobond prices registered weekly price expansions of 0.13 pt to 0.25 pt across the yield curve, reaching 8.00-8.25 cents per US dollar on Friday, as investors showed increased interest to add Lebanese sovereign debt papers to their holdings, given their luring very low prices, and on fear of missing any positive development on the local front and due to the popularity of distressed sovereign debt this year. This took place while Lebanon is embarking into a new monetary and financial era under the new BDL leadership, noting that BDL's decisions to stop financing the government and using FX reserves to meet foreign currency demand were welcomed by international sources. That being said, Lebanese sovereigns accumulated year-to-date price gains of 2.25 pts to 2.63 pts.

## EUROBONDS INDICATORS

	22/09/2023	15/09/2023	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)	8.00-8.25	8.00	5.50-5.88	↑
Average Life	4.80	4.81	5.34	↓
Yield on US 5-year note	4.59%	4.45%	3.94%	↑

Source: Bank Audi's Group Research Department

# Bank Audi

## INTERNATIONAL MARKET INDICATORS

	22-Sep-23	15-Sep-23	31-Dec-22	Weekly change	Year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	148.37	147.84	131.11	0.4%	13.2%
\$/£	1.224	1.238	1.208	-1.1%	1.3%
\$/Euro	1.065	1.066	1.071	0.0%	-0.5%
<b>STOCK INDICES</b>					
DOW JONES INDUSTRIAL AVERAGE	33,963.84	34,618.24	33,147.25	-1.9%	2.5%
S&P 500	4,320.06	4,450.32	3,839.50	-2.9%	12.5%
NASDAQ	13,211.81	13,708.33	10,466.48	-3.6%	26.2%
CAC 40	7,184.82	7,378.82	6,473.76	-2.6%	11.0%
Xetra Dax	15,557.29	15,893.53	13,923.59	-2.1%	11.7%
FT-SE 100	7,683.91	7,711.38	7,451.74	-0.4%	3.1%
NIKKEI 225	32,402.41	33,533.09	26,094.50	-3.4%	24.2%
<b>COMMODITIES (in US\$)</b>					
GOLD OUNCE	1,925.23	1,923.91	1,824.02	0.1%	5.5%
SILVER OUNCE	23.56	23.04	23.95	2.3%	-1.6%
BRENT CRUDE (per barrel)	93.27	93.93	83.10	-0.7%	12.2%
<b>LEADING INTEREST RATES (%)</b>					
Term SOFR 1-month	5.32	5.33	4.36	-0.01	0.96
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	4.43	4.33	3.87	0.10	0.56

Sources: Bloomberg, Bank Audi's Group Research Department

## DISCLAIMER

The content of this publication is provided as general information only and should not be taken as an advice to invest or engage in any form of financial or commercial activity. Any action that you may take as a result of information in this publication remains your sole responsibility. None of the materials herein constitute offers or solicitations to purchase or sell securities, your investment decisions should not be made based upon the information herein.

Although Bank Audi sal considers the content of this publication reliable, it shall have no liability for its content and makes no warranty, representation or guarantee as to its accuracy or completeness.