

## Economy

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## Markets In Brief

### p.9 MARKETS IN BRIEF: LP AT ALL-TIME-LOWS DESPITE INFLOW OF HARD CURRENCY DURING CHRISTMAS SEASON

As the year 2022 is coming to an end amid a protracted institutional vacuum and as Lebanon failed so far to meet IMF prior actions to reach a final agreement with the Fund and unlock much-needed international financial support, the country's capital markets saw this week a further deterioration in the Lebanese pound against the US dollar on the black FX market, while Eurobond prices remained at historical lows and equities pursued their upward trajectory for the third consecutive week. In details, the LP reached all-time-lows against the US dollar this week, with the LP/US\$ rate piercing the LP/US\$ 46,000 level upward despite the inflow of hard currency during the Christmas season. This is mainly explained by worsened domestic political outlook and mounting reform uncertainties. On the bond market, prices of sovereigns remained at historical lows, ranging between 5.50 and 5.88 cents per US dollar on Friday, mainly on bets of low recovery rates after Lebanon failed so far to implement reforms as agreed in the April 2022 SLA. Finally, the equity market posted price gains of 4.7% week-on-week amid low trading volumes.

### LEBANON MARKETS: DECEMBER 19 - DECEMBER 25, 2022

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

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## ECONOMY

### US\$ 6.8 BILLION OF REMITTANCE INFLOWS IN 2022, GROWING BY 7% YEAR-ON-YEAR, AS PER THE WORLD BANK

The New Migration and Development Brief was issued by the World Bank. Lebanon is set to record US\$ 6.8 billion of remittance inflows for 2022, growing by 7% year-on-year. This compares to remittance inflows of US\$ 6.4 billion in 2021, US\$ 6.6 billion in 2020, US\$ 7.4 billion in 2019 and US\$ 7.0 billion in 2018.

Lebanon ranks third in the MENA region in terms of size of remittances in 2022, after Egypt and Morocco (with US\$ 32.3 billion and US\$ 11.4 billion respectively) and before Jordan and West Bank and Gaza (with US\$ 4.6 billion and US\$ 3.5 billion respectively). As a percentage of GDP however, Lebanon's remittance inflows rank first in the region with a ratio of 37.8%, followed by South Sudan with 24.8%, Somalia with 20.6%, Comoros with 20.1% and West Bank and Gaza with 18.6%.

For the MENA region as a whole, remittance inflows are anticipated to weaken to a gain of 2.5% for 2022. Persistent adverse trends in the global environment, and deeper financial difficulties in the Middle East and North Africa region, are anticipated to slow the pace of remittance receipts, to 2% in 2023. A balance of slowing economic activity—and of the real earning power of the overseas workforce, especially in Europe—needs to be assessed against sharply increasing demand for finance in the region.

For countries and territories in which remittances amount to substantial shares of GDP—for example, Lebanon, the West Bank and Gaza, and Jordan—the receipt of funds from large numbers of overseas migrant workers is hoped to assist in sustaining household consumption and continuing to offset the severe effects of the crisis.

The continuation of adverse trends in the global environment, as well as the prospect of deeper financial difficulties in the region, are anticipated to pressure the pace of remittance receipts in 2023 as per the World Bank. A falloff in activity among OECD remittance-sending countries and erosion of real wages there will challenge the migrant workforce in Europe and the United States to maintain the strong pace of flows witnessed in 2021. At the same time healthy activity and financial performance among the GCC in 2022 is anticipated to wane at the turn of the year and into 2023, on weaker global growth and slower derived demand for hydrocarbons. Constraints on the ability to remit funds from host economies must be viewed against the exigent requirement for finance within the region to help households manage the steep increase in staple food prices.

These driving and restraining forces for remittance flows—a desire to help families back home on the part of the overseas labor force pressured by real wage declines, and the pronounced need for additional funding in home countries—may be key during 2023; and a moderate gain in flows is expected to be the result. As such, the falloff in remittance growth for the region is anticipated to be sharp in 2022–23. The view is differentiated across regional subgroups, depending on dominant host countries, the degree of exposure to higher energy/food prices, and financial volatility.

At the global level, the growth of global remittance flows is expected to be 4.9% in 2022. Remittance flows to developing regions were shaped by several factors in 2022. Besides the determination of migrants to help their families back home, a gradual reopening of various sectors in host countries' economies expanded many migrants' income and employment situation. On the other hand, rising prices adversely affected migrants' real incomes and their remittances. Growth in remittances is expected to moderate to 2 percent in 2023, as GDP growth in high-income countries continues to slow. Downside risks remain substantial, including a further deterioration of the war in Ukraine, volatile oil prices and currency exchange rates, and a deeper-than-expected downturn in major high-income countries.

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## REMITTANCE INFLOWS OF MENA REGION (US\$ MILLION)

	2018	2019	2020	2021	2022e	% GDP 2022
Egypt, Arab Rep.	25,516	26,781	29,603	31,487	32,337	6.9
Morocco	6,919	6,963	7,414	10,705	11,401	8.0
<b>Lebanon</b>	<b>6,978</b>	<b>7,410</b>	<b>6,633</b>	<b>6,394</b>	<b>6,841</b>	<b>37.8</b>
Jordan	4,472	4,653	4,881	5,162	4,646	9.7
WestBank & Gaza	2,834	3,153	2,560	3,393	3,495	18.6
Tunisia	1,902	2,050	2,367	2,195	2,085	4.5
Algeria	1,985	1,786	1,700	1,759	1,829	1.0
Somalia	1,482	1,577	1,735	1,735	1,735	20.6
South Sudan	1,267	80	87	1,236	1,187	24.8
Sudan	425	522	495	1,126	1,013	2.4
Qatar	467	577	652	859	624	0.3
Iraq	742	859	644	600	624	0.2
Saudi Arabia	335	334	302	295	273	0.03
Comoros	173	169	227	243	250	20.1
Mauritania	60	64	169	169	168	1.7
Djibouti	60	79	64	65	55	1.5
Oman	39	39	39	39	39	0.04
Kuwait	28	26	23	23	27	0.01

Sources: World Bank, Bank Audi's Group Research Department

## GROSS PUBLIC DEBT AT US\$ 104 BILLION AT END-AUGUST 2022

The data published by the Ministry of Finance in Lebanon showed that the country's gross debt reached US\$ 103.7 billion at end-August 2022, up by 5.1% from the level seen at end-August 2021.

Domestic debt increased by 3.6% from end-August 2021 to reach a total of LP 95.3 billion at end-August 2022.

Lebanon's external debt rose by 7.2% from end-August 2021 to stand at around US\$ 40.4 billion at end-August 2022.

In this context, the public sector deposits at the Central Bank rose by 78.1% from end-August 2021 to register US\$ 12.2 billion at end-August 2022.

The public sector deposits at commercial banks contracted by 29.1% from end-August 2021 to end-August 2022, registering US\$ 3.8 billion.

As such, net public debt, which excludes the public sector deposits at the Central Bank and commercial banks from overall debt figures, rose negligibly by 1.3% from end-August 2021 to reach a total of US\$ 87.7 billion at end-August 2022.

Net domestic debt amounted to US\$ 47.3 billion at end-August 2022, down by 3.3% from end-August 2021.

## THE EU ALLOCATES US\$ 244 MILLION TO SUPPORT REFORMS IN LEBANON

The European Union (EU) allocates EUR 229 million (US\$ 243.7 million) this year in an effort to aid Lebanon in making much needed reforms and economic developments. This support holds multiple priorities and targets. The main focus of the package is to help in matters of good governance and support reforms and their implementation. The union will help Lebanon in the implementation of reforms relevant to public administration with a focus on opportunities identified in the Staff-Level Agreement with the IMF. The package will assist the government in civil service, access to public information and public financial management reforms.

Another focus of the package is a contribution towards reaching gender equality. The EU aims to aid in increasing women's leadership as well as increase their presence in the labor force and political positions. Legislations that tackle the protection of women from all sorts of violence will also receive support in the package.

Furthermore, the package will help fund Lebanon's green initiatives and plans for renewable energy transition. The funding will go towards enhancing public sector buildings' energy efficiency as well as more efficient supply of public services.

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Moreover, the increase of competitiveness in Lebanon's industries will be tackled through the promotion of entrepreneurship, technology transfers related to sustainable energy as well as innovation.

Finally, the EU's provision of assistance to the vulnerable Lebanese population and Syria refugees in Lebanon will continue in an effort to ease their access to necessary services.

## VULNERABILITY OF SYRIAN REFUGEES IN LEBANON WORSENS AMID MYRIAD OF CRISES

The United Nations Refugee Agency (UNHCR) has recently released its preliminary findings for the Vulnerability Assessment for Syrian Refugees in Lebanon (VASyR 2022). VASyR reports assess the conditions of a sample of refugee households (HH) considered representative to show trends and changes in the situation of the studied population.

Rentals among refugees are divided between three types of shelters which are non-permanent, non-residential and residential shelters. In 2022, average monthly rental rates for non-permanent shelters increased by 143% reaching LP 324,013 up from LP 133,304 in 2021. Non-residential shelters saw a jump of 179% in average monthly rental prices reaching LP 758,535 in 2022 up from LP 272,092 in 2021. Additionally, residential shelters saw a hike of 177% in average monthly rental rates reaching LP 1.0 million in 2022 up from LP 368,103 in 2021.

A breakdown by governorate shows that Beirut saw the highest increase in average monthly rental rates reaching 211% with the average rent per month standing at LP 1.6 million per month, followed by El Nabatiyeh governorate and the Beqaa governorate with increases of 194% and 190% respectively, according to the VASyR 2022 report.

Rental agreements in the studied population were mostly in LP with only around 4% of agreements being in US\$. The payment of the increasing price of rent has created some arrears whereas 52% of the sample population being late in rental payments. Moreover, average rental debt is estimated at LP 2.5 million in 2022. Eviction rates are also on the rise with threat of eviction reaching 7.1% in 2022, a 1.7 percentage point (p.p.) increase from the threat of 5.4% recorded in 2021.

Healthcare is another aspect studied in the report which found that 48% of studied HH contained at least one person with medical issues with 79% of them receiving the needed care. Within the studied sample, 11% of HH reported that they had no barrier of access to medicine which entails being able to purchase all medication needed without limitation, as stated in the UNHCR report.

When studying the economic vulnerability of HH, the report found that if we exclude the value of assistance and credit expenditures, 90% of HH would be under the Survival and Minimum Expenditure Basket (SMEB) which covers the requirements needed to exist and meet lifesaving needs when displaced. With the inclusion of credit expenditures, 67% of HH are considered to be under the SMEB.

Expenditures in HH are mainly going towards food (58%) with the average expenditures per capita reaching LP 1.6 million. Debt per HH studied that are holders of debt was recorded at an average of LP 11.6 million with only 6% of the population not having any debt and the biggest share of the population (38%) having debt worth less than LP 5 million. The vast majority of those in debt (85%) got the money from acquaintances in Lebanon, as reported in VASyR 2022.

Food consumption in 43% of HH is considered acceptable in 2022 compared with 54% in 2021 showing an 11 p.p. decrease year-on-year. In 2022, only 0.9% of studied HH are considered food secure with the highest portion of the sample (60.8%) considered moderately food insecure.

The labor force is noticing a slight decrease with 45% of the population being in the labor force in 2022 against 47% in 2021. Unemployment has noticed a decrease of 2 p.p. with a 12% unemployment rate in 2022 against 14% in 2021. Average total income from employment in HH with at least one working member stood at LP 2.3 million in 2022.

Furthermore, with Lebanon's electricity crisis, 12% of studied HH are reported to be living in the dark with average hours per day (h/d) of electricity outage reaching 15 h/d. The highest amount was noticed in the Akkar governorate reaching 19h/d of electricity outage, as stated in the VASyR 2022 report.

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## SURVEYS

### LEBANON'S HOTEL OCCUPANCY UP BY 9% IN THE FIRST 9 MONTHS OF 2022, AS PER EY

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

As a matter of fact, the occupancy rate of four and five-star hotels within the capital reached 54% in the first nine months of 2022, against 45% in the same period of 2021, up by 9%, as per EY.

The occupancy rate within Beirut was ranked 9th among 13 regional cities included in the survey. It was directly surpassed by Jeddah (54%) and followed by Muscat and Amman (48%). Abu Dhabi ranked first in the Middle East, with a 73% occupancy rate, while Kuwait City came last with 44% occupancy.

Beirut's room rate moved down to attain US\$ 61 in the first nine months of 2022 from US\$ 69 in the same period of the past year.

The rooms' yield rose to reach US\$ 33 in the first nine months 2022 compared to US\$ 31 in the same period of the previous year.

#### ERNST & YOUNG MIDDLE EAST HOTEL BENCHMARK SURVEY

	Occupancy %		Average Room Rate (US\$)		Room Yield (US\$)	
	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021
Abu Dhabi	73	74	78	67	57	50
Dubai	70	58	295	220	207	127
Madinah	70	36	147	106	102	39
Cairo	69	49	115	73	80	36
Makkah	62	21	177	162	110	34
Riyadh	59	54	167	127	98	68
Doha	59	74	111	94	65	69
Jeddah	54	48	243	210	131	101
<b>Beirut</b>	<b>54</b>	<b>45</b>	<b>61</b>	<b>69</b>	<b>33</b>	<b>31</b>
Muscat	48	26	116	77	56	20
Amman	48	29	148	134	71	38
Manama	46	35	155	121	72	43
Kuwait City	44	39	229	221	100	86

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

### LEBANON HAS BECOME AN INCREASINGLY RISKY LOCATION FOR FDI AS PER FITCH SOLUTIONS

A new Trade and Investment report has been issued by Fitch Solutions. It says that despite welcoming policies for international trade and foreign investment, Lebanon has become an increasingly risky location for FDI. The collapse of the economy, particularly since around 2017, has increased political fragmentation and polarization slowed reform momentum, and increased exchange rate volatility, all of which are weighing on investor confidence and economic growth, especially given the country's reliance on imports. The fuel crisis and high inflation are also weighing on demand and harming domestic supply chains. The risks of corruption and weak rule of law raise the cost of doing business in the market. Low corporate tax rates for all firms and liberal trade policies will not be enough to compensate for Lebanon's difficult economic situation. Consequently, Lebanon receives a moderate score of 49.6 out of 100 on their Trade and Investment Risk Index, which ranks it in 11th place out of 18 MENA markets and 95th out of 201 markets globally.

Corruption permeates Lebanon's public sector and the weak legal system is unable to effectively address maladministration, resolve contract disputes or provide adequate protection to intellectual property rights

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according to Fitch Solutions. Misconduct is prevalent in important economic sectors such as taxation, land registration, parliament, police and the judiciary. Investors are routinely expected to pay bribes to secure government contracts, though with the government in disarray even the status of purchases is unclear, putting companies at high risk for reputational damage and international fines. In addition, bureaucratic procedures are cumbersome and expose investors to a high risk of facing significant and unexpected obstacles or costs.

With respect to economic openness, Lebanon's liberal economy and investment policies boost its competitiveness against regional peers. The government continues to favor a strong role for the private sector in many industries including the services sector and infrastructure. Various investment incentive schemes are key contributors to attracting FDI in the country. However, geopolitical tensions and extensive damage to the Port of Beirut has obstructed Lebanon's access to major international markets. The economy is geared to emerge from recession in 2022. However, growth will be partly due to base effects after years of falling output and underlying conditions will remain extremely challenging amid high inflation and dysfunctional politics.

Fitch Solutions say the economic crisis in Lebanon has severely damaged the banking sector, as credit is largely unavailable and banks offer incredibly limited services to individuals and businesses. High public debt and a falling currency increase the risks of instability in the financial sector. Investors continue to be deterred by weak protections for minority investors and the government's failure to promote a culture of accountability as well as allegations of central bank corruption. The tax burden on businesses is generally low compared to its regional peers, but the bureaucracy in Lebanon is currently significantly weakened and it is unclear what the government intends to do on taxes, as some tax delays have been extended several times. Although Lebanon has always had good exposure to financial services, this will do little to improve the market's profile as rising inflation and currency depreciation have pushed people into poverty, leaving people struggling to afford the basic necessities.

Fitch Solutions undertakes a SWOT analysis for the sector. At the level of strengths, they mention the following:

- Lebanon offers a free market economy and an open policy towards foreign investment.
- Free trade agreements with most of Lebanon's major trading partners are in place, increasing the ease of trade.
- The corporate tax rate is low on a global comparison, reducing overall operational costs.

At the level of weaknesses, they mention the following:

- The fuel crisis has created electricity shortages and difficulties for transporting goods, weakening the Lebanese business environment.
- Corruption is endemic in the public sector, complicating business dealings.
- The collapse of the Lebanese currency has led to an inability to afford basic goods, meaning international trade has seen a significant decline.

At the level of opportunities, they mention the following:

- Lebanon is one of the more open economies in the MENA region and the government offers a number of incentives in priority development sectors.
- The previous government promised to progress towards improving e-services, which will boost bureaucratic efficiency.
- A finalisation of a deal with the IMF worth USD3bn will assist Lebanon in stabilising its macroeconomic climate.

At the level of threats, they mention the following:

- The Lebanese population is reliant on remittances from the diaspora due to the economic situation, diverting funds away from potential FDI projects.
- Trade volumes will be restricted due to the lack of demand in major export markets, namely war-torn Syria and Iraq, and limited alternative trade routes.
- The weak enforcement of IP rights will deter investors in key sectors identified for foreign investment, including IT and healthcare.



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## CORPORATE NEWS

### THREE NEW PHARMACEUTICAL COMPANIES TO OPEN IN LEBANON IN 2023

Three pharmaceutical projects have requested support from the Investment Development Authority of Lebanon (IDAL) to receive help with their projects. The subject support includes tax exemptions provided by IDAL especially on income tax and profit distribution for a period of 10 years as well as exemptions set at 30% on construction fees, residence fees for foreign employees and work permits. The pharmaceutical projects will be manufacturing medicine and will be distributed between a factory in the North governorate with a valuation of US\$ 15 million with production beginning at the start of 2023, a factory in the South governorate with a valuation of US\$ 35 million with operations starting in mid-2023 and a factory in the Beqaa governorate more specifically in Zahlé with a valuation of US\$ 140 million expected to start operation at the end of 2023.

These projects are expected to recruit around 600 employees in total and production will focus on the manufacturing of generic medication as well as injections that require advanced technology. Moreover, the project set in Zahlé will primarily focus on the manufacturing of cancer medication.

It is worth noting that these initiatives come in light of the rising prices of medication in Lebanon as they are primarily imported with a significant increase noticed on medication used for cancer treatment as well as medicine for other chronic illnesses.

### TOTALENERGIES SET TO START LEBANON DRILLING NEXT YEAR

TotalEnergies SE (TTEF.PA) has announced its commitment towards starting the exploitation of its new gas project in Lebanon's Block 9 in 2023 with the selection of a vendor for the purchase of a new drilling rig being selected in the first quarter of the year. Moreover, pre-orders from suppliers for equipment needed for operation have already been placed, announced TTEF.PA in a statement.

During a meeting between TTEF.PA chairman and chief executive with Lebanon's caretaker energy minister, the aforementioned objectives were confirmed along with the announcement that the teams in charge of the drilling operations in the block have been mobilized, added TotalEnergies SE in its statement.

It is worth noting that the initial license for the exploration of Block 9 was held by a consortium of TTEF.PA, Italy's Eni and Russia's Novatek (NVT.K.M.M) which later exited the group with the start of the war in Ukraine. Having said that, with the start of the aforementioned war, interest in eastern Mediterranean and Levant offshore areas for gas discoveries has grown significantly.

### LEBANESE KASSATLY GROUP HOLDING TO BUILD NEW PLANT IN CYPRUS BY THE END OF 2023

The Lebanese drinks company Kassatly Group Holding has begun working on a new plant in Limassol, Cyprus under "Boutique Beverage Bottling Int'l Ltd." (BBBI). This move comes with the help of Cyprus' investment authority "Cyprus Invest" and is part of Kassatly Group Holding's plans to become an international brand.

The plant is expected to start operations by the end of 2023 and will create more than 100 job opportunities. The construction of the BBBI plant will also help Kassatly Group Holding export to Saudi Arabia bypassing the export ban set by the country on Lebanon. Moreover, any additional bans set on Lebanon due to political instability will not affect the group's exporting efforts either, said the CEO of Kassatly Group in a statement.

It is worth noting that Kassatly Group Holding was established in 1974 in Beirut with the sale of fruit syrup. The company has ever since been popular in the Lebanese market with the widening of its production to include liqueurs, wines, alcoholic and non-alcoholic party drinks along with Beirut Beer.

### MOU SIGNED BETWEEN ZOHIO AND BDD IN LEBANON

A Memorandum of Understanding (MoU) was signed between Zohio Corp. and Beirut Digital District (BDD) for the former to become the sole technology partner with the aim to help the local entrepreneurial climate.

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The subject MoU will provide BDD's network of businesses to access Zoho's digital solutions with a wallet credit valued at US\$ 1,000.

It is worth highlighting that Zoho has 55+ applications in all matters of administration along with Zoho One which is an operating system for businesses managing all aspects of daily operations.

Zoho offers a comprehensive, unified and centralized platform for users to operate their whole business on the cloud. This in turn solves the problem of data silos, contracts that include multiple vendors and integration issues.

The company aims to extend its help to Lebanon's business community by aiding in establishing, operating and growing their businesses using their applications. The usage of cloud technologies can help increase efficiency, help in adapting quickly to changing market needs as well as reduce costs which will help businesses remain competitive in the current market, said the Regional Director of Zoho in a statement.

BDD's partnership with Zoho is aligned with the former's vision to offers access to world-class partnerships along with tools and needed infrastructure to empower our community. The subject partnership is believed to help enable businesses to build scalable worldwide solutions and provide clients all around the world with the best digital solutions.

It is worth noting that active members of BDD and new Zoho users are able to benefit from this partnership deal. Registration to benefit from the subject deal is made through a page that Zoho launched for applications.

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### CYTA TO BUILD NEW SUBSEA CONNECTION CABLE BETWEEN CYPRUS AND LEBANON

The signing of an agreement with the Lebanese Ministry of Telecommunications was announced by Cyta for the construction and maintenance of a new telecommunications connection under the sea between Cyprus and Lebanon. The subject project is called CADMOS-2. This project will accompany and later replace the cable system already connecting the two countries since 1995 and is expected to start operations in 2024.

The subject agreement secures Cyta's position in the Eastern Mediterranean as a telecom hub. Moreover, CADMOS-2 will enhance cooperation and support business activities between Lebanon and Cyprus.

The project creates room for new business opportunities and boost connectivity along with friendly relations between the two countries. This in turn will benefit both parties economically, said the Chairman of the board at Cyta in a statement.

CADMOS-2 falls in line with Cyta's commitment to service its customers abroad and locally and promote Cyprus' role as a technology center, said the CEO of Cyta in a statement.

The agreement to boost the connecting infrastructure between the two countries highlight their commitment to enhance their relationship, said the Cypriot Minister of Finance in a statement.

The project is regarded as vital by the Lebanese side and hope that continued cooperation between the two neighboring countries is present. This cooperation and relationship is seen as mutually beneficial to both sides, as said by the Lebanese caretaker Minister of Telecommunications in a statement.



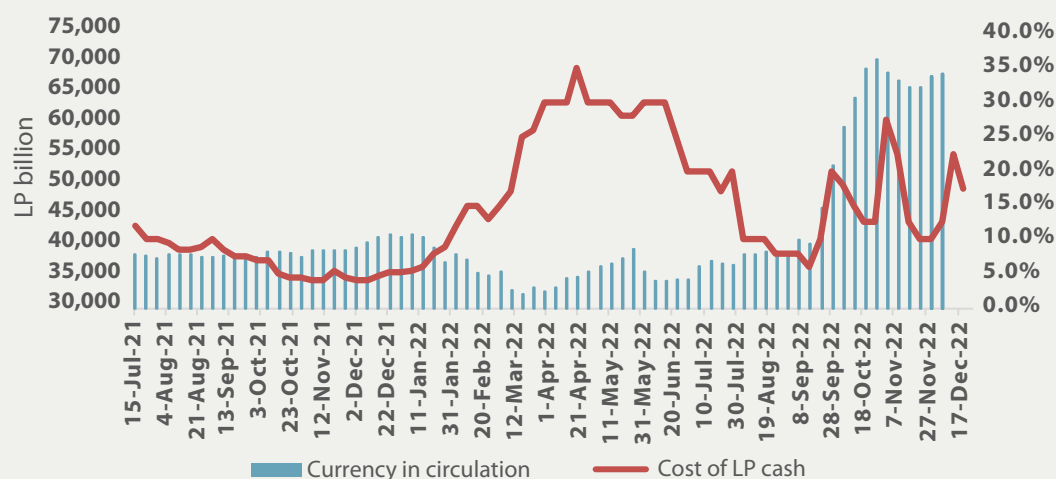
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## CAPITAL MARKETS

### MONEY MARKET: WEEKLY CONTRACTION IN TOTAL RESIDENT DEPOSITS

The cost of LP cash declined on the money market from 20%-25% last week to 15%-20% this week. In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 8th of December 2022 showed that total resident banking deposits contracted by LP 399 billion. This is mainly attributed to a LP 365 billion fall in foreign currency resident deposits (the equivalent of US\$ 242 million as per a rate of LP 1,507.5), while total LP resident deposits declined by LP 34 billion amid a LP 405 billion drop in LP demand deposits and a LP 371 billion increase in LP saving deposits. However, the money supply in its broadest sense (M4) expanded by LP 144 billion over the covered week, amid a LP 494 billion increase in the money in circulation and a LP 48 billion rise in the non-banking sector Treasury bills portfolio.

#### MONEY MARKET ACTIVITY



### TREASURY BILLS MARKET: SHY NOMINAL WEEKLY SURPLUS OF LP 3 BILLION

The latest Treasury bills auction results for value date 22nd of December 2022 showed that the Central Bank of Lebanon allowed banks to subscribe in full to the two-year category (offering a coupon of 5.0%) and the five-year category (offering a coupon of 6.0%).

The Treasury bills auction results for value date 15th of December 2022 showed subscriptions of LP 48 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 33 billion in the six-month category (offering a yield of 4.0%) and LP 15 billion in the two-year category (offering a coupon of 5.0%). These compare to maturities of LP 45 billion, which resulted into a shy nominal weekly surplus of LP 3 billion.

### FOREIGN EXCHANGE MARKET: LP HITS NEW RECORD LOWS AGAINST US DOLLAR ON PARALLEL MARKET

The LP/US\$ black market rate hit new highs before year-end, amid a long-simmering institutional vacuum and continuous domestic political bickering over the powers of the caretaker government, and awaiting the implementation of the IMF prior actions to unlock international financial support and pull the country out of a myriad of crises. In details, the LP/US\$ rate crossed the LP/US\$ 46,000 level this week as compared to LP/US\$ 43,400-LP/US\$ 43,500 at the end of last week.

Concurrently, the Central Bank of Lebanon announced that foreign currency operations on the "Sayrafa" platform were executed at an average rate of LP/US\$ 30,800 to LP/US\$ 31,200 between December 19 and 23, 2022, as compared to LP/US\$ 30,600-LP/US\$ 30,800 in the previous week. Accordingly, the spread between the LP/US\$ black market rate and the Sayrafa rate widened further to reach 15,000 this week.

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## TREASURY BILLS

	23/12/2022	16/12/2022	30/12/2021	
3-month	3.50%	3.50%	3.50%	↔
6-month	4.00%	4.00%	4.00%	↔
1-year	4.50%	4.50%	4.50%	↔
2-year	5.00%	5.00%	5.00%	↔
3-year	5.50%	5.50%	5.50%	↔
5-year	6.00%	6.00%	6.00%	↔
7-year	-	-	6.50%	
10-year	-	7.00%	7.00%	
<b>Nom. Subs. (LP billion)</b>		<b>48</b>	<b>246</b>	
Short-term (3&6 mths)		33	-	
Medium-term (1&2 yrs)		15	-	
Long-term (3 yrs)		-	200	
Long-term (5 yrs)		-	-	
Long-term (7 yrs)		-	46	
Long-term (10 yrs)		0	-	
<b>Maturities</b>		<b>45</b>	<b>13</b>	
<b>Nom. Surplus/Deficit</b>		<b>3</b>	<b>233</b>	

Sources: Central Bank of Lebanon, Ministry of Finance

## STOCK MARKET: WEEKLY PRICE GAINS ON BSE, SUPPORTED BY SOLIDERE AND SOME BANKING SHARES

The Beirut Stock Exchange registered upward price movements this week, as reflected by a 4.7% surge in the price index, mainly supported by price gains in Solidere and some banking shares. Five out of seven traded stocks posted price rises, while two stocks recorded price declines.

A closer look at individual stocks shows that Byblos Bank's "listed" share price jumped by 21.7% to US\$ 0.73, followed by BLOM's GDR price with +10.0% to US\$ 2.75, Solidere "B" shares with +10.0% to US\$ 59.15, Solidere "A" shares with +6.9% to US\$ 59.10 and Bank Audi's GDRs with +6.9% to US\$ 1.39. In contrast, Bank of Beirut's "listed" share price plunged by 14.8% to US\$ 15.0. Bank Audi's "listed" share price declined by 3.4% to US\$ 1.40.

As to trading volumes, the BSE total turnover contracted by 83.0% week-on-week, moving from US\$ 35.7 million last week to US\$ 6.1 million, noting that Solidere shares continued to capture the bulk activity (97.6%).

## EXCHANGE RATES

	23/12/2022	16/12/2022	30/12/2021	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,818.65	1,830.11	2,022.91	↑
LP/¥	11.37	10.99	13.11	↓
LP/SF	1,618.53	1,620.62	1,639.48	↑
LP/Can\$	1,108.05	1,102.46	1,175.53	↓
LP/Euro	1,599.46	1,599.61	1,701.52	↑

Source: Bank Audi's Group Research Department

# Bank Audi

## AUDI INDICES FOR BSE

	23/12/2022	16/12/2022	30/12/2021	
Market Cap. Index	606.61	579.59	447.87	↑
Trading Vol. Index	55.13	323.49	80.38	↓
Price Index	127.35	121.67	94.02	↑
Change %	4.66%	0.09%	4.13%	↑

	23/12/2022	16/12/2022	30/12/2021	
Market Cap. \$m	14,391	13,750	10,625	↑
No. of shares traded (Exc. BT)	211,037	689,461	171,230	↓
Value Traded \$000 (Exc. BT)	6,087	35,730	5,359	↓
o.w. : Solidere	5,939	35,694	4,614	↓
Banks	148	36	732	↑
Others	0	0	13	↔

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

## BOND MARKET: LEBANESE EUROBOND PRICES AT HISTORICAL LOWS

As the institutional void would be brought forward to the year 2023, which is expected to delay an agreement on crisis resolution and much-needed reforms, Lebanese Eurobond prices remained at record lows this week. In details, prices of sovereigns maturing between 2020 and 2037 ranged between 5.50 and 5.88 cents per US dollar on Friday as compared to 5.50-6.00 cents per US dollar at the end of last week. Accordingly, sovereigns accumulated total price contractions of 4.00 pts to 4.63 pts across the curve since the beginning of the year 2022.

## EUROBONDS INDICATORS

	23/12/2022	16/12/2022	30/12/2021	
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)	5.50-5.88	5.50-6.00	9.88-10.63	↓
Average Life	5.35	5.37	6.18	↓
Yield on US 5-year note	3.85%	3.70%	1.26%	↑

Source: Bank Audi's Group Research Department

# Bank Audi

## INTERNATIONAL MARKET INDICATORS

	23-Dec-22	16-Dec-22	31-Dec-21	Weekly change	Year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	132.91	136.59	115.11	-2.7%	15.5%
\$/£	1.205	1.215	1.353	-0.8%	-10.9%
\$/Euro	1.062	1.059	1.137	0.3%	-6.6%
<b>STOCK INDICES</b>					
DOW JONES INDUSTRIAL AVERAGE	33,203.93	32,920.46	36,338.30	0.9%	-8.6%
S&P 500	3,844.82	3,852.36	4,766.18	-0.2%	-19.3%
NASDAQ	10,497.86	10,705.41	15,644.97	-1.9%	-32.9%
CAC 40	6,504.90	6,452.63	7,153.03	0.8%	-9.1%
Xetra Dax	13,940.93	13,893.07	15,884.86	0.3%	-12.2%
FT-SE 100	7,473.01	7,332.12	7,384.54	1.9%	1.2%
NIKKEI 225	26,235.25	27,527.12	28,791.71	-4.7%	-8.9%
<b>COMMODITIES (in US\$)</b>					
GOLD OUNCE	1,798.20	1,793.08	1,829.20	0.3%	-1.7%
SILVER OUNCE	23.73	23.22	23.31	2.2%	1.8%
BRENT CRUDE (per barrel)	83.92	79.04	73.35	6.2%	14.4%
<b>LEADING INTEREST RATES (%)</b>					
1-month Libor	4.39	4.35	0.10	0.03	4.29
US Prime Rate	7.50	7.50	3.25	0.00	4.25
US Discount Rate	4.50	4.50	0.25	0.00	4.25
US 10-year Bond	3.75	3.48	1.51	0.27	2.24

Sources: Bloomberg, Bank Audi's Group Research Department

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