

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

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) 959 747
elias.missi@bankaudi.com.lb

p.2 TRADE DEFICIT UP BY 60% IN THE FIRST 11 MONTHS OF 2022

External sector figures released for the first 11 months of 2022 suggest a 60.2% hike in trade deficit amid a 43.8% growth in imports, while exports decreased slightly by 1.8% relative to the same period in 2021.

Also in this issue

p.3 Tourism plan for 2023 prepared by the Lebanese Ministry of Tourism

p.3 Containers at Port of Beirut up by 19% in first 11 months

Surveys

p.5 BLOOMBERG SURVEY FORECASTS 0.5% REAL GDP GROWTH FOR LEBANON IN 2023

Bloomberg released the results of its survey for regional economic indicators, including 2022, 2023 and 2024 forecasts.

Also in this issue

p.5 Fitch Solutions forecasts pharmaceuticals spending at US\$ 1.04 billion in 2022

Corporate News

p.7 20% FUNDING GAP IN LEBANON'S EDUCATION SECTOR FOR FIRST THREE QUARTERS OF 2022

Of the US\$ 349.5 million funding required for the Lebanese education sector, US\$ 71.3 million or around 20.4% were not received for the first three quarters of 2022. Moreover, 42.2% or US\$ 147.6 million were carried over from the year 2021.

Also in this issue

p.7 US Government supports the UNICEF emergency response in Lebanon with an additional US\$ 1 million

p.8 Hilton Beirut Metropolitan Palace reopens its doors in Beirut

p.8 The Lebanese government asks Omani Oil Company to delay Iraqi oil deliveries

p.8 Company responsible for maintenance of Naameh Landfill stops its operations

Markets In Brief

p.9 MARKETS IN BRIEF: BDL'S MEASURES CURB FREE-FALL OF LP ON BLACK FX MARKET DESPITE EXTENDED INSTITUTIONAL VOID TO 2023

As Lebanon entered the year 2023 with no President or a functioning government, which casts doubt on the country's ability to reach a final agreement with the IMF to unlock much-needed international financial support, BDL's renewed exceptional measures helped curbing the free-fall of the Lebanese pound against the US dollar on the parallel FX market over this week. The LP/US\$ black market rate hovered between LP/US\$ 43,100 and LP/US\$ 43,200 on Thursday as compared to LP/US\$ 43,300 at the end of last week. Concurrently, the "Sayrafa" platform registered relatively heavy exchange volumes in aftermath of BDL's decision. At the level of the equity market, the BSE saw mixed price movements during this three-day week, which resulted into a shy decline in the price index of 0.1%, while activity was quite shy. Finally, the Eurobond market dipped further into the red in the first week of 2023. Prices of sovereigns reached 5.75 cents per US dollar amid darkened domestic political outlook and lingering reform uncertainties.

LEBANON MARKETS: JANUARY 2 - JANUARY 8, 2023

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

Bank Audi

ECONOMY

TRADE DEFICIT UP BY 60% IN THE FIRST 11 MONTHS OF 2022

External sector figures released for the first 11 months of 2022 suggest a 60.2% hike in trade deficit amid a 43.8% growth in imports, while exports decreased slightly by 1.8% relative to the same period in 2021. In fact, imports grew from US\$ 12.4 billion to US\$ 17.8 billion between the two periods, while exports decreased from US\$ 3.3 billion to US\$ 3.2 billion, thus generating a rise in the trade deficit from US\$ 9.1 billion to US\$ 14.6 billion. It is worth mentioning that the rise in imports is partly tied to global inflation, especially related to oil and commodity prices that surged significantly this year, but also suggests a slight improvement in domestic private demand.

In details, the breakdown of imports by product reveals a rise in electrical equipment and products by 123.5%, followed by transport vehicles with 99.1%, shoes, hats and feathers with 70.6%, wood and wood products with 63.6%, metals and metal products with 56.7%, paper and paper products with 53.6%, leathers and furs with 50.0%, cement and stone products with 45.4% and mineral products with 44.0%. On the other hand, the only item that has displayed a major decrease in imports was chemical products with -19.7% over the first 11 months relative to the same period last year.

The breakdown of imports by country of origin over the same period shows that among the major partners, imports from India rose the most by 142.7%, followed by South Korea with 138.8%, China with 124.4%, Switzerland with 103.7%, Turkey with 78.6% and Japan with 77.0%. On the other hand, imports from Kuwait dropped the most by -86.5%, followed by Russia with -42.3%, Belgium with -19.7% and France with -13.2% over the first 11 months relative to the same period last year.

In parallel, the breakdown of exports by product reveals a rise in plastic products with 257.5%, followed by shoes, hats and feathers with 75.0%, cement and stone products with 42.9%, mineral products with 40.0%, leather and furs with 37.5% and paper and paper products with 23.8%. On the other hand, the main items that have displayed major decrease in exports were live animal and animal products with -74.4%, vegetable products with -36.6%, antiques with -30.8% and transport vehicles with -30.6% over the first 11 months relative to the same period last year.

The breakdown of exports by major countries of destination suggests that exports to Syria reported the most significant increase of 325.6% over the period, followed by Turkey with 90.3%, Oman with 47.6% and Germany with 38.7%. On the other hand, exports to Saudi Arabia decreased the most by -100% over the same period, followed by Switzerland with -66.3%, Spain with -30.6%, Qatar with -26.6% and USA with -20.5% over the first 11 months relative to the same period last year.

It is worth mentioning that exports through the Port of Beirut represent the bulk of exports with US\$ 1.5 billion over the first 11 months of 2022, dropping by 9.1% relative to the same period last year, followed by exports through the Airport with US\$ 946 million, declining by 19.4% when compared to previous year's corresponding period. Then comes land exports through Syria which reached US\$ 463 million in the first 11 months of 2022, surging by 178.9% relative to the same period of the previous year. Finally comes the exports through Port of Tripoli with US\$ 289 million registering a rise of 15.1% over the first 11 months relative to the same period last year.

EXTERNAL SECTOR INDICATORS

(US\$ million)	2014	2015	2016	2017	2018	2019	2020	2021	11M-21	11M-22	Var 11M22/11M21
Imports	21,437	18,595	19,119	19,582	19,980	19,240	11,310	13,641	12,374	17,791	43.8%
Exports	3,313	2,952	2,977	2,844	2,952	3,731	3,544	3,887	3,275	3,217	-1.8%
Trade balance	-18,124	-15,643	-16,142	-16,738	-17,028	-15,509	-7,766	-9,754	-9,099	-14,574	60.2%

Bank Audi

TOURISM PLAN FOR 2023 PREPARED BY THE LEBANESE MINISTRY OF TOURISM

The Lebanese Ministry of Tourism (MoT) has prepared a plan for 2023 with the aim of increasing tourism to the country.

Lebanon usually highly benefits during the winter season from ski tourism which the MoT is still counting on for this year. While waiting for the ski season to start, coordination committees remain active in the relevant areas. These committees consist of representatives of resorts, the Red Cross, the Ministry of Public Works, Security Forces and municipalities which work to ensure that the season is successful.

The guest house industry has been thriving in attracting expatriates in 2022 which caught the attention of the government. Therefore there are undergoing efforts to develop the guest house sub-sector by the spring season. The subject efforts come in the form of support to the Guest House Syndicate to create incentive in participating in the sub-sector with the aim of raising the number of guest houses to 200 up from 150 and make them better qualified. The creation of a sovereign fund with the goal of stimulating competition in the sub-sector is also a step being taken.

Administrative decentralization is also part of the plan as the MoT aims to create 31 offices spread across the country. These offices are expected to be operational and intertwined through a single MoT platform by the middle of 2023.

A new form of tourism will be tried for Lebanon during the year whereas the MoT will try to introduce religious tourism to the country.

Also, the MoT will work on making Lebanon a major center for wine tourism in the Mediterranean. This done through the launch of a wine tasting table in March that will cover a length of 1,200 meters. The subject table will feature wines from 65 wineries from Lebanon, Spain, France, Greece and Cyprus among others.

Moreover, as expatriates are expected to visit Lebanon for Eid-Al-Fitr and Easter, the MoT will work on a tourism campaign for the spring season between March and April. A campaign that targets the summer season will also be developed later this year.

It is worth noting that around 700,000 Lebanese expatriates visited the country during the Christmas and New Year season with outlook remaining positive for the tourism sector going into 2023, as per the Caretaker Minister of Tourism.

CONTAINERS AT PORT OF BEIRUT UP BY 19% IN FIRST 11 MONTHS

The latest statistics released by the Port of Beirut revealed that the number of containers registered a yearly increase of 18.5% to attain 526,431 containers in the first 11 months of 2022, against 444,173 containers in the corresponding period of the previous year.

The number of ships witnessed negligible annual increase of 0.6% in the first 11 months of 2022 to reach 1082 ships, following a drop of 14.7% in the same period of 2021.

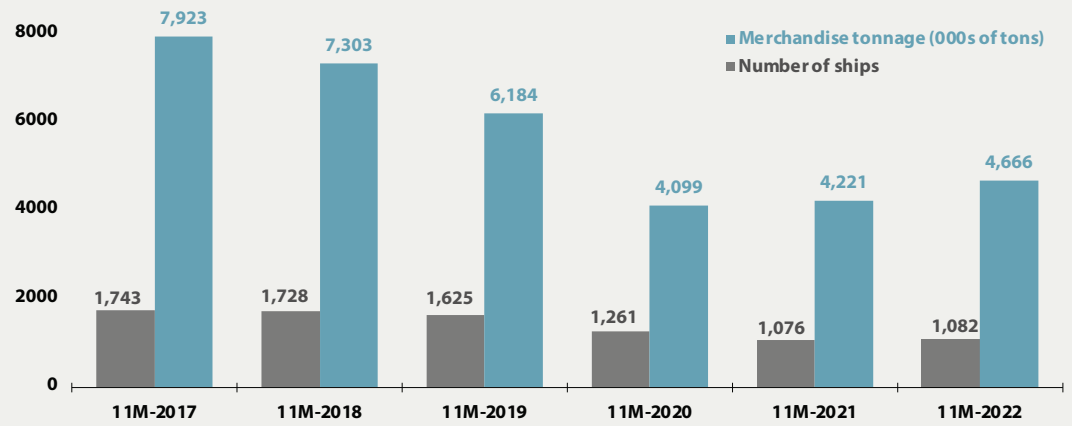
The quantity of goods reported an increase of 10.6%, registering 4,666 thousand tons in the first 11 months of 2022, following a similar increase of 3.0% in same period of 2021.

It is worth noting that transshipments increased by 9.0% over the first 11 months of 2022, following a drop of 56.6% in corresponding period of year 2021.

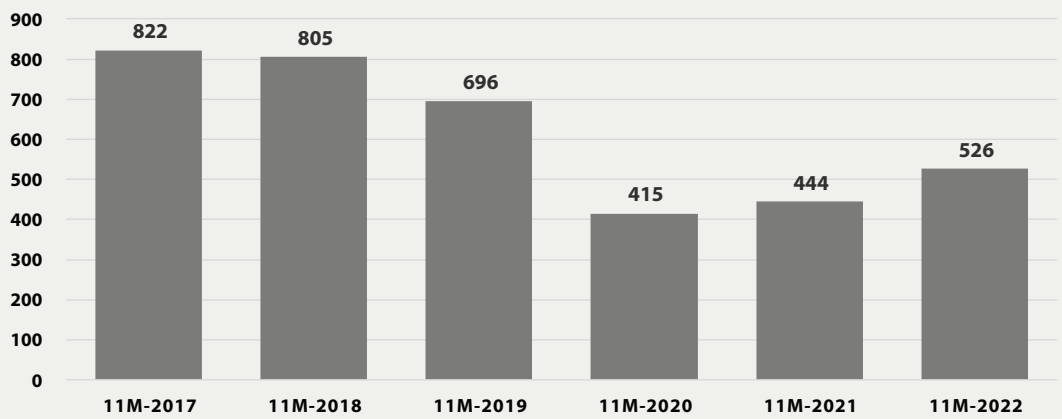
Bank Audi

ACTIVITY OF PORT OF BEIRUT

Number of ships and merchandise tonnage



Number of containers (000s)



Sources: Port of Beirut, Bank Audi's Group Research Department

Bank Audi

SURVEYS

BLOOMBERG SURVEY FORECASTS 0.5% REAL GDP GROWTH FOR LEBANON IN 2023

Bloomberg released the results of its survey for regional economic indicators, including 2022, 2023 and 2024 forecasts.

The survey covered four regional countries, namely Morocco, Tunisia, Lebanon and Jordan.

For Lebanon, the Bloomberg survey estimates real GDP growth at -3.3% for 2022, i.e mid-way between World Bank estimate and country official estimate. The survey forecasts the economy to flatten in 2023 and to improve in 2024. Real GDP growth forecasts are set at 0.5% for 2023 and 4.0% for 2024.

Regarding Lebanon's inflation, Bloomberg's survey estimates it at 169.7% for 2022. For 2023, inflation is forecasted at 100.0% to go down to 35.0% in 2024.

As to current account deficit, the survey forecasts an improvement in the deficit from 16.4% in 2022 to 12.0% in 2023 and then to deteriorate again to 17.2% in 2024.

With respect to budget deficit, the survey is forecasting a stabilization of the deficit at 3.3% in 2023, similar to 2022, but then to improve to 2.0% in 2024.

The survey result, just issued by Bloomberg, shows the median of 10 economists' forecasts for country economic indicators as surveyed by Bloomberg from Dec. 16 to Dec. 22.

LEBANON ECONOMIC FORECASTS

	2022	2023	2024
GDP YoY%	-3.3%	0.5%	4.0%
CPI	169.7%	100.0%	35.0%
Current Account	-16.4%	-12.0%	-17.2%
Budget Deficit	-3.3%	-3.3%	-2.0%

Sources: Bloomberg, Bank Audi's Group Research Department

FITCH SOLUTIONS FORECASTS PHARMACEUTICALS SPENDING AT US\$ 1.04 BILLION IN 2022

A new report by the Pharmaceuticals sector has been issued by Fitch Solutions. It forecasts Pharmaceuticals spending to move from LL 13.9 trn (US\$ 1.05bn) in 2021 to LBP 30.2 trn (US\$ 1.04 bn) in 2022, i.e a growth of 116.9% in local currency and -0.4% in US dollar terms. In parallel, it forecasts Healthcare spending to move from LBP38.9trn (US\$ 2.93 bn) in 2021 to LBP 80.2 trn (US\$ 2.77 bn) in 2022, i.e a growth of 105.9% in local currency and -5.4% in US dollar terms.

The report argues that as a result of Lebanon's healthcare sector being close to its breaking point, safeguarding the supply of pharmaceuticals for cancer and other serious illnesses has remained the government's priority amid ongoing issues around critical shortages. In addition to the Banque du Liban providing a mechanism for pharmaceuticals purchases in US dollars, the government is aiming to incentivize the sourcing of local products to accelerate the stabilization of drug prices.

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

- Sizeable and strong private healthcare sector, which could provide a firm foundation for overall market growth in the future.
- Private healthcare subsidized by public finances.
- Relatively high drug prices, given that most generic drugs are of branded varieties. This is also due to high retail margins.

Bank Audi

- Sizeable prescription drug sector, estimated to account for over 80% of the market.
- Promotion of generic substitution through continuous provider and patient education.
- Low administrative barriers to starting a business, as measured by the World Economic Forum's Global Competitiveness index.

At the level of weaknesses, they mention:

- Domestic intellectual property protection remains short of international standards.
- Lack of universal healthcare coverage, with the national insurance body heavily in debt.
- Healthcare infrastructure damaged by civil unrest and political stand-offs.
- Counterfeiting is a major problem, while some locally manufactured generic drugs are of dubious quality.
- Public sector procurement biased in favor of local companies.
- Government drug pricing regulation hampering multinational sector investment, with preferential treatment being given to local companies.
- Overdependence on imports leading to little reinvestment in sector development.
- Intensifying inflationary pressures and currency weakness will impact multinational drugmaker revenues.
- The partial end to medicine subsidies will exacerbate extreme medicine shortages and increase prices.

At the level of opportunities, they mention:

- Potential for patented product sector growth, as healthcare system modernization continues, but subject to a patient purchasing power increase.
- Government's desire to boost local production as a point of entry, especially for generic-based foreign firms willing to invest in Lebanon.
- Plans to boost health insurance coverage have the potential to improve both drug market values and volumes.
- The Investment Development Authority of Lebanon has begun providing incentives for local investment.
- Rising deployment of eHealth technologies is boosting healthcare efficiency in times of rising structural problems and increasing resource scarcity.
- Humanitarian interventions by international organizations will ensure adequate access to Covid-19 vaccines for most of the population.
- Increasing partnerships with UNOPS and other organizations are providing much needed support to rebuild Lebanon's overburdened healthcare sector.
- New drugs tracking system will ensure provenance of medicines and allow a more equitable distribution of drugs for serious illnesses.
- Agreements in the domain of cancer research signals efforts to reboot local clinical trials infrastructure.

At the level of threats, they mention:

- Government resistance to reforming domestic patent law.
- Parallel imports undercutting locally manufactured products.
- Reliance on foreign aid, including pharmaceuticals, continues to distort market performance and its accurate evaluation.
- Price cuts on selected products to reduce drug prices in the country, thus affecting overall market values.
- Unstable political situation to continue deterring foreign company involvement.
- Regional unrest negatively affecting revenues from medical tourism.
- The country's efforts to fight the Covid-19 pandemic has exacerbated economic fallout.
- Extreme dollar shortages, soaring inflation and Covid-related lockdown measures have deeply impacted business activity and private consumption.
- Soaring medicine prices disproportionately impact the majority share of the population which are living below the poverty line.
- A combination of supply chain instability, inflation, and government indebtedness is resulting in an intractable problem of medicines shortages for serious illnesses.
- Cholera outbreak reflects the impact infrastructural decay such as water disconnections are having on public health.

Bank Audi

CORPORATE NEWS

20% FUNDING GAP IN LEBANON'S EDUCATION SECTOR FOR FIRST THREE QUARTERS OF 2022

Of the US\$ 349.5 million funding required for the Lebanese education sector, US\$ 71.3 million or around 20.4% were not received for the first three quarters of 2022. In parallel, 42.2% or US\$ 147.6 million were carried over from the year 2021. This in turn shows that for the first nine months of 2022, only 37.4% of the funding required by the Lebanese education sector was received since January 2022, amounting to US\$ 130.6 million, as per the United Nations High Commissioner for Refugees' (UNHCR) 2022 3rd quarter sector dashboard.

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

During the first nine months of 2022, the target population reached 900,908 vulnerable individuals out of which 63.6% or 573,167 individuals were reached with the necessary help. In details, 468,711 vulnerable Lebanese individuals were targeted, 62.9% (306,024 individuals) of which were helped. From the vulnerable displaced Syrian population, 374,211 individuals were targeted with 60.2% being reached. Furthermore, vulnerable individuals in the Palestinian refugee population were divided into Palestinian Refugees in Lebanon (PRL) and Palestinian Refugees from Syria (PRS). 35,141 PRL vulnerable individuals were targeted with 36,878 (105% of targeted individuals) individuals reached with the necessary support. Among the PRS population, 99% of the 4,845 vulnerable individuals targeted received the necessary support which accounts for 4,828 individuals in the first nine months of 2022, as per the UNHCR sector dashboard.

Three key achievements were highlighted in the report for the first nine months of 2022. One of the achievements was the subsidizing in full or partially of registration fees for public/UNRWA schools for 543,142 vulnerable individuals or 85% of the target number. 82% of the target was reached in giving remedial or homework support to vulnerable individuals. Moreover, 24.1% of targeted registration fees for regulated NFE/MFP programs were partially or fully subsidized.

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

Priorities for the fourth quarter of the year were also mentioned in the report. The sector will prioritize supporting the Ministry of Education and Higher Education (MEHE) in cholera preparedness and response through stakeholders. Under the leadership of MEHE, the development of a sector needs analysis and the response-planning documents for 2023 will be undertaken. Moreover, outreach efforts will be increased and cash for education will be prioritized from sector partners. Finally, there will be sector mapping efforts which covers digital-learning activities for both formal and non-formal education, as per the UNHCR report.

US GOVERNMENT SUPPORTS THE UNICEF EMERGENCY RESPONSE IN LEBANON WITH AN ADDITIONAL US\$ 1 MILLION

The US government has made available a supplementary US\$ 1.3 million in support to the United Nations Children's Emergency Fund (UNICEF)'s emergency response for the containing of cholera in Lebanon, as per a joint statement between the US Embassy in Beirut and the UNICEF.

The aforementioned fund will allow the UNICEF to increase its support through the betterment of safe water and sanitation access in facilities and water points within affected areas. Personal hygiene will also be tackled through the distribution of Disinfection Kits and Cholera Family Hygiene Kits to communities deemed vulnerable.

Bank Audi

UNICEF, through existing funds from the US government, supplied hospitals designated for the cholera outbreak response with emergency medical supplies. The aforementioned supplies consisted of 150,000 Oral Rehydration Salts (ORS) and 40 Cholera Treatment kits that can support the treatment of 5,000 people including those with severe to moderate symptoms.

HILTON BEIRUT METROPOLITAN PALACE REOPENS ITS DOORS IN BEIRUT

Hilton Beirut Metropolitan Palace has reopened its doors at the end of 2022 and is open for the accommodation of guests.

The Chairman of the Al Habtoor Group, which owns the hotel, was also hopeful that Le Mall Sin El Fil, a nearby mall which closed down due to Lebanon's economic crisis, would reopen soon.

It is worth highlighting that Le Mall's building in Sin El Fil was owned by the Al Habtoor Group but then was leased and operated by a subsidiary of Azadea retail group.

The Hilton hotel is situated in Sin El Fil and offers 185 rooms along with 20 suites as well as a variety of food and beverage selections.

Hilton Beirut Metropolitan Palace also includes nine function rooms able to accommodate 2,800 guests. These function rooms include six multi-purpose meeting rooms, a business center open for 24 hours and a Meetings Manager. It is worth noting that the Hilton Beirut Metropolitan Palace is part of Hilton Honors which is a guest loyalty program for Hilton's 18 world-class brands.

THE LEBANESE GOVERNMENT ASKS OMANI OIL COMPANY TO DELAY IRAQI OIL DELIVERIES

The shipment responsible for the transfer of Iraqi fuel to Lebanon for the benefit of Électricité du Liban (EDL) is being delayed by the General Directorate of Petroleum. The reason for the delay is because of an awaited renewal of the letter of financial guarantees to pay the US\$ 437 million owed for the purchase of 1 million tons of petroleum oil.

The renewal of the aforementioned letter by the Ministry of Finance (MoF) is being lagged by the pending decision for the conclusion of the agreement with Iraq in the parliament of Lebanon. The MoF also requested that the conclusion of the agreement should be handled by the government as well which would further slow the process as it would require a cabinet meeting.

It is worth noting that the first shipment of Iraqi oil kept the Deir Ammar and Al-Zahrani factories in operation. It allowed them to provide citizens with an average of one to two hours of electricity. But as the renewal of the agreement is being slowed down through the bureaucracy in the government, further deprivation can be expected. This is already taking shape as the Al-Zahrani factory was pronounced "shortly" out of operation by the EDL recently.

COMPANY RESPONSIBLE FOR MAINTENANCE OF NAAMEH LANDFILL STOPS ITS OPERATIONS

Recently the company that maintains the Naameh Landfill made the decision to stop maintenance operation which includes the venting of gases emitted from the landfill. The halting of operation poses a threat through the pollution of underground water reservoirs as well as the nearby Ghadir River. Also, by not venting out the gas emissions the possibility of a gas retention explosion looms over the area. The decision to stop the company's work comes as the state owes the corporation a sum of LP 18 billion (US\$ 11.9 billion at the LP/US\$ FX rate of LP 1,507.5/US\$) as well as US\$ 7 million in bank checks.

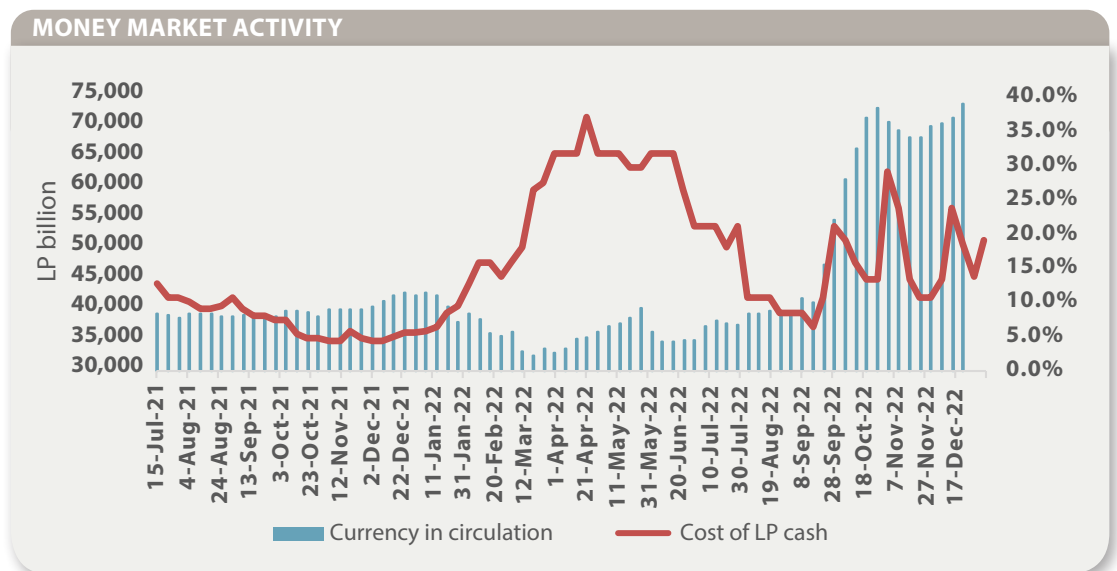
Multiple reviews were given by the company to the Council of Development and Reconstruction regarding the subject which were met with requests by the latter to resume operations. This factor was also a driver that led to the stopping of the company's business operations.

Bank Audi

CAPITAL MARKETS

MONEY MARKET: LARGE WEEKLY EXPANSION IN MONEY IN CIRCULATION

The money market saw this week a rise in the cost of LP cash to 17%-19% from 13% at year-end 2022. In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 22nd of December 2022 showed that the currency in circulation expanded significantly by LP 2,148 billion. Concurrently, total resident banking deposits contracted by LP 267 billion over the covered week. This is mainly driven by a LP 238 billion fall in foreign currency resident deposits (the equivalent of US\$ 158 million as per a rate of LP 1,507.5), while total LP resident deposits declined by LP 30 billion amid a LP 64 billion decrease in LP saving deposits and a LP 34 billion rise in LP demand deposits. Within this context, the money supply in its broadest sense (M4) expanded significantly by LP 1,933 billion over the covered week, mainly due to a large growth in the currency in circulation.



TREASURY BILLS MARKET: NOMINAL DEFICIT OF LP 1.7 TRILLION 2022

The latest Treasury bills auction results for value date 5th of January 2023 showed that the Central Bank of Lebanon allowed banks to subscribe in full to the three-month category (offering a yield of 3.50%), the one-year category (offering a yield of 4.50%) and the five-year category (offering a coupon of 6.0%).

The Treasury bills auction results for value date 29th of December 2022 showed shy subscriptions of circa LP 1 billion, fully allocated to the Central Bank of Lebanon and concentrated in the three-year category (offering a coupon of 5.50%). These compare to maturities of LP 193 billion, which resulted into a nominal weekly deficit of LP 192 billion.

On a cumulative basis, total subscriptions in Treasury bills amounted to LP 12,155 billion in 2022, fully allocated to the Central Bank of Lebanon. The one-year category captured 32.5% of the total, followed by the two-year category with 19.2%, the six-month category with 18.3%, the three-year category with 13.3%, the ten-year category with 6.9%, the three-month category with 6.4% and the five-year category with 3.4%. These compare to maturities of LP 13,928 billion, resulting into a nominal deficit of LP 1,733 billion in 2022.

Bank Audi

TREASURY BILLS

	06/01/2023	30/12/2022	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%	6.50%	
Nom. Subs. (LP billion)		1	246	
Short-term (3&6 mths)		-	-	
Medium-term (1&2 yrs)		-	-	
Long-term (3 yrs)		1	200	
Long-term (5 yrs)		-	-	
Long-term (7 yrs)		0	46	
Maturities		193	13	
Nom. Surplus/Deficit		-192	233	

Sources: Central Bank of Lebanon, Ministry of Finance

FOREIGN EXCHANGE MARKET: LP/US\$ BLACK MARKET RATE MOVING WITHIN TIGHT RANGE AFTER BDL'S EXCEPTIONAL MEASURES

Amid worsened domestic political, monetary and financial conditions, marked by a prolonged institutional vacuum, inflated currency in circulation outside BDL that has hit LP 80 trillion at end-2022 and continuous FX reserves burn, BDL's renewed exceptional measures, which allow banks to unlimitedly buy US dollar banknotes from the Central Bank in exchange for LP at the "Sayrafa" rate, and the Bank's decision to extend its working hours over the month of January to meet demand for banknotes, played a role in curbing the free-fall of the Lebanese pound against the US dollar on the parallel FX market. The LP/US\$ black market rate continued to hover around LP/US\$ 43,000 over this week, reaching LP/US\$ 43,100-LP/US\$ 43,200 on Thursday.

Concurrently, the Central Bank of Lebanon announced that foreign currency operations on the "Sayrafa" platform remained executed at an average rate of LP/US\$ 38,000 between January 3 and 5, 2023, which marks a differential of 5,000 between the black market rate and the "Sayrafa" rate.

In parallel, the Central Bank of Lebanon's foreign assets continued their nosedive over the second half of December 2022, falling by US\$ 67 million as per BDL's latest bi-monthly balance sheet ending 31st of December 2022. This brought total contractions in BDL's foreign assets to circa US\$ 2.6 billion over the year 2022.

EXCHANGE RATES

	06/01/2023	30/12/2022	30/12/2021	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,812.32	1,813.97	2,022.91	↑
LP/¥	11.37	11.27	13.11	↓
LP/SF	1,626.56	1,628.67	1,639.48	↑
LP/Can\$	1,116.42	1,108.21	1,175.53	↓
LP/Euro	1,600.66	1,603.83	1,701.52	↑

Source: Bank Audi's Group Research Department

Bank Audi

STOCK MARKET: MIXED PRICE MOVEMENTS ON BSE AMID LOW TRADING VOLUMES

The Beirut Stock Exchange registered a shy activity during this week that was shortened to three working days due to holidays. The total trading value was limited to US\$ 2.2 million as compared to a higher turnover of US\$ 6.4 million over the past three-day week, which marks a contraction of 65.1%.

As far as prices are concerned, the BSE price index retreated slightly by 0.1% amid mixed price movements. A closer look at individual stocks shows that Solidere "A" share price dropped by 1.8% to US\$ 59.80. Solidere "B" share price fell by 1.3% to US\$ 59.55. In contrast, Bank Audi's GDR price increased by 0.7% week-on-week to reach US\$ 1.40. Byblos Bank's "listed" share price remained unchanged at US\$ 0.75.

AUDI INDICES FOR BSE

	06/01/2023	30/12/2022	30/12/2021	
Market Cap. Index	613.79	614.50	447.87	↓
Trading Vol. Index	33.80	96.84	80.38	↓
Price Index	128.86	129.00	94.02	↓
Change %	-0.12%	1.30%	4.13%	↓
	06/01/2023	30/12/2022	30/12/2021	
Market Cap. \$m	14,562	14,578	10,625	↓
No. of shares traded (Exc. BT)	68,410	187,711	171,230	↓
Value Traded \$000 (Exc. BT)	2,239	6,415	5,359	↓
o.w. : Solidere	2,209	6,349	4,614	↓
Banks	30	66	732	↓
Others	0	0	13	↔

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

BOND MARKET: LEBANESE EUROBOND PRICES REMAIN AT MID-SINGLE DIGIT LEVELS

Amid an extended institutional void to the year 2023, which casts doubt on Lebanon's ability to meet IMF prior actions and reach a final agreement with the Fund to secure much-needed international financial support, and on international bets about a deep haircut of around 80% of the face value of the outstanding Eurobonds, prices of Lebanese sovereigns remained at single-digit lows this week. In fact, prices of Eurobonds maturing between 2020 and 2037 reached 5.75 cents per US dollar on Thursday as compared to 5.50-5.88 cents per US dollar at year-end 2022.

EUROBONDS INDICATORS

	06/01/2023	30/12/2022	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)	5.75	5.50-5.88	9.88-10.63	↔
Average Life	5.34	5.34	6.18	↔
Yield on US 5-year note	3.97%	3.94%	1.26%	↑

Source: Bank Audi's Group Research Department

Bank Audi

INTERNATIONAL MARKET INDICATORS

	06-Jan-23	30-Dec-22	31-Dec-21	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	132.08	131.11	115.11	0.7%	14.7%
\$/£	1.209	1.208	1.353	0.1%	-10.6%
\$/Euro	1.064	1.071	1.137	-0.6%	-6.4%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	33,630.61	33,147.25	36,338.30	1.5%	-7.5%
S&P 500	3,895.08	3,839.50	4,766.18	1.4%	-18.3%
NASDAQ	10,569.29	10,466.48	15,644.97	1.0%	-32.4%
CAC 40	6,860.95	6,594.57	7,153.03	4.0%	-4.1%
Xetra Dax	14,610.02	14,069.26	15,884.86	3.8%	-8.0%
FT-SE 100	7,699.49	7,451.74	7,384.54	3.3%	4.3%
NIKKEI 225	25,973.85	26,094.50	28,791.71	-0.5%	-9.8%
COMMODITIES (in US\$)					
GOLD OUNCE	1,865.69	1,824.02	1,829.20	2.3%	2.0%
SILVER OUNCE	23.83	23.95	23.31	-0.5%	2.2%
BRENT CRUDE (per barrel)	78.57	85.91	73.35	-8.5%	7.1%
LEADING INTEREST RATES (%)					
1-month Libor	4.40	4.39	0.10	0.01	4.30
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	3.56	3.87	1.51	-0.32	2.05

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.