

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 BDL FORECASTS A 2% REAL GDP GROWTH FOR 2022

It looks like after the significant 33% contraction in real GDP in the past two years, Lebanon is back to a slightly positive real GDP growth in 2022. BDL and the government announced a 2% real GDP growth for this year. May be the 44% growth in imports over the first eleven months of the year is an indication of the improving domestic demand in addition to the effects of global inflation.

Also in this issue

p.3 Value of cleared checks down by a negligible 1% in the first 11 months

p.4 Property market's sales operations down by 17% year-on-year in the first 11 months of 2022

Surveys

p.5 GOLDMAN SACHS SAYS NO PROSPECT OF NEAR-TERM RESOLUTION OF DEFAULT

A new report has been issued last week by Goldman Sachs on the MENA region, with a section on Lebanon.

Also in this issue

p.6 Widening Inflation And Covid-19 Will Leave Long-Term Impression On Lebanon's Medical Device Market as per Fitch Solutions

Corporate News

p.7 ELECTRICITY BILL SET TO BE PAID IN NEW EXCHANGE RATE

A new dollar exchange rate has been introduced to the Lebanese market which is the electricity dollar rate.

Also in this issue

p.7 The UK's travel risk for the majority of Lebanon decreases

p.7 ACT Smart Innovation Hub announces its renewal for three years

p.7 QC funded project provides support to the Lebanese health sector

p.8 MoU signed between the Lebanese Ministry of Tourism and Lebanon Traveler

p.8 Partnership between OPPO and UPFRONT for OOH marketing campaign in Lebanon

Markets In Brief

p.9 MARKETS IN BRIEF: LP ON DOWNWARD SPIRAL IN 2022 AMID TOUGH POLITICAL AND REFORM CHALLENGES

The LP continued its downward spiral against the US dollar on the black FX market in 2022, reaching new historical lows of LP/US\$ 43,300 at year-end as compared to LP/US\$ 27,500 at end-2021, despite all exceptional measures adopted by the Central Bank of Lebanon to curb currency swings, a Staff-Level Agreement reached with the IMF last April and the historic maritime border agreement signed last October. This is mainly explained by a darkened domestic political outlook, a multilayered political vacuum, a large expansion in the money in circulation, a continuous FX reserves burn and as BDL completely freed the "Sayrafa" platform from the burdens of financing gasoline imports. On the equity market, the BSE continued to register strong price gains of 37% in 2022 amid investor tendency to avoid haircuts on their financial placements, noting that equity prices are denominated in domestic US dollars. At the level of the Eurobond market, sovereign prices plunged deeper into the red amid a protracted institutional void that is expected to delay an agreement on crisis resolution and much-needed reforms, in addition to bets of low recovery rates below 20%.

LEBANON MARKETS: DECEMBER 26, 2022 - JANUARY 1, 2023

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

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ECONOMY

BDL FORECASTS A 2% REAL GDP GROWTH FOR 2022

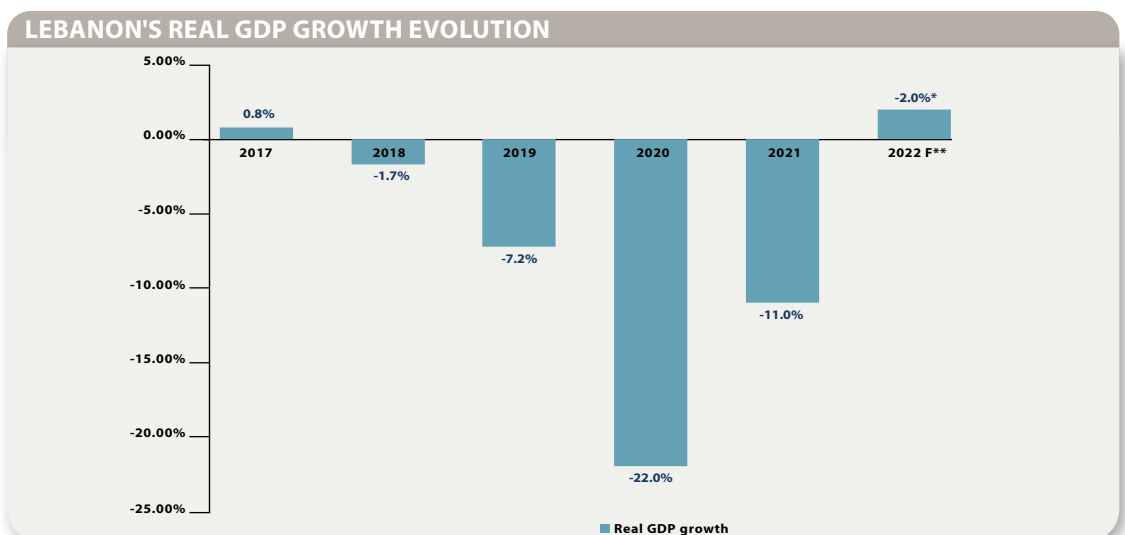
It looks like after the significant 33% contraction in real GDP in the past two years, Lebanon is back to a slightly positive real GDP growth in 2022. BDL and the government announced a 2% real GDP growth for this year. May be the 44% growth in imports over the first eleven months of the year is an indication of the improving domestic demand in addition to the effects of global inflation.

The analysis of real sector indicators show that out of 17 real sector indicators 11 were up this year, involving Port activity, airport activity, number of tourists, cement deliveries, construction permits, the number of car sales and imports and exports. Among indicators with negative growth over the first ten-month period, we mention cleared checks with a contraction of 4.6% and value of property transactions with a decline of 5.3%. Among indicators with positive growth, we mention construction permits with a surge of 444.6%, the number of passengers at the airport with a rise of 53.3%, the new car sales with a rise of 37.5% cement deliveries with an expansion of 36.1% and merchandise at the Port with a rise of 10.6% year-on-year.

It is worth mentioning that a significant number of companies are increasingly paying salaries in fresh dollars which is supporting consumption. Of course, the economy is far from bridging the gap created over the past two years which requires deep reforms, IMF agreement and international assistance to ultimately lessen the huge socioeconomic pressures on households.

Lebanon's real economy had contracted drastically since the onset of the crisis, with GDP moving from US\$ 53 billion in 2019 to US\$ 22 billion today, i.e a nominal contraction of 58.5% (Real contraction of 31%, i.e a 33% contraction up to last year followed by a 2% expansion this year), resulting in one of the sharpest contraction in income per capita worldwide in decades. The evolution of Lebanon's real sector indicators, of which lagging, coincident and leading indicators, mirrors the sluggish economic conditions over the period. The evolution of BDL coincident indicator (59.4% average contraction since 2019), which is a weighted average of a number of real sector indicators that are believed to coincide with economic activity, likewise mirrors the acute contraction in real economic activity.

On another hand, It is important to mention that the World Bank does not agree with the assumption behind positive economic growth in 2022. In its Lebanon Economic Monitor issued last month, the World Bank has announced a -5.4% growth forecast for 2022, assuming continued political paralysis and no implementation of a recovery strategy. The World Bank says tourist arrivals have increased by 51.2 percent (yoy) until August. However, net exports remained negative, as imports increased faster than exports. Part of the increase in imports was driven by industrial goods imports (42.7 percent). Anticipated increases in custom duties and the customs duties exchange rate have likely contributed to the substantive increase in industrial goods imports and have driven the hoarding of those goods in anticipation of the price adjustment as per the World Bank.



*BDL forecast as at November

**World Bank forecasts -5.4% real GDP growth for 2022

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VALUE OF CLEARED CHECKS DOWN BY A NEGLIGIBLE 1% IN THE FIRST 11 MONTHS

Total value of cleared checks, an indicator of consumption and investment spending in the Lebanese economy, slightly contracted by 1.3% year-on-year in the first 11 months of 2022.

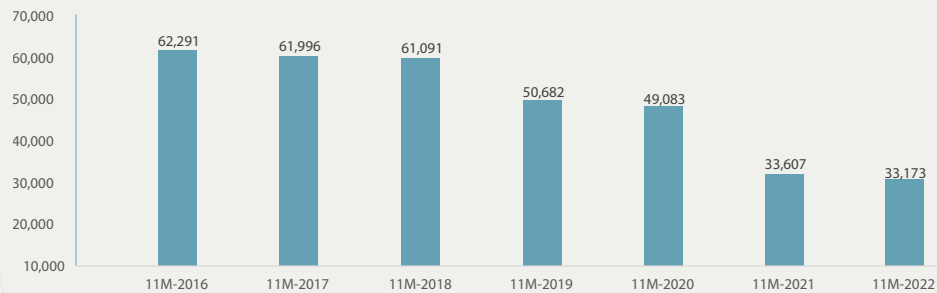
The value of cleared checks reached US\$ 33,173 million in the first 11 months of 2022 down from US\$ 33,607 million in same period of the previous year.

A breakdown by currency shows that the banks' clearings in Lebanese Pounds amounted to LP 35,367 billion, a 38.8% increase, in the first 11 months of 2022 while those in US\$ amounted to US\$ 9,711 million, retreating by 41.9% as many businesses are cashing fresh dollars only.

Moreover, the number of cleared checks registered 1,480,354 in the first 11 months of 2022, down by 49.8% from 2,948,730 checks in the first 11 months of 2021.

The average value per check hiked by 96.6% year-on-year to attain US\$ 22,409 in the first 11 months of 2022. It is worth noting that the value of returned checks registered US\$ 309.1 million in the first 11 months of 2022 down by a yearly 41.5%. The number of returned checks stood at 10,493 in the first 11 months of 2022, down from 23,972 in the same period of 2021.

CLEARING ACTIVITY (IN US\$ MILION)



Sources: Association of Banks in Lebanon, Bank Audi's Group Research Department

PROPERTY MARKET'S SALES OPERATIONS DOWN BY 17% YEAR-ON-YEAR IN THE FIRST 11 MONTHS OF 2022

After the Lebanese realty market witnessed a positive performance in 2021, with a sector perceived as a safe haven after the economic and financial developments in the country, it started to witness a yearly contraction during the first 11 months of 2022, as per the latest official figures released by the General Directorate of Land Registry and Cadastre in Lebanon revealing a decline year-on-year in both property transactions and sales activity.

The number of sales operations went down from 93,654 operations in the first 11 months of 2021 to 77,380 operations in the first 11 months of 2022. The number of transactions retreated by 17.9% year-on-year to stand at 141,255 in the aforementioned period of 2022.

Furthermore, the value of property sales transactions contracted by 3.2% year-on-year to reach a total of US\$ 12,944 million in the first 11 months of 2022. Most regions recorded increases in the value of sales transactions during the period, with the most significant movements coming from the South (64.5%), Beqaa (54.8%) and Beirut (41.8%). On a side note, the average property sales value increased from US\$ 142,785 in the first 11 months of 2021 to US\$ 167,283 in the corresponding period of this year, showing a 17.2% increase.

In a look at the breakdown of the value of property sales, Beirut continued to capture the highest share over the period with 38.3%, followed by the South with 17.7%, Baabda with a share of 12.0% and Keserouan with a share of 9.1%.

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NUMBER OF SALES OPERATIONS



Sources: Directorate of Land Registry and Cadastre, Bank Audi's Group Research Department

VALUE OF SALES TRANSACTIONS (US\$ MILLION)



Sources: Directorate of Land Registry and Cadastre, Bank Audi's Group Research Department

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SURVEYS

GOLDMAN SACHS SAYS NO PROSPECT OF NEAR-TERM RESOLUTION OF DEFAULT

A new report has been issued last week by Goldman Sachs on the MENA region, with a section on Lebanon.

It's been two and a half years since Lebanon defaulted on its external debt, an event which marked an acceleration of the country's slide into an economic crisis that has seen economic activity shrink by half in real terms, inflation rise to an average of 200%yoy over the past year, the currency lose 95% of its value against the Dollar, and the financial system crippled by financial losses amounting to some \$70bn (over 500% of GDP calculated at the parallel market exchange rate), with individuals unable to access their savings, according to the report. The United Nations estimates that multidimensional poverty in Lebanon doubled to 82% of the population between 2019 and 2021.

Compounding these challenges have been the impact of the covid pandemic, the Beirut port blast in August 2020 that killed over 200 people and destroyed large swathes of the capital, and, most recently, an outbreak of cholera. The IMF staff-level agreement announced in April of this year provided the basis for some optimism, but the extensive list of prior actions required before board approval always presented a major obstacle in the context of a weak policy environment and deep political divisions, in their view.

Since the IMF announcement, the political environment has become even more challenging: May elections saw Najib Mikati return as prime minister designate, but he has yet to form a government, with the current cabinet acting in a care-taker capacity with limited capacity. On October 31, President Michel Aoun's six-year term came to an end with parliament failing to elect a successor after repeated attempts, leaving Lebanon at the precipice of what the outgoing president called "constitutional chaos". They believe it could be many months before a functioning government is restored, and even then, its ability to push through parliament the necessary prior actions to secure an IMF deal is doubtful. In short, Goldman Sachs is not optimistic that a resolution to Lebanon's economic crisis, and its default, is forthcoming in the foreseeable future.

The slide of the Pound and the ongoing economic uncertainties make estimates of recovery values exceptionally uncertain. Based on a scenario in which the IMF programme is finalised in 2023, they think restoring debt sustainability in Lebanon will require a deep haircut of around 80% of the face value of the outstanding Eurobonds. Assuming a coupon on the restructured debt of 12%, they think recovery values are likely to range anywhere from 16c to 21c in the Dollar, depending on the exit yield.

GOLDMAN SACHS LEBANON MACRO FORECASTS

	2021	2022	2023	2024	2025	2026
GDP						
Real GDP (%yoy)	-7.2	-3.6	-2.0	5.7	4.5	4.7
Nominal GDP (LC bn)	287177	514941	926593	1179343	1357515	1550381
Nominal GDP (US\$ bn)	10	14	17	20	21	24
Nominal GDP/Capita (US\$)	1.5	2.0	2.5	2.9	3.1	3.6
External Sector						
Exports (%GDP)	44.1	40.8	39.3	40.5	41.9	40.4
Imports (%GDP)	122.8	1.0	0.8	0.8	0.8	0.7
Trade Balance (%GDP)	-78.7	39.8	38.5	39.7	41.1	39.6
Current Account(%GDP)	-28.4	-24.2	-9.0	-3.1	2.3	7.3
Gross International Reserves (US\$bn)	13.6	10.4	8.9	8.2	8.7	10.5
Import Coverage Ratio (Months)	12.8	9.2	7.5	6.4	6.4	7.3
Public Sector						
GG Balance (%GDP)	1.1	-3.2	-1.5	-0.6	-0.6	-0.6
GG Primary Balance (%GDP)	2.0	-2.7	-1.2	-0.2	-0.2	-0.2
Gross public debt (%GDP)	402.2	306.3	242.6	207.6	195.2	171.5
Prices						
CPI (yoy eop)	224.4	122.7	119.5	29.2	14.5	13.0

Source: Goldman Sachs Global Investment Research

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WIDENING INFLATION AND COVID-19 WILL LEAVE LONG-TERM IMPRESSION ON LEBANON'S MEDICAL DEVICE MARKET AS PER FITCH SOLUTIONS

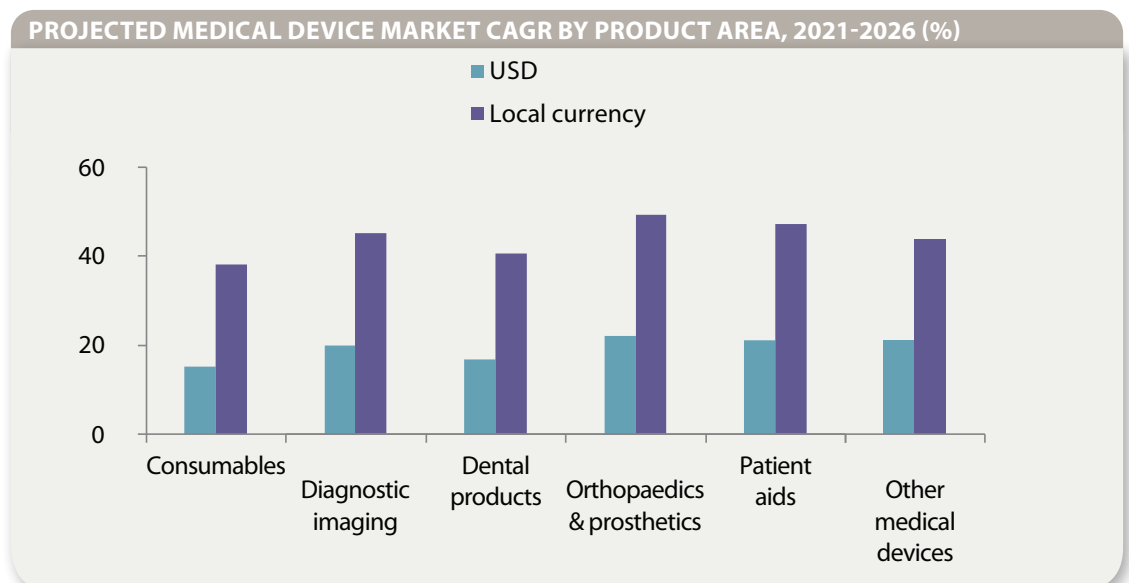
Ongoing economic crises will leave a long-term impression on the medical device market according to a new report by Fitch Solutions. Import reliance will remain high due to a lack of tangible domestic medical device production possibilities. Recovering elective surgery rates will favour orthopaedics & prosthetics products as well as dental products over the forecast period.

Ongoing economic crises will leave a long-term impression on the medical device market says the report. Delays in implementing an International Monetary Fund (IMF) programme are expected to sustain ongoing economic crises and exacerbate the long-term impact to the medical devices market. A lack of political consensus on electing a new president will likely intensify economic challenges, reignite social discontent and sequester efforts to address the market's crumbling healthcare landscape and medical device market.

Import reliance will remain high due to a lack of tangible domestic medical devices production possibilities. With increasingly limited domestic medical device production, Lebanon will remain heavily import reliant over the forecast period. Imports peaked in 2018 and, despite increased demand for medical device products during the worst of the pandemic, the import value was lower than in previous years. This is attributed to economic crises creating a shortage of US dollars and soaring inflation, disruption to import infrastructure through the Beirut port explosion as well as global supply chain problems caused by high demand for medical products. Fitch Solutions expects subsequent years of imports to continue to be impacted by widening inflation despite high import reliance which will limit import capabilities.

Fitch Solutions expects imports to support the majority of the market's medical device products in the mid-to long-term due to ongoing political crises containing policymaking and deterring foreign direct investment in the near-term. To reduce its reliance, Lebanon will require long-term financial commitments to medical device production and increased regulatory transparency.

Recovering elective surgery rates will favour orthopaedics & prosthetics products as well as dental products over the forecast period. Despite ongoing economic, political and social crises, healthcare activity is broadly in line with other MENA markets. A return to elective surgeries following fallow years due to disruption of healthcare facilities during Covid-19 will drive demand for orthopaedics products and dental products over the forecast period with both product areas having the highest five-year CAGRs in both local currency and USD terms.



Sources: Fitch Solutions.

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CORPORATE NEWS

ELECTRICITY BILL SET TO BE PAID IN NEW EXCHANGE RATE

A new dollar exchange rate has been introduced to the Lebanese market which is the electricity dollar rate. This new exchange rate will be used in Électricité Du Liban (EDL) to purchase US Dollars from Banque Du Liban (BDL) and will be the basis for the new billing system. The subject rate is set at Sayrafa rate plus 20%.

EDL has since asked the BDL to provide it with the sayrafa rate at the start of each month as to issue the bills for the month prior. This decision is meant to tighten the gap between the electricity dollar rate and the black market rate set in Lebanon.

It is worth noting that BDL had already purchased US\$ 300 million previously to provide EDL with fresh dollars at a rate of 35,000 LP/US\$.

THE UK'S TRAVEL RISK FOR THE MAJORITY OF LEBANON DECREASES

In December 2022, the UK embassy to Lebanon changed its travel advice for the majority of the country to green signifying "see our travel advice before traveling". Earlier, travel to the majority of Lebanon was warned against unless necessary and the map of the country was completely colored in either yellow or red.

It is worth noting that in November 2021, all travel to Lebanon was advised against unless necessary or completely warned against due to the instability seen in the country.

Some regions of the country however remained red notably Palestinian refugee camps, within a 5km radius of the Syrian border and the Hermel region. Moreover, some regions remained yellow where all but essential travel is warned against notably the southern suburbs of Beirut, the South next to the border with Israel, Tripoli, parts of the Beqaa Valley and some other parts of the country.

ACT SMART INNOVATION HUB ANNOUNCES ITS RENEWAL FOR THREE YEARS

The ACT Smart Innovation Hub has announced recently that it will renew its operations in Lebanon over an additional three-year period.

The subject hub introduced four pillars that aimed to innovate and help the sectors of agrifood and clean technology. Accelerator programs called Agrytech and Cleanergy were offered to startups in the aforementioned sectors. These programs included US\$ 1.4 million offered to startups and 543 workshops with local and international experts. The hub also helped in the creation of an agrifood stakeholder's cluster that gathered more than 100 Small and Medium Enterprises (SMEs) in order to innovate their sector. The program saw the launch of three Think Tanks with 36 companies from the waste management, water and energy sectors participating in workgroups to lobby for policy reforms aiming to create a more sustainable future. Moreover, ACT Smart created the IP Valorization Program in order to enrich the knowledge economy and mobilize research which has benefited 3 startups, delivered 112 hours of workshops and training and disbursed US\$ 36,000 in grants.

It is worth noting that ACT Smart Innovation Hub is co-funded by Berytech and the Embassy of the Kingdom of the Netherlands in Lebanon and was launched in September of 2019.

QC FUNDED PROJECT PROVIDES SUPPORT TO THE LEBANESE HEALTH SECTOR

A project funded by Qatar Charity (QC) and implemented by Qatar Red Crescent Society (QRCS) provided two batches of essential medication valued at QAR 3.7 million (US\$ 1 million). The medication was delivered to the Lebanese Ministry of Public Health (MOPH) and the Ministry of Interior (MOI).

The subject support is regarded as crucial as it will help ensure medical services to the 150,000 policemen, family members and pensioners, stated the Director-General of the Internal Security Forces (ISF).

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The QRCS and with the backing of QC are committed to continue supporting Lebanon's health sector as the subject project is included in QRCS's 2023 plan, said the Head of QRCS's mission in Lebanon in a statement.

It is worth noting that the project sent the second batch to the MOPH.

The subject batch contained 431,308 packs of the 11 most needed chronic disease medicine as per MOPH's list. The packs were then distributed to primary care centers (70%) and to MOI and pharmacies of the ISF (30%).

MOU SIGNED BETWEEN THE LEBANESE MINISTRY OF TOURISM AND LEBANON TRAVELER

A Memorandum of Understanding (MoU) was signed between Lebanon Traveler and the Ministry of Tourism (MoT). The subject MoU comes in support of the MoT's activities and campaigns aiming to promote tourism to Lebanon.

The collaboration is looked forward to as it will be beneficial in the promotion of Lebanon's image as a tourist destination, said the Lebanese Minister of Tourism in a statement.

Efforts of Lebanon Traveler will continue in order to promote touristic destinations in the country. Support from the MoT and through collective action and efficient dialogue will help the company in achieving its goals, said the Managing Director of Hospitality Services, the company that established Lebanon Traveler, in a statement.

It is worth noting that Lebanon Traveler is the first and the top tourism reference and online platform in Lebanon. The company was established by Hospitality Services in 2011. The aim of the service is to promote the cultural, social, historical aspects of the country along with its natural wealth and diversity. Lebanon Traveler's website is visited by 20,000 users per months and their social media pages reaches 3.2 million accounts.

PARTNERSHIP BETWEEN OPPO AND UPFRONT FOR OOH MARKETING CAMPAIGN IN LEBANON

A partnership was reached between OPPO and the advertising agency UPFRONT in Lebanon to launch a nationwide marketing campaign. The subject campaign came in the form of Out-Of-Home (OOH) Media. The campaign's main focus was set on OPPO's new high-tech Reno 8 smartphone.

The main focus of UPFRONT was set on Above the Line (ATL) advertising which is the main reason OPPO decided to partner with them. Following the partnership, the company saw the launching of an extensive advertising campaign that covered all seven of Lebanon's governorates.

It is believed that this marketing campaign is among the strongest seen in Lebanon during 2022 as it toured all of Lebanon's region, said the CEO of UPFRONT in a statement.

It is worth noting that OOH marketing is a form of advertising that aims to reach a broad range of people with no specific features making it largely untargeted.

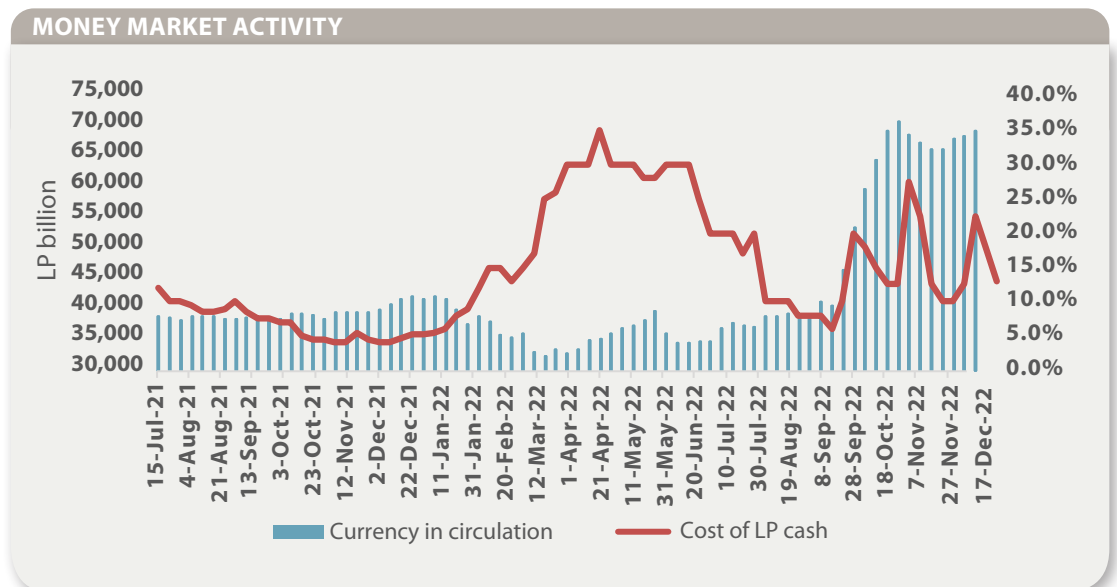
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CAPITAL MARKETS

MONEY MARKET: LARGE EXPANSION IN MONEY IN CIRCULATION IN 2022

The year 2022 saw a large expansion in the currency in circulation outside BDL, moving from LP 46 trillion at end-2021 to LP 80 trillion at end-December 2022, up by 75%. This is mainly driven by a significant increase in the money in circulation since mid-September 2022, which was coupled with a rise in BDL's foreign assets. Paradoxically, the large expansion in money in circulation was accompanied by a rise in the cost of LP cash over the year 2022, moving from 5.3% at end-2021 to 13.0% at year-end, mainly due to technical measures adopted by BDL to contain inflated money in circulation, noting that the cost of LP cash reached a record high level of 35% last April.

In parallel, monetary statistics released by the Central Bank of Lebanon showed that total resident banking deposits contracted by LP 6,311 billion since end-2021 till mid-December 2022, mainly driven by a LP 9,037 billion fall in foreign currency deposits (the equivalent of US\$ 5,994 million as per a rate of LP 1,507.5), while total LP total deposits increased by LP 2,725 billion amid a LP 5,715 billion expansion in LP demand deposits and a LP 2,989 billion decline in LP saving deposits. That being said, the money supply in its broadest sense (M4) expanded by LP 25,451 billion over the covered period, mainly due to a large growth in the money in circulation.



TREASURY BILLS MARKET: NOMINAL DEFICIT OF CIRCA LP 1,600 BILLION IN 2022

The financial system's total subscriptions in LP Treasury bills amounted to circa LP 12,154 billion until December 22, 2022, fully allocated to the Central Bank of Lebanon, noting that the six-month, one-year and two-year categories accounted for 70% of the total. These compared to maturities of circa LP 13,734 billion, which resulted into a nominal deficit of circa LP 1,580 billion in 2022 versus a nominal surplus of LP 3,277 billion in 2021. In parallel, the Central Bank of Lebanon's LP securities portfolio contracted by circa LP 1,533 billion since the beginning of the year 2022 till mid-December. This followed an expansion of LP 1,939 billion in 2021.

FOREIGN EXCHANGE MARKET: LP CRASHES TO NEW RECORD LOWS AGAINST US DOLLAR IN 2022

One year after the launch of BDL circular 161, which allowed banks to sell US banknotes to their clients at "Sayrafa" rate, the Lebanese pound remained in free-fall against the US dollar on the black FX market, crashing to LP/US\$ 43,300 at end-2022 as compared to LP/US\$ 27,500 at end-2021.

The continuous deterioration in LP against the US dollar on the parallel market is mainly explained by a prolonged

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institutional void, worsened domestic political outlook, lingering reform uncertainties, and a large expansion in the money in circulation outside BDL, noting that the coefficient of determination between the black market rate and the currency in circulation was quoted at 64% in 2022. This was exacerbated by a continuous FX reserves burn, as BDL's foreign assets contracted by US\$ 2.6 billion since end-2021 till mid-December 2022. Within this context, BDL's liquid FX reserves are currently estimated at US\$ 10 billion.

Regarding Sayrafa, the Central Bank of Lebanon lifted on December 27, 2022 the LP/US\$ rate via the platform to 38,000, which helped tightening the spread between the Sayrafa rate and the black market rate, noting that the latter has recently exceeded the 15,000 level. This may also help reducing money creation and import demand.

TREASURY BILLS

	30/12/2022	23/12/2022	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%	
Nom. Subs. (LP billion)		216	246	
Short-term (3&6 mths)		216	-	
Medium-term (1&2 yrs)		-	-	
Long-term (3 yrs)		-	200	
Long-term (5 yrs)		0.02	-	
Long-term (7 yrs)		-	46	
Maturities		210	13	
Nom. Surplus/Deficit		6	233	

Sources: Central Bank of Lebanon, Ministry of Finance

EXCHANGE RATES

	30/12/2022	23/12/2022	30/12/2021	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,813.97	1,818.65	2,022.91	↑
LP/¥	11.27	11.37	13.11	↑
LP/SF	1,628.67	1,618.53	1,639.48	↓
LP/Can\$	1,108.21	1,108.05	1,175.53	↓
LP/Euro	1,603.83	1,599.46	1,701.52	↓

Source: Bank Audi's Group Research Department

STOCK MARKET: EXTENDED STRONG EQUITY PRICE GAINS IN 2022, ON CONTINUOUS HEDGING ACTIVITY

The Beirut Stock Exchange continued to register strong price gains in 2022, as some market players sought to add Lebanese equities to their holdings to hedge against crises and avoid haircuts on their financial placements, noting that equity prices are denominated in domestic US dollars. This was reflected by a 37.2% rise in the BSE price index, following a 48.1% surge in 2021.

A closer look at individual stocks shows Solidere "A" and "B" share prices jumped by 86.5% and 81.1% respectively in 2022, touching the US\$ 60 level at year-end. In contrast, banking stocks recorded an average price decline of 9.1% in 2022.

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A closer look at individual stocks shows that Bank Audi's "listed" shares and GDRs, BLOM's "listed" shares and GDRs, Bank Audi Preferred "I" and "J" shares, Bank of Beirut's "listed" shares, BLC Preferred "D" shares, Byblos Bank's "listed" shares and Byblos "Preferred 2008" shares posted price drops ranging between 2.3% and 36.7%, while BEMO's "listed" shares registered price rises of 9.1% in 2022. As to industrials, CimENTS Blancs Nominal's share price jumped by 109.1%, followed by Holcim Liban's shares with + 60.4%. Strong price gains on the BSE in 2022 were coupled with increased price volatility. The price volatility, measured by the ratio of the standard deviation of prices to the mean of prices, reached 15.0% in 2022 as compared to a lower price volatility of 11.2% in 2021.

As to trading volumes, the BSE total turnover expanded by 24.2% year-on-year to reach US\$ 440 million in 2022. Solidere shares captured the lion's share of activity (95.2%), followed by the banking shares with 3.9% and the industrial shares with 0.9%.

AUDI INDICES FOR BSE

	30/12/2022	23/12/2022	30/12/2021	
Market Cap. Index	614.50	606.61	447.87	↑
Trading Vol. Index	96.84	55.13	80.38	↑
Price Index	129.00	127.35	94.02	↑
Change %	1.30%	4.66%	4.13%	↑
	30/12/2022	23/12/2022	30/12/2021	
Market Cap. \$m	14,578	14,391	10,625	↑
No. of shares traded (Exc. BT)	187,711	211,037	171,230	↓
Value Traded \$000 (Exc. BT)	6,415	6,087	5,359	↑
o.w. : Solidere	6,349	5,939	4,614	↑
Banks	66	148	732	↓
Others	0	0	13	↔

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

BOND MARKET: LEBANESE EUROBOND PRICES PLUNGE DEEPER INTO RED IN 2022

Lebanese Eurobonds continued their nosedive in 2022, reaching new record lows of 5.50-5.88 cents per US dollar at year-end as compared to 9.88-10.63 cents per US dollar at end-2021. This followed large price drops registered in 2020 after Lebanon has defaulted on its foreign debt payment on March 9, 2020. The free-fall in Eurobond prices is mainly explained by a protracted institutional void, and as Lebanon still needs to meet IMF prior actions, namely the unification of exchange rates, the Parliament approval of formal capital controls and an appropriate emergency bank resolution legislation that is needed to implement the bank restructuring strategy.

Within this context, Goldman Sachs said in a recent report released in December 2022 that it could be many months before a functioning government is restored, and even then, its ability to push through Parliament the necessary prior actions to secure an IMF deal is doubtful. The investment bank added that the slide of the pound and the ongoing economic uncertainties make estimates of recovery values exceptionally uncertain. Based on a scenario in which the IMF program is finalized in 2023, Goldman Sachs thinks restoring debt sustainability in Lebanon would require a deep haircut of around 80% of the face value of the outstanding Eurobonds

EUROBONDS INDICATORS

	30/12/2022	23/12/2022	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	5.50-5.88	9.88-10.63	↔
Average Life	5.34	5.35	6.18	↓
Yield on US 5-year note	3.94%	3.85%	1.26%	↑

Source: Bank Audi's Group Research Department

Bank Audi

INTERNATIONAL MARKET INDICATORS

	30-Dec-22	23-Dec-22	31-Dec-21	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	131.11	132.91	115.11	-1.4%	13.9%
\$/£	1.208	1.205	1.353	0.2%	-10.7%
\$/Euro	1.071	1.062	1.137	0.8%	-5.8%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	33,147.25	33,203.93	36,338.30	-0.2%	-8.8%
S&P 500	3,839.50	3,844.82	4,766.18	-0.1%	-19.4%
NASDAQ	10,466.48	10,497.86	15,644.97	-0.3%	-33.1%
CAC 40	6,594.57	6,504.90	7,153.03	1.4%	-7.8%
Xetra Dax	14,069.26	13,940.93	15,884.86	0.9%	-11.4%
FT-SE 100	7,451.74	7,473.01	7,384.54	-0.3%	0.9%
NIKKEI 225	26,094.50	26,235.25	28,791.71	-0.5%	-9.4%
COMMODITIES (in US\$)					
GOLD OUNCE	1,824.02	1,798.20	1,829.20	1.4%	-0.3%
SILVER OUNCE	23.95	23.73	23.31	0.9%	2.8%
BRENT CRUDE (per barrel)	85.91	83.92	73.35	2.4%	17.1%
LEADING INTEREST RATES (%)					
1-month Libor	4.39	4.39	0.10	0.00	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	3.87	3.75	1.51	0.13	2.36

Sources: Bloomberg, Bank Audi's Group Research Department

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