

Economy

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Amid a protracted cabinet vacuum and as Lebanon is nearing constitutional deadlines to elect a new President, and following BDL's decision to price 70% of gasoline imports at "Sayrafa" rate instead of 85% previously, Lebanon's capital markets saw this week a further deterioration in the Lebanese pound against the US dollar on the parallel market and shy price falls on the equity market, while prices of sovereigns on the bond market remained at record lows. In details, the LP/US\$ black market rate crossed the LP/US\$ 33,000 threshold this week, reaching LP/US\$ 33,100-LP/US\$ 33,150 on Friday as compared to LP/US\$ 32,150-LP/US\$ 32,200 at the end of last week. This followed BDL's decision to change the terms of payment for gasoline imports for the second time in a one-month period, noting that the continuous inflow of hard currency during the summer tourist season helped somehow curbing strong currency swings. On the Eurobond market, sovereign prices remained at historical lows, ranging between 6.88 and 7.50 cents per US dollar on Friday, amid clouded political outlook and lingering reform uncertainties. On the equity market, the BSE price declined slightly by 0.8% week-on-week amid reduced activity.

LEBANON MARKETS: AUGUST 15 - AUGUST 21, 2022

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

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ECONOMY

DEPUTY PRIME MINISTER SAYS LEBANON AT A CROSSROAD BETWEEN TWO ALTERNATIVES: RECOVERY OR COLLAPSE

Dr Saadeh Chami, the Deputy Prime Minister in Lebanon's Caretaker government in charge of IMF negotiations, issued a press communiqué whereby he said that Lebanon is at a crossroad with two options looking forward: Recovery or collapse. He insisted on the importance of concluding a final agreement with the IMF and the launch of necessary reforms, of which those related to capital control and banking restructuring.

The Caretaker Deputy Prime Minister actually affirms that Lebanon faces two alternatives:

- 1 - Either recognizing the reality and the deep crisis that Lebanon endures and thus facing them, which means taking the right measures and implementing the required reforms that would put Lebanon on the right track.
- 2 - Or leaving things as is and extending the denial phase which would push Lebanon further in the Red.

He stated that "Nobody would save us if we don't try to save ourselves. Our problems are too significant that a little aid from friends would not make the discounted results. Our problems are too big to be settled by others, but with the right actions and with the help of the international community, we can do the first steps towards recovery." Every delay in the implementation of reforms would not only aggravate the crisis but would extend as well the time needed to get out as per Chami.

In terms of priorities, he mentioned that all efforts should be directed towards the ratification of the prior actions required by the Fund.

He mentioned that there is a critical need to ratify the Budget 2022, even though late, to be able to start with the preparation of the Budget 2023. The actual debate on the exchange rate used in the budget law proposal and on the customs dollar is useful but it takes a lot of time and gets out sometimes of its framework.

As to the capital control law, Chami estimates that it is time to adopt it quickly, while adjusting for certain observations but without touching the basis of the law that targets restrictions on transfers and withdrawals in the aim of safeguarding the remaining foreign currency reserves and the balance of payments position.

As to the banking sector restructuring law, Chami affirms that the Banking Control Commission and the Central Bank are working on it in coordination with the International Monetary Fund in order to submit it to Parliament as soon as possible. In parallel, there are current attempts to conclude mandates with international audit firms to assess the Top 14 banks. In addition, the unification and the liberation of the exchange rate to account for market demand and supply conditions is a necessary pathway.

It is worth recalling that The Lebanese authorities and the IMF team have reached a staff-level agreement (SLA) on comprehensive economic policies that could be supported by a 46-month Extended Fund Arrangement (EFF) with requested access of SDR 2,173.9 million (equivalent to about US\$ 3 billion). This agreement is subject to approval by IMF management and the Executive Board, after the timely implementation of all prior actions and confirmation of international partners' financial support. The EFF aims to support the authorities' reform strategy to restore growth and financial sustainability, strengthen governance and transparency, and increase social and reconstruction spending. This will need to be complemented by the restructuring of external public debt that will result in sufficient creditor participation to restore debt sustainability and close financing gaps.

Chami says the preliminary SLA agreement that was enacted with the Fund is global, audacious and integrated with a full fledged reform program, stating that these reforms are logical in view of the current state that Lebanon is suffering from.

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OPENED L/CS FOR IMPORT FINANCING UP BY 460% FOR THE FIRST HALF OF THE YEAR

Figures released by the Central Bank of Lebanon show that documentary letters of credits opened to finance imports activities increased significantly by 495.6% in the first half of 2022 to reach US\$ 148.3 million, up from US\$ 26.5 million during the first half of 2021.

In parallel, utilized credits for imports in the first half of 2022 recorded a 249.4% hike year-on-year standing at US\$ 109.0 million, against US\$ 31.2 million during the first half of 2021. Inward bills for collection, another documentary credit form of financing, declined by 21.7% over the first half of 2022 to reach US\$ 104.5 million, versus US\$ 133.4 million in the same period of 2021.

It is worth noting that documentary letters of credits opened to finance exports activities worsened and retreated by 38.6% in the first half of 2022 recording US\$ 37.9 million, down from US\$ 61.7 million during the same period of previous year.

However, utilized credits for exports for the first half of 2022 increased by 8.7% standing at US\$ 44.9 million against US\$ 41.3 million during the first half of 2021. Outward bills for collection, another documentary credit form of financing contracted by 2.8% in the first half of 2022 to reach US\$ 94.2 million, versus US\$ 96.9 million over the same period of 2021.

DOCUMENTARY CREDITS FOR IMPORTS' FINANCING

(US\$ million)	2020	2021	6M-2021	6M-2022	6M-22/6M-21
Documentary L/Cs					
Opened credits	342.9	112.6	26.5	148.3	459.6%
Utilized credits	443.7	115.5	31.2	109.0	249.4%
Outstanding credits	2,017.9	602.3	306.0	335.9	9.8%
Bills for collection					
Inward bills	307.8	212.1	133.4	104.5	-21.7%
Outstanding bills	410.6	540.0	278.0	279.9	0.7%

DOCUMENTARY CREDITS FOR EXPORTS' FINANCING

(US\$ million)	2020	2021	6M-2021	6M-2022	6M-22/6M-21
Documentary L/Cs					
Opened credits	188.5	108.6	61.7	37.9	-38.6%
Utilized credits	408.6	68.9	41.3	44.9	8.7%
Outstanding credits	3,403.3	1,520.3	848.2	551.0	-35.0%
Bills for collection					
Outward bills	272.2	206.1	96.9	94.2	-2.8%
Outstanding bills	2,921.1	2,488.4	1,287.0	1,086.1	-15.6%

Sources: BDL, Bank Audi's Group Research Department

CARS AT PORT OF BEIRUT UP BY 48% IN FIRST HALF OF THE YEAR

The latest statistics released by the Port of Beirut revealed that the number of imported cars registered a yearly increase of 48.4% to attain 16,841 cars in the first half of 2022, against 11,351 cars in the corresponding period of previous year.

However, the number of ships witnessed further annual contraction of 8.6% in the first half of 2022 to reach 561 ships, against 614 ship in the same half of previous year.

The quantity of goods did not witness any tangible change for 1.8%, registering 2,454 thousand tons in the first half of 2022, almost similar to its level in same period of 2021.

It is worth noting that containers discharged picked up by 12.6 % year-on-year over the first half of 2022 to attain 84,349 TEUs, against 74,970 TUEs in the corresponding period of year 2021.

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BEIRUT PORT ACTIVITY

	6M-2021	6M-2022	6M-22/6M-21
Freight activity (tons in 000s)	2,412	2,454	1.8%
Number of Vessels	614	561	-8.6%
Number of imported cars	11,351	16,841	48.4%
Container discharged	74,970	84,379	12.6%

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

MULTIPLE CHALLENGES FACING THE HEALTH CARE SECTOR AS PER FITCH SOLUTIONS

According to the latest Healthcarereport by Fitchsolutions, Lebanon's healthcaresystem faces multiple challenges, including ongoing political and economic crises that result in unaffordable services that are overburdened by demand.

Uneven distribution of services means that rural locations have very limited access to primary care services and the overall reliance on the private sector is an ongoing trend. Demand will remain high due to political tensions and growing refugee populations in Lebanon.

On another hand, health expenditure as a share of GDP in Lebanon is comparatively high regionally, demonstrating its historic commitment to its healthcare market.

As a result of widening inflation from various economic crises, health expenditure became more diluted in local currency.

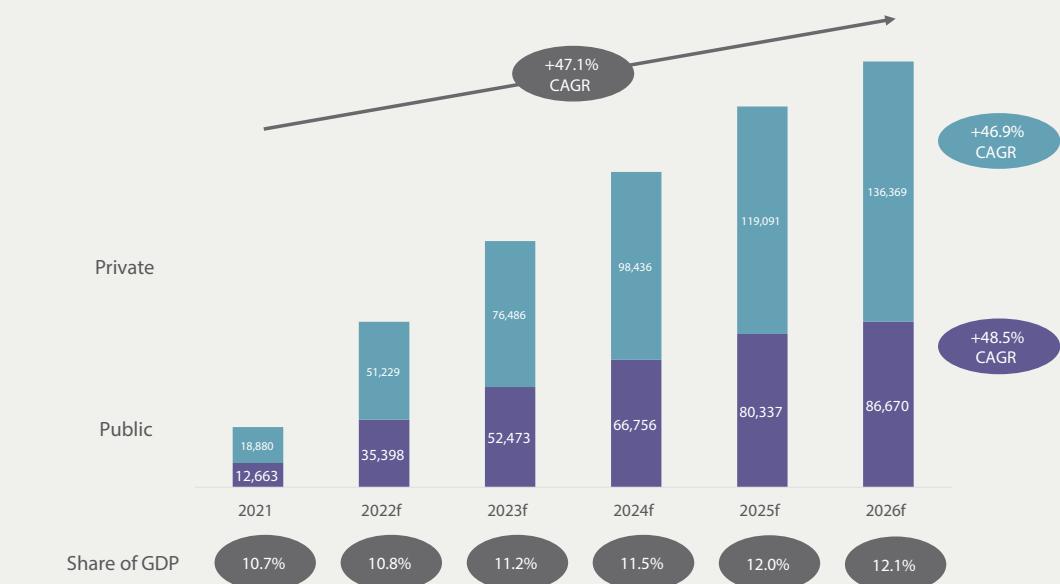
Despite a mid-double-digit compound annual growth rate (CAGR) for both public and private expenditure, US dollar growth will be decreasing over the forecast period.

Reliance on the private sector is to grow as governmental support of the healthcare sector dwindles but international aid is expected to provide some support for Lebanon's healthcare market.

HEALTH EXPENDITURE FORECAST

High Contribution To Health Expenditure Diluted By Inflation

Lebanon – Health Expenditure By Payor Types, LBPbn



Source: World Health Organization (WHO), Fitch Solutions

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SURVEYS

LEBANON REMAINS IN "RD" ON ITS FOREIGN-CURRENCY GOVERNMENT DEBT, AS PER FITCH RATINGS

According to a recent report by Fitch Ratings, Lebanon remains in "RD" on its foreign-currency government debt, following the sovereign's failure to pay the principal on the Eurobond that matured in March 2020. The government has stopped servicing its outstanding stock of Eurobonds pending a debt restructuring. Local-currency government debt is being serviced to private creditors and could be spared from a restructuring, although considerable uncertainty remains, in the agency's view.

The IMF and Lebanon reached a staff-level agreement in April 2022 for a four-year Extended Fund Arrangement (EFF) worth around US\$ 3 billion in support of a comprehensive economic and financial reform program. The timing of the EFF remains uncertain as the political landscape complicates the enactment of prior actions needed for IMF Board approval.

According to Fitch Ratings, prior actions required by the IMF are numerous. These include the cabinet's approval of a bank restructuring strategy, as well as parliamentary approval of emergency bank resolution legislation, a new bank secrecy law and the 2022 budget.

In addition, the IMF has requested the unification of exchange rates, supported by the implementation of capital controls, an audit of the Central Bank's (BDL) foreign-asset position and the initiation of an evaluation of each of the 14 largest banks.

The authorities appear to be making progress on many of these requests. The bank secrecy law has been passed, although it is not yet clear whether it is in line with IMF recommendations. The BDL audit also appears close to completion, and the government expects the draft 2022 budget to be updated and ratified in the coming weeks.

According to the report, the inconclusive outcome of the parliamentary elections in May 2022, and the end of the president's term in October 2022 complicate government formation and hinder implementation of the reforms required by the IMF and other partners.

Fitch Ratings highlights that the core issue remains the negative foreign-currency position at BDL and the consequences of this for banks and depositors. As of June 2022, banks' foreign-currency liabilities totaled about US\$ 104 billion. Although banks' foreign-currency assets at BDL were approximately US\$ 79 billion, these are not available to them because BDL's readily available foreign-currency reserves were only about US\$ 11 billion as of June 2022, excluding gold valued at about US\$ 17 billion (which BDL would need parliamentary approval to sell) and BDL holdings of Lebanon's government Eurobonds.

The government and the financial sector disagree on how to rebalance the US dollar shortfall and distribute the losses.

De facto capital controls, foreign-currency shortages and rampant inflation are crippling business activity. There are multiple exchange rates currently in operation, ranging from the official LP 1,507/US\$, which has mostly lost relevance, to the highly volatile "black market rate" of around LP 30,200/US\$ as of end-July. The government estimates that real GDP contracted about 5% in 2021 after a 26% contraction in 2020, and Fitch Ratings assume a further contraction in 2022, although there are some signs that private sector activity may be stabilizing.

Inflation has averaged over 200% year-on-year in 2022, after 155% in 2021 and 85% in 2020.

Exchange rate depreciation brought public debt to 361% of GDP in 2021, according to the government in its recent investor presentation, more than 2x the level in 2019. The level of public debt at end-2022 and onwards will depend on the parameters of any debt restructuring.

According to IMF staff projections published by the authorities, debt/GDP falls to 127% of GDP in 2022 and then gradually declines to about 100% by 2026.

Fitch Ratings estimates inflation has already reduced the value of local-currency debt to 49% of GDP in 2021, less than half its level in 2019. The government stated in a recent presentation to investors that local-currency debt will, to the extent possible, be excluded from the perimeter of the sovereign debt restructuring, and the IMF's announcement of the staff-level agreement only referred to external debt restructuring.

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Nevertheless, uncertainty remains at this early stage, as negotiations with investors have not started, and any debt restructuring would likely involve a complete overhaul of Lebanon's financial sector. In the meantime, the government has run up arrears in respect of interest owed on BDL holdings of government debt.

LINKING OF PHONE PRICES TO THE SAYRAFA RATE INCREASES THE RISK THAT FURTHER DEPRECIATION WILL IN TURN AFFECT ACCESS TO TELECOMMUNICATIONS SERVICES GOING FORWARD, AS PER MERCY CORPS AND USAID

According to a recent report by Mercy Corps and USAID, during its last session before going into caretaker status following national elections, the Lebanese cabinet announced that telecommunications fees will be charged at the official flexible Lebanese Pound (LP) exchange rate (Sayrafa) beginning on July 1.

In effect, this drastically hiked phone and internet prices across the country, as the listed prices of phone cards are in US dollars. The LP price of services provided by Alfa and Touch – Lebanon's two dominant mobile telecommunications companies – increased over fivefold and the price of Ogero landline services increased by 2.5 times. More specifically, the price of one "large" prepaid monthly recharge phone card increased from LBP 40,000 to more than LBP 220,000 and the price of the smaller prepaid card increased from about LBP 20,000 to about LBP 130,000. As part of a major overhaul, 2g services are also expected to be phased out in favor of expanded 3g and 4g coverage, removing internet access for many of those with older phones.

Prior to 2020, telecommunications fees in Lebanon were among the highest in the world. Telecommunication price increases are considered a sensitive issue, as a previously unsuccessful attempt to increase telecommunications revenue through a tax on "Whatsapp" in 2019 was widely seen as a trigger for widespread protests (although the reasons for public discontent were manifold).

As the economic crisis unfolded, telecommunication fees remained denominated in Lebanese Lira (LP) at the official exchange rate of approximately LP 1,500/US\$. Fortunately for many Lebanon residents whose purchasing power collapsed throughout the crisis, the cost of mobile phone cards remained relatively cheap despite crippling currency devaluation.

As a result, telecommunications companies, also a source of significant revenue for the State, had their earnings slashed. There were also significant changes in management during this period, with the Ministry of Telecommunications taking over management of both Alfa and Touch in 2020.

These companies have consistently argued that telecommunications fees need to be raised in order to maintain infrastructure and prevent a total collapse in internet and phone services. Over the last year, telecommunications services have deteriorated amid the prospect of international cable subscriptions being canceled due to non-payment of fees.

According to the report, there has also been intermittent drops in internet and phone access across parts of the country due to the inability to consistently afford the fuel needed to power transmitter towers.

While the hike should, to an extent, mitigate the threat of a major service collapse in the sector, it will continue to exacerbate the stress on household budgets due to rampant inflation, driven in large part by the collapse of the currency and increasing global commodity prices. It remains unclear whether recent service deterioration seen in rural and highly vulnerable areas of Akkar, the South, and the Bekaa will be addressed by the price hikes.

Given that fewer revenues are presumably received from these areas due to the high price of telecoms services, it is also possible that providers will continue to prioritize services in more affluent areas. The impact on households is stark. Overall Inflation in Lebanon increased by 211% between June 2021 and June 2022, with food prices increasing by 364% and fuel prices by about 1,500%.

The linking of phone prices to the Sayrafa rate increases the risk that further depreciation will in turn affect access to telecommunications services going forward, an issue that will need to be constantly tracked.

According to the Social Media Exchange, the impact of phasing out 2g is also significant. About 230,000 subscribers could be left without access to mobile telecommunications services, and many of these individuals will be unable to afford to purchase new devices. Demand will increase for cheaper models of 3g phones, which will likely result in price increases.¹⁰ For example, a one-month phone card with internet equivalent to 20 GB now costs about LBP 440,000, approximately 65% of the current minimum wage (LP 675,000). Communities across Lebanon will likely be affected differently. Syrian refugees and migrant workers, for example, will face major challenges in staying connected to families and relatives abroad.

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CORPORATE NEWS

BALANCE SHEET OF FINANCIAL INSTITUTIONS TOTALS US\$ 1,090 MILLION AT END-JUNE 2022

According to the latest statistics issued by the Central Bank of Lebanon, the total balance sheet of financial institutions amounted to US\$ 1,089.6 million at end-June 2022, registering a decline of 4.6% against its figure at end-2021.

In details, currency and deposits with Central Banks increased from US\$ 73.1 million at end-2021 to US\$ 79.1 million at end-June 2022.

Claims on resident customers inclined in June 2022 (4.8%) reaching US\$ 491.6 million, against US\$ 469.0 million at end-2021. Claims on non-resident customers at end-May 2022 dropped by 16.3% with respect to end-2021, standing at US\$ 11.8 million.

Claims on resident financial sector as at end-June 2022 stood at US\$ 281.2 million declining by 6.8% from its figure by end-2021. Claims on non-resident financial sector reached US\$ 32.9 million at end-June 2022, registering a 2.1% increase from its level at end-2021.

Claims on the public sector recorded US\$ 8.3 million, retreating by 2.1% at end-June 2022 against its level at end-2021.

Securities portfolio declined to US\$ 60.3 million at end-June 2022, down by 12.2% from its registered figure at end-2021.

Tangible assets reported a decline of 7.7% at end-June 2022 with respect to end-2021 reaching US\$ 49.7 million. Similarly, intangible assets dropped from US\$ 108.0 million at end-2021 to US\$ 63.8 million at end-June 2022, shrinking by 40.9%.

On the liabilities side, resident customer deposits contracted by 25.7% registering US\$ 147.3 million at end-June 2022, against US\$ 198.2 million at end-2021. Non-resident customer deposits shrunk by 19.3% at end-June 2022 standing at US\$ 6.9 million, down from US\$ 8.5 million at end-2021.

Resident financial sector liabilities stood at US\$ 108.1 million at end-June 2022, representing a decrease of 7.9% from end-2021. Non-resident financial liabilities decreased from US\$ 63.6 million at end-2021 to US\$ 57.4 million at end-June 2022.

Public sector deposits retreated to US\$ 4.8 million at end-June 2022, a decline of 15.7% from its figure by end-2021.

Debt securities issued as at end-June 2022 were less by 8.8% (US\$ 75.6 million) when compared to those issued by end-2021.

Capital accounts reported US\$ 420.7 million at end-June 2022, down from US\$ 447.4 million at end-2021.

BALANCE SHEET OF FINANCIAL INSTITUTIONS (US\$ MILLION)



Sources: Central Bank of Lebanon, Bank Audi's Group Research Department

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USEK IS ORGANIZING EWC TO ALL ENTREPRENEURS IN LEBANON

The Holy Spirit University of Kaslik (USEK) is organizing, for the second year, the Entrepreneurship World Cup (EWC) Lebanon in collaboration with the Asher Center for Innovation and Entrepreneurship (ACIE), Berytech, Beirut Digital District (BDD), Nucleus Ventures, Bloom and Entreprenergy, as mentioned in a statement.

The Lebanese National Finals competition will be held at USEK on September 6, 2022. In October, all global finalists will be invited to participate in an intensive virtual startup bootcamp and the top EWC 100 will qualify to pitch live at the EWC Global Finals in Riyadh, Saudi Arabia in November 2022.

All participants will receive access to EWC Accelerates, a virtual training program that helps entrepreneurs hone their skills and increase their chances of winning their national competitions and advancing to the Global Finals.

The EWC online platform also offers all contestants who start an application access to US\$ 1,000 worth of benefits. All founders who complete an application will receive access to more than US\$ 25,000 worth of benefits. Moreover, the top EWC 100 will receive US\$ 100,000 in kind from partners such as AWS, Freshworks, Google Cloud, Hubspot, Stripe, Zoom and more.

It is worth mentioning that since its launching in 2019, the EWC attracted 400,000 registrations from most of the world's countries and connected founders with over US\$ 3 million in cash prizes and another US\$ 256 million worth of perks.

The Entrepreneurship World Cup (EWC) 2022 is a global program that offers a chance to pitch on a global stage for a share of US\$ 1 million in cash prizes, in addition to its free support and investment opportunities, empowering entrepreneurs from all stages – idea-stage, early-stage, growth-stage or beyond by providing them with tools and resources to grow their venture.

BERYTECH LAUNCHES THE SECOND EDITION OF THE PHEMAC GO2MARKET HACKATHON

Berytech is launching the second edition of the Go2Market Hackathon, under the PHEMAC project, that enables researchers to validate their innovation in the market, strengthen their know-how and define their go to market strategy tapping into Lebanon and Water-Energy-Food Nexus sector.

The selected projects will go over an intensive program where they will receive technical and practical guidance with experts in the WEF-NEXUS sector, develop their commercialization and market strategy, learn about basic financial modelling, validate their innovation in the market, learn about Intellectual Property Rights and prepare a pitch to present to investors and partners.

It is worth mentioning that 10 projects will be selected from Lebanon to get a support adapted to the local context while having access to regional linkages and opportunities.

Eligible applicants for the subject program are researchers and independent entrepreneurs who are working on early stage prototypes and technology solutions, looking for commercializing their innovations to address the needs and opportunities in WEF-NEXUS sector in Lebanon. Applicants can include university students, alumni, researchers from target faculties working on business or research projects and individuals, or members of an R&D transfer department in the industrial sector.

The PHEMAC project is co-funded by the European Union under the PRIMA program. This project consists of creating an interactive IHUB platform that aims to capitalize on the results and best practices of the innovative projects carried out and those in progress linked to NEXUS and more particularly in the fields of water and agriculture in the Euro-Mediterranean region.

Berytech is an implementing partner in Lebanon of the PHEMAC project and activities, including the setting up of an innovation support helpdesk to facilitate the successful replication of catalogued and validated best practices in the EU-MPC region, the organization of innovation weeks, hackathon events, bootcamp and Go2market support activities.

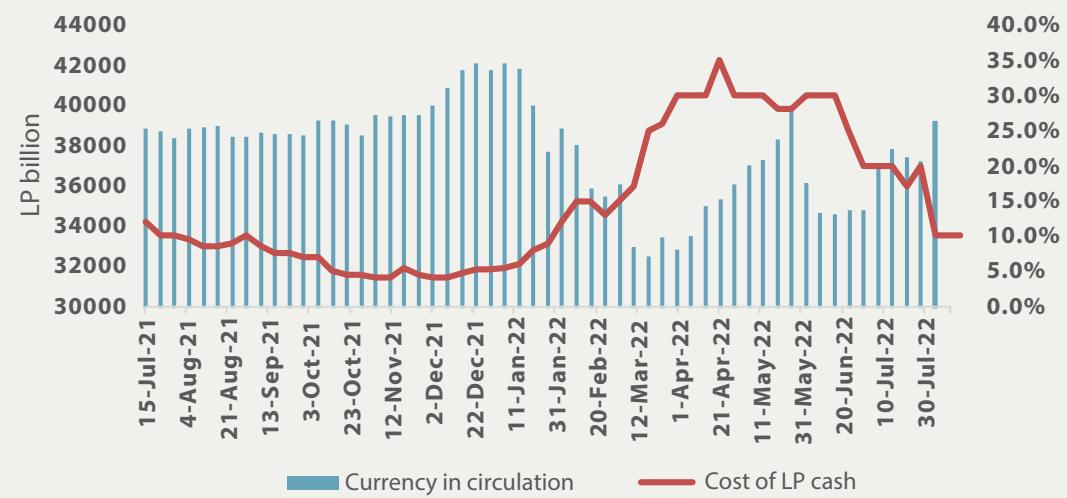
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CAPITAL MARKETS

MONEY MARKET: LARGE WEEKLY EXPANSION IN MONEY IN CIRCULATION

The cost of LP cash remained quoted around 10% on the money market this week. Concurrently, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 4th of August 2022 showed that total resident banking deposits contracted by LP 352 billion. This is mainly attributed to a LP 755 billion fall in foreign currency resident deposits (the equivalent of US\$ 501 million as per the official rate of LP 1,507.5), while total LP resident deposits rose by LP 403 billion amid a LP 506 billion increase in LP demand deposits and a LP 103 billion decrease in LP saving deposits. Yet, the money supply in its broadest sense (M4) expanded significantly by LP 2,365 billion over the covered week, amid a noticeable growth in the money in circulation of LP 1,723 billion and a LP 994 billion rise in the non-banking sector Treasury bills portfolio.

MONEY MARKET ACTIVITY



TREASURY BILLS MARKET: LARGE NOMINAL WEEKLY SURPLUS OF LP 1,000 BILLION

The latest Treasury bills auction results for value date 18th of August 2022 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%).

In parallel, the Treasury bills auction results for value date 4th of August 2022 showed heavy subscriptions of LP 1,061 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 30 billion in the three-month category and LP 1,031 billion in the one-year category. These compare to small maturities of LP 38 billion, resulting into a large nominal weekly surplus of LP 1,023 billion.

FOREIGN EXCHANGE MARKET: FURTHER FALL IN LP AGAINST US DOLLAR ON BLACK MARKET

The LP/US\$ black market rate pierced the LP/US\$ 33,000 level upward during this week, reaching LP/US\$ 33,100-LP/US\$ 33,150 on Friday as compared to LP/US\$ 32,150-LP/US\$ 32,200 at the end of last week. The further deterioration in the LP/US\$ black market rate took place despite the continuous inflow of hard currency during the summer tourist season. This is mainly explained by BDL's decision to secure 70% of gasoline imports via "Sayrafa" platform instead of 85% previously, noting that this is the second time in a one-month period that BDL decides to reduce US dollar sales via "Sayrafa" for gasoline imports. This was exacerbated by long-simmering dire domestic economic and financial conditions and dwindling FX reserves.

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TREASURY BILLS

	19/08/2022	12/08/2022	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)	1,061		246	
Short-term (3&6 mths)	30		-	
Medium-term (1&2 yrs)	1,031		-	
Long-term (3 yrs)	-		200	
Long-term (5 yrs)	-		-	
Long-term (7 yrs)	-		46	
Maturities	38		13	
Nom. Surplus/Deficit	1,023		233	

Sources: Central Bank of Lebanon, Ministry of Finance

Within this context, the Central Bank of Lebanon's latest bi-monthly balance sheet ending 15th of August 2022 showed that BDL's foreign assets contracted slightly by US\$ 28 million during the first half of the month to reach US\$ 15.1 billion mid-August 2022, bringing year-to-date contractions to circa US\$ 2.7 billion. When excluding BDL's Eurobond holdings estimated at US\$ 5.0 billion and foreign currency facilities provided to Lebanese banks, the Central Bank of Lebanon's liquid FX reserves fell below the US\$ 10 billion level mid-August 2022.

STOCK MARKET: ACTIVITY ON BSE SKEWED TO DOWNSIDE THIS WEEK

The Beirut Stock Exchange registered shy price declines this week, as reflected by a 0.8% retreat in the price index. Three out of six traded stocks posted price falls, while one stock recorded price gains and two stocks saw no price change week-on-week.

A closer look at individual stocks shows that Holcim Liban's shares led the fall on the BSE this week, shedding 8.2% to US\$ 25.0, followed by Bank Audi's GDRs with -6.7% to US\$ 1.40 and Solidere "A" shares with -0.8% to US\$ 59.40. In contrast, Solidere "B" share price increased by 1.2% to US\$ 59.35. Byblos Bank's "listed" share price remained stable at US\$ 0.68. BLOM's GDR price stood unchanged at US\$ 2.50.

As to trading volumes, the BSE total turnover contracted by 35% week-on-week, moving from US\$ 7.7 million last week to US\$ 5.3 million, noting that Solidere shares continued to capture the lion's share of activity (92.5%).

EXCHANGE RATES

	19/08/2022	12/08/2022	30/12/2021	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,793.17	1,835.68	2,022.91	↑
LP/¥	11.04	11.31	13.11	↑
LP/SF	1,574.58	1,602.19	1,639.48	↑
LP/Can\$	1,161.85	1,181.70	1,175.53	↑
LP/Euro	1,520.92	1,553.03	1,701.52	↑

Source: Bank Audi's Group Research Department

Bank Audi

AUDI INDICES FOR BSE

	19/08/2022	12/08/2022	30/12/2021	
Market Cap. Index	611.20	614.97	447.87	↓
Trading Vol. Index	56.97	87.15	80.38	↓
Price Index	128.31	129.10	94.02	↓
Change %	-0.61%	0.36%	4.13%	↓
	19/08/2022	12/08/2022	30/12/2021	
Market Cap. \$m	14,500	14,589	10,625	↓
No. of shares traded (Exc. BT)	108,847	156,365	171,230	↓
Value Traded \$000 (Exc. BT)	5,043	7,716	5,359	↓
o.w. : Solidere	4,665	6,948	4,614	↓
Banks	35	26	732	↑
Others	343	742	13	↓

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

BOND MARKET: SOVEREIGN PRICES AT HISTORICAL LOWS AMID CLOUDY POLITICAL OUTLOOK AND REFORM UNCERTAINTIES

Lebanese Eurobond prices remained at historical lows this week, ranging between 6.88 and 7.50 cents per US dollar on Friday as compared to 7.38-7.63 cents per US dollar at the end of last week, while all market players' eyes remained focused on the prolonged cabinet paralysis and the tough road to reforms. As a matter of fact, Lebanon is facing the tough task of meeting IMF requirements and enacting long-overdue reform laws, which are preconditions to reach a final agreement with the Fund and secure much-needed international financial support that would pull the country out of its myriad of accumulated crises. On a cumulative basis, Lebanese Eurobonds maturing between 2020 and 2037 posted price falls of 2.63 pts to 3.25 pts since the beginning of the year 2022.

EUROBONDS INDICATORS

	19/08/2022	12/08/2022	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)	6.88-7.50	7.38-7.63	9.88-10.63	↓
Average Life	5.63	5.65	6.18	↓
Yield on US 5-year note	3.09%	2.97%	1.26%	↑

Source: Bank Audi's Group Research Department

Bank Audi

INTERNATIONAL MARKET INDICATORS

	19-Aug-22	12-Aug-22	31-Dec-21	Weekly change	Year-to-date change
EXCHANGE RATES					
YEN/\$	136.97	133.42	115.11	2.7%	19.0%
\$/£	1.183	1.026	1.353	15.3%	-12.6%
\$/Euro	1.004	1.026	1.137	-2.2%	-11.7%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	33,706.74	33,761.05	36,338.30	-0.2%	-7.2%
S&P 500	4,228.48	4,280.15	4,766.18	-1.2%	-11.3%
NASDAQ	12,705.21	13,047.19	15,644.97	-2.6%	-18.8%
CAC 40	6,495.83	6,553.86	7,153.03	-0.9%	-9.2%
Xetra Dax	13,544.52	13,795.85	15,884.86	-1.8%	-14.7%
FT-SE 100	7,550.37	7,509.15	7,384.54	0.5%	2.2%
NIKKEI 225	28,930.33	28,546.98	28,791.71	1.3%	0.5%
COMMODITIES (in US\$)					
GOLD OUNCE	1,747.06	1,802.40	1,829.20	-3.1%	-4.5%
SILVER OUNCE	19.05	20.82	23.31	-8.5%	-18.3%
BRENT CRUDE (per barrel)	96.72	98.15	77.78	-1.5%	24.4%
LEADING INTEREST RATES (%)					
1-month Libor	2.39	2.39	0.10	0.00	2.29
US Prime Rate	5.50	5.50	3.25	0.00	2.25
US Discount Rate	2.50	2.50	0.25	0.00	2.25
US 10-year Bond	2.97	2.83	1.51	0.14	1.46

Sources: Bloomberg, Bank Audi's Group Research Department

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