

## Economy

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## Markets In Brief

### p.9 MARKETS IN BRIEF: FURTHER RISE IN LP/US\$ BLACK MARKET RATE AMID IMF WARNINGS AND CONTINUOUS FX RESERVES BURN

As the countdown to Presidential elections started and with no breakthrough in the cabinet formation gridlock, and despite extended BDL's exceptional measures, Lebanon's capital markets saw this week a further deterioration in the Lebanese pound against the US dollar on the black FX market, and price contractions on the equity and bond markets. In details, the LP/US\$ parallel market rate crossed the LP/US\$ 35,000 level at the end of this week before slightly recovering to LP/US\$ 34,500-LP/US\$ 34,600 as compared to LP/US\$ 32,000-LP/US\$ 32,100 at the end of last week. This took place amid a cloudy domestic political outlook, lingering reform uncertainties, worsened economic and living conditions and dwindling FX reserves, noting that extended BDL's circular No. 161 and the continuous inflow of hard currency during the summer tourist season failed to curb currency falls. In parallel, Lebanese bond prices were in free fall, reaching 6.0-6.63 cents per US dollar on Friday, as Lebanon is facing the tough task of meeting IMF requirements to unlock much-needed international financial support. Finally, the BSE dipped further into the red (-8.0%), mainly on some profit-taking operations on Solidere shares.

### LEBANON MARKETS: AUGUST 29 - SEPTEMBER 4, 2022

Money Market	↔	BSE Equity Market	↓
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## ECONOMY

### TRADE DEFICIT UP BY 41% IN THE FIRST SEVEN MONTHS OF 2022

External sector figures released for the first seven months of 2022 suggest a 40.7% rise in trade deficit amid a 34.1% growth in imports, while exports increased by 12.7% relative to the same period in 2021. In fact, imports grew from US\$ 7.8 billion to US\$ 10.5 billion between the two periods, while exports rose from US\$ 1.9 billion to US\$ 2.1 billion, thus generating a rise in the trade deficit from US\$ 6.0 billion to US\$ 8.4 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.

In details, the breakdown of imports by product reveals a rise in electrical equipments and products by 141.1%, followed by transport vehicles with 95.5%, metals and metal products with 49.6%, paper and paper products with 49.4%, cement and cement stones with 44.4%, textile and textile products with 42.0%, mineral products with 40.0%, plastic products with 32.9% and jewelry with 28.2%. On the other hand, the main items that have displayed major decrease in imports were chemical products with -35.9% and livestock and animal products with -2.1% over the first seven 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 153.7%, followed by Romania with 140.0%, China with 136.5%, Turkey with 80.8%, Italy with 71.7% and Switzerland with 57.1%. On the other hand, imports from Russia dropped the most by -51.8%, followed by France with -28.2%, Ukraine with -26.7% and UAE with -13.9% over the first seven months relative to the same period last year.

In parallel, the breakdown of exports by product reveals a rise in plastic products with 396.5%, followed by paper and paper products with 34.4%, metals and metal products with 31.5%, vegetable products with 22.5%, chemical products with 19.4% and electrical equipments and products with 18.7%. On the other hand, the main items that have displayed major decrease in exports were transport vehicles with -33.3%, jewelry with -29.9%, textile and textile products with -5.7% and food products with -2.7% over the first seven 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 556.3% over the period, followed by Turkey with 90.9%, South Korea with 76.2% and Ivory coast with 32.4%. On the other hand, exports to Saudi Arabia decreased the most by -100% over the same period, followed by Switzerland with -63.2%, USA with -30.0%, Spain with -16.7% and Qatar with -11.1% over the first seven 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\$ 900 million over the first seven months of 2022, spiking by 8.8% relative to the same period last year, followed by exports through the Airport with US\$ 557 million, declining by 24.5% when compared to previous year's corresponding period. Then comes land exports through Syria which reached US\$ 386 million in the first seven months of 2022, surging by 297.9% relative to the same period of the previous year. Finally comes the exports through Port of Tripoli with US\$ 210 million registering a rise of 40.9% over the first seven months relative to the same period last year.

#### EXTERNAL SECTOR INDICATORS

(US\$ million)	7M-21	7M-22	Var 7M 22/7M 21
Imports	7,832	10,500	34.1%
Exports	1,857	2,093	12.7%
Trade balance	-5,975	-8,407	40.7%

Source: CRI, Bank Audi's Research Department

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## GROSS PUBLIC DEBT AT US\$ 101 BILLION AT END-APRIL 2022

The data published by the Ministry of Finance in Lebanon showed that the country's gross debt reached US\$ 101.1 billion at end-April 2022, up by 3.4% from the level seen at end-April 2021.

Domestic debt increased by 1.0% from end-April 2021 to reach a total of LP 92.7 billion at end-April 2022.

Lebanon's external debt rose by 7.4% from end-April 2022 to stand at around US\$ 39.6 billion at end-April 2021.

In this context, the public sector deposits at the Central Bank rose by 104.3% from end-April 2021 to register US\$ 10.3 billion at end-April 2022.

The public sector deposits at commercial banks contracted by 35.5% from end-April 2021 to end-April 2022, registering US\$ 3.8 billion.

As such, net public debt, which excludes the public sector deposits at the Central Bank and commercial banks from overall debt figures, rose negligibly by 0.2% from end-April 2021 to reach a total of US\$ 87.0 billion at end-April 2022.

Net domestic debt amounted to US\$ 47.5 billion at end-April 2022, down by 5.1% from end-April 2021.

### GROSS PUBLIC DEBT (US\$ BILLION)



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

## LEBANON TO BUILD NEW SILOS TO EASE WHEAT CRISIS

Lebanon plans to build two new grain silos in Tripoli and Bekaa to fight the food security crisis hitting Lebanon, the country's caretaker economy minister said in a statement.

Building the silos is serious crisis management as it seeks to secure the grain reserves matching the previous storage capacity of silos at port of Beirut, for around 125,000 tons. Thus, the three silos will provide Lebanon with nine months of reserves, the caretaker minister of economy explains.

Several countries and international organizations expressed their interest in funding and bidding for the new silos, which will cost a total of US\$ 100 million, he added.

In fact, Germany, United States, France and the United Arab Emirates expressed their appetite in initiating new silos for Lebanon. Moreover, the caretaker ministry of economy is willing to visit Qatar to discuss this project, as mentioned in a statement.

In addition, the Lebanese officials are initiating talks with the World Bank and the United Nations High Commissioner for Refugees for funding.

It is worth highlighting that Lebanon received a technical feasibility study by the European Bank for Reconstruction and Development greenlighting the construction of two silos in the Tripoli Port and in the eastern Bekaa Valley.

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Building the two new silos and having them operational would be complete within a year, while the construction of new silos for Beirut will take time, pending on a judicial probe and non-existent port cleanup and reconstruction plan.

## PROPERTY MARKET'S SALES OPERATIONS UP BY 2.0% YEAR-ON-YEAR IN THE FIRST HALF OF 2022

After the Lebanese realty market witnessed a positive performance in 2021, this continues to be reflected in the first half of 2022, as per the latest official figures released by the General Directorate of Land Registry and Cadastre in Lebanon revealing growth in both property transactions and sales activity.

The number of sales operations went up from 39,274 operations in the first half of 2021 to 39,921 operations in the first half of 2022. However, the number of transactions retreated by 6.2% year-on-year to stand at 75,664 in the aforementioned period of 2022.

Furthermore, the value of property sales transactions contracted by 2.6% year-on-year to reach a total of US\$ 5,761.7 million during the same period of 2022. Most regions recorded increases in the value of sales transactions, with the most significant movements coming from Beirut, South and Keserouan.

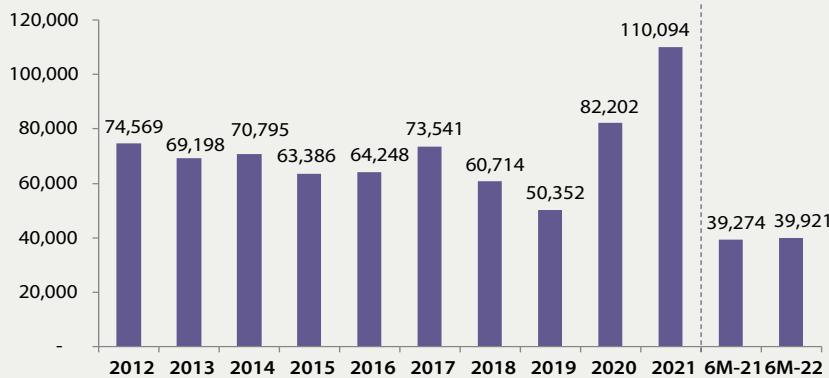
On a side note, the average property sales value contracted from US\$ 150,547 in the first half of 2021 to US\$ 144,328 in the corresponding period of this year.

In a look at the breakdown of the value of property sales, Beirut continued to capture the highest share over the period with 31.6%, followed by the South with 20.0%, Keserwan with a share of 13.1% and Baabda with a share of 8.8%.

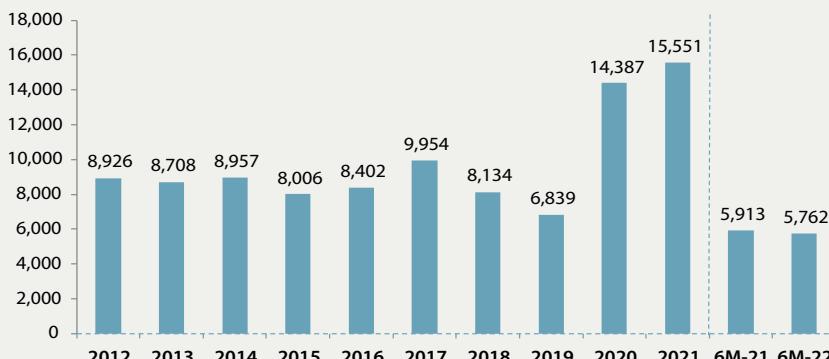
On a similar note, property taxes improved from US\$ 302.5 million in the first half of 2021 to US\$ 458.2 million in the corresponding period of this year, an annual increase of 51.5%.

### PROPERTY MARKET STATISTICS

#### Number of Sales Operations



#### Value of Sales Transactions (US\$ million)



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

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## SURVEYS

### S&P AFFIRMS ITS LONG-TERM AND SHORT-TERM FOREIGN CURRENCY RATINGS ON LEBANON AT "SD/SD"

S&P Global Ratings affirmed its long-term and short-term foreign currency ratings on Lebanon at "SD/SD". It also affirmed its long-term and short-term local currency ratings at "CC/C". The outlook on the long-term local currency rating remains "negative".

The Lebanese government defaulted on its foreign currency debt obligations in March 2020. Its foreign currency rating on Lebanon is "SD" (selective default). The agency does not assign outlooks to "SD" or "D" (default) ratings because they express a condition and not a forward-looking opinion of default probability.

The negative outlook on the "CC" long-term local currency rating reflects S&P's view that the government will likely decide to restructure its local currency debt as part of a broader restructuring program.

It could lower the local currency rating to "SD" if the government signals that it will restructure local currency debt.

S&P could revise the outlook to "stable" or raise the local currency rating if it perceives that the likelihood of a distressed exchange of Lebanon's local currency commercial debt has decreased. This could occur if, for example, the government decides a foreign currency restructuring is sufficient to place government debt stock on a sustainable path. S&P would raise its long-term foreign currency rating from "SD" upon completion of the government's bond restructuring. The rating would reflect Lebanon's post-restructuring creditworthiness, considering the resulting debt burden and macroeconomic policy prospects. Its post-restructuring ratings tend to be in the "CCC" or low "B" categories, depending on the sovereign's new debt structure and capacity to support that debt.

It is worth noting that the Lebanese government remains in default on its foreign currency obligations, having announced in March 2020 that it would stop paying commercial obligations related to its Eurobonds. Cabinet approval of a medium-term fiscal and debt restructuring strategy is one of the nine prior actions requested by the IMF before its board can consider approving the proposed Extended Fund Facility (EFF). In May, the government released a situation update to creditors providing a framework for the debt restructuring. The thrust of the restructuring focuses on the outstanding US\$ 37 billion in (foreign-currency-denominated) Eurobonds, which includes US\$ 9 billion in arrears.

Although currency devaluation and inflation have reduced the relative value of local currency debt, at 52% of GDP at year-end 2021, S&P believe it is a sizable enough liability that the risk remains it is included in a restructuring. S&P sees long-term constraints on Lebanon's institutional and economic profile, largely stemming from a fragmented political environment organized along confessional lines. The current crisis began as persisting political dysfunction, and weak governance led to falling depositor confidence, feeble economic activity, and large-scale protests, as seen in October 2019. Income levels have reduced significantly since then because of economic contractions and currency depreciation (when considering the Banque Du Liban's [BdL's] Sayrafa rate). The agency estimates GDP per capita fell to US\$ 1,300 in 2022 from US\$ 8,000 in 2018. Foreign currency shortages have led to substantial currency depreciation. Although the official pegged exchange rate remains LP 1,507.5 to US\$ 1, S&P uses the BdL's Sayrafa rate to better reflect current economic dynamics.

The large depreciation of the currency has led to very high inflation, averaging 155% over 2021 and forecast to remain above 100% this year.

An IMF program would create a policy anchor for the authorities and unlock further official support crucial for stabilizing and rebuilding the economy. S&P forecasts the Lebanese economy will continue to contract in 2022, because of the adverse effects of inflation on consumption and lower government expenditure, among other things. Negotiations with investors on a government debt restructuring agreement are likely to be delayed due to prolonged postponements of government formation amid internal political disputes. Nevertheless, the Lebanese authorities' clear acknowledgement of the steps they need to take prior to signing an IMF program is a positive sign according to S&P.

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Under the staff-level agreement reached with the IMF on April 7, Lebanon must implement a set of reforms aimed at rebuilding the economy and improving governance as a prerequisite for the IMF board's approval of the EFF, which comes with approximately US\$ 3 billion in funding. The reforms include cabinet approval of a banking sector restructuring plan, parliamentary approval of bank resolution legislation, initiation of an external evaluation of the 14 largest banks, and parliamentary approval of a revised bank secrecy law based on international standards. Reforms relating to the government's fiscal position include parliamentary approval of the 2022 budget and cabinet approval of a medium-term fiscal and debt restructuring strategy. Other reforms include completion of an audit of the BdL's foreign asset position and unification of the multiple exchange rates in the economy. Parliament recently approved the banking secrecy law, while the budget law for 2022 and the capital controls bill are still being discussed. Financial sector reforms such as the unification of exchange rates and a bank restructuring strategy are likely to be more difficult. Local commercial banks and the BdL held about 25% of Eurobonds and 85% of local currency debt at year-end 2021. Losses from a sovereign debt restructuring and devaluation will weigh heavily on the banking sector. Because of the banking sector's and government's intertwined nature, both parties as well as the BdL will need to agree on a strategy as stated by S&P.

## FITCH SOLUTIONS PROJECTS PER CAPITA PHARMACEUTICAL SPENDING TO DECREASE FROM US\$155 IN 2021 TO US\$ 129 BY 2026

After years of systemic crises, the Lebanese government has identified the pharmaceutical industry as a priority area for growth amid continued macroeconomic headwinds, as per Fitch Solutions. With local drug production still operating below pre-pandemic capacity, the government is increasing funding support for local drugmakers in order to improve the self-sufficiency of the domestic market. At the same time, the government has taken emergency action to secure the purchase and distribution of drugs for serious illnesses such as cancer to prevent jeopardizing patients at risk from supply chain instability.

Fitch Solutions calculates that Lebanon's pharmaceutical sales represented 4.7% of GDP and 35.7% of healthcare expenditure in 2021. It forecasts pharmaceutical sales to increase from LP 13.9 trillion (US\$ 1.1 billion) in 2021 to LP 29.2 trillion (US\$ 1.1 billion) in 2022, representing local currency growth of 110.1% year-on-year in local currency terms and 1.4% in US dollar terms. These substantial moves are principally as a result of the rising inflationary pressures and further weakness in the Lebanese pound that are increasing pressure on pharmaceuticals and other essential goods across the board. By 2026, Fitch Solutions expects total medicines consumption to reach LP 27.3 trillion (US\$ 816.0 million), equating to a compound annual growth rate (CAGR) of 14.5% in local currency terms and -4.9% in US dollar terms.

Fitch Solutions projects per capita pharmaceutical spending to decrease from US\$155 in 2021 to US\$ 129 by 2026, which reflects mounting fiscal and external pressures, as well as disruptions to activity related to the COVID-19 outbreak and the explosion that destroyed large parts of central Beirut.

By 2031, Fitch Solutions forecasts total expenditure on pharmaceuticals, including prescription and OTC medicines, to increase to LP 36.3 trillion (US\$ 886.0 million), equating to a CAGR of 10.1% in local currency and -1.7% in US dollar terms. By the end of the forecast period, pharmaceutical sales will represent 26.8% of healthcare expenditure, equivalent to 1.4% of GDP. Fitch Solutions estimates the Lebanese pharmaceutical market to be 95% reliant on finished pharmaceuticals.

The agency has previously highlighted the impact of Lebanon's significant depreciation of the Lebanese pound on the local pharmaceutical market. Rapidly diminishing foreign currency reserves and worsening economic conditions have meant that government subsidies on essentials products, including medicines, have become increasingly unsustainable. In February 2022, the Ministry of Health announced progress in securing a diversified basket of pharmaceuticals at the lowest possible prices, an agreement between importers and the Banque du Liban under the supervision - an important development considering the shortage of drugs in clinics and health centers across the market. The new drugs supply was secured via a special mechanism by the Ministry of Health which allows an accelerated importation process. Despite this, First Health Minister has stated that major shortages of drugs for oncology and incurable illnesses remain, resulting in a push for additional funds to secure the needs for each patient. In order to increase transparency of the procurement process, in a national first, the Ministry of Health has begun publishing data on drug imports, including approximate delivery dates. The government hopes that this development, in conjunction with the drug card soon to be issued to all patients, will serve as a guarantee for the patients and as critical qualitative data trail for all donors currently assisting the country during the funding crisis.

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## CORPORATE NEWS

### THE CMA CGM GROUP WITNESSED HIGH OPERATING AND FINANCIAL PERFORMANCE IN 1Q-2022

The Lebanese-owned CMA CGM Group recently published its first quarter 2022 results in which the Group's business activities during this period witnessed solid performance and strengthening of the financial structure supported by its operating performance.

In the first quarter of 2022, revenue surged to US\$ 18.2 billion due to the Group's shipping activities.

Operating costs increased by more than 16% when compared to the same quarter 2021. This increase is mitigated by the bunker costs that increased by approximately 46%.

EBITDA over the first quarter of 2022 reached US\$ 8.9 billion, representing an EBITDA margin of 48.7% driven by an average revenue per TEU of USD 2,800 against a backdrop of higher operating expenses (notably bunkers, vessel chartering costs, port handling), as mentioned in a statement.

Thus, group's net income share yielded US\$ 7.2 billion.

Net debt stood at US\$ 6.9 billion at March 31, 2022, down by US\$ 0.9 billion from December 31, 2021.

At the shipping level, the group transported 5.3 million TEUs in its first quarter of 2022, representing a decrease of 2.8% when compared to the first quarter of 2021.

The Group's shipping revenue reached US\$ 14.8 billion, representing a 73.2% increase against same quarter of previous year.

At the logistics level, amid continued improvement in financial performance, logistics revenue stood at US\$ 3.4 billion.

It is worth mentioning that this growth was mainly driven by shipping and airfreight activities. Contractual logistics activities continued their turnaround despite the inflationary context that weighed on operations and profitability.

However, persistent major tensions on supply chains continue to weigh on the global fleet's effective capacity since the beginning of 2022 and on the Group's operations. The generalization of port congestions leads to a deterioration of the quality and service and constrains shipping volumes.

Moreover, the current environment and its medium and long-term consequences remain uncertain. The sharp rise in energy prices, combined with price inflation of many raw materials, is weighing on retail consumption and could have a negative impact on the economic situation and the outlook for global trade.

### THE LEBANON EXPORT ACADEMY IS GRADUATING ITS FIRST BATCH

Lebanon Export Academy celebrated the graduation of its first batch of 21 SMEs from the agriculture and agri-food sectors, as mentioned in a statement.

The Lebanon Export Academy recruited 21 trainers with multiple backgrounds to offer their vast experience to the participants of the academy to offer a well-rounded program in export readiness tools with top-notch experts in multiple relevant fields.

The academy offered 11 modules addressing different barriers that Lebanese businesses are facing when exporting. 21 businesses got the chance to enroll in the 11 modules package or select specific ones based on their needs, leveraging flexible modalities of training delivery including online, in-person, and self-paced courses, as mentioned in a statement.

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Berytech organized a certificate distribution ceremony to celebrate the first batch of training delivery, graduating 21 Agri-food SMEs and top-notch trainers, with the presence of UNDO Representative and Head of Regional Office for Lebanon, Jordan and Syria, the representative of the embassy of Canada and Berytech CEO and Chairman. The ceremony marked as well a good representation from the UNDP and UNIDO team, Berytech, trainers and trainees.

Lebanon Export Academy can help SMEs and agricultural cooperatives led by women and men access to markets and promote export readiness of agri-food products, said the representative of the Embassy of Canada to Lebanon.

In the framework of PSDP, the 21 companies who participated in the Lebanon Export Academy, 80% of which are women-led businesses, were trained by Berytech through a training program that helps through several assistance schemes and courses on improving the capacities of SMEs, she added in a statement.

The Lebanon Export Academy is the first export training center and online academy in Lebanon, dedicated to equipping Lebanese businesses with the needed skills to sustain their operations, enter new markets, and expand globally.

It is implemented by UNIDO and UNDP Lebanon in partnership with Berytech, is part of the Productive Sectors Development Program (#PSDP) funded by the Government of Canada under the joint UN – Productive Sectors Development Program (PSDP) which aims to support gender-responsive job creation and economic opportunities in the agriculture and agri-food sectors, prioritizing women and female youth in disadvantaged areas.

## TWO USJ ALUMNI WON THE 3RD PRIZE OF THE PIERRE-PÉLADEAU SCHOLARSHIP 2022

Two Lebanese alumni of the University of Saint Joseph (USJ) received the 3rd prize of the 2022 Pierre-Péladeau Scholarship 2022 as part of the celebration of its 24th edition, as mentioned in a statement.

Moreover, both Lebanese winners were rewarded for their entrepreneurial activities that aimed to develop a technology to effectively relieve menstrual pain that affects the lifestyle of active women.

Capitalizing on their knowledge in electrical and mechanical engineering, the Polytechnique graduates joined their efforts and developed an alternative solution to medicines consisting of a portable device that treats menstrual pain instantly, called Juno.

Accordingly, the two USJ alumni along with a third founder received a US\$ 30,000 entrepreneurial support grant from Quebecor and AsterX, as mentioned in a statement.

Awarded annually to university students in Quebec, Canada, the Pierre-Péladeau Scholarships aims to help student entrepreneurs start their businesses, carry out their business plans, and develop their products and markets.

It is worth mentioning that since 1999, the organization awarded a total of US\$ 2.7 million in scholarships to students.

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## CAPITAL MARKETS

### MONEY MARKET: COST OF LP CASH CONTINUES TO HOVER AROUND 8%

The cost of LP cash continued to hover around 8% on the money market this week. In parallel, the latest monetary aggregates released by the Central Bank of Lebanon for the week ending 18th of August 2022 showed a large contraction in total resident banking deposits of LP 1,245 billion. This is mainly driven by a LP 838 billion fall in total LP resident deposits amid an LP 808 billion decrease in LP demand deposits and a LP 30 billion retreat in LP saving deposits, while foreign currency resident deposits declined by LP 408 billion (the equivalent of US\$ 270 million as per the official rate of LP 1,507.5). However, the money supply in its broadest sense (M4) expanded by LP 279 billion over the covered week, amid a LP 544 billion rise in the money in circulation and a LP 981 billion growth in the non-banking sector Treasury bills portfolio.

#### MONEY MARKET ACTIVITY



### TREASURY BILLS MARKET: LARGE NOMINAL WEEKLY SURPLUS OF LP 821 BILLION

The latest Treasury bills auction results for value date 1st of September 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%).

The Treasury bills auction results for value date 25th of August 2022 showed large subscriptions of LP 1,070 billion, fully allocated to the Central Bank of Lebanon and distributed as follows: LP 70 billion in the six-month category and LP 1,000 billion in the two-year category. These compare to maturities of LP 249 billion, resulting into a large nominal weekly surplus of LP 821 billion.

### FOREIGN EXCHANGE MARKET: LP LOSING MORE GROUND AGAINST US DOLLAR ON BLACK MARKET

Despite extended BDL's exceptional measures, which allow US dollars purchases from the Central Bank of Lebanon, and the continuous inflow of hard currency during the summer tourist season, the LP/US\$ black market rate crashed to LP/US\$ 35,600-LP/US\$ 35,700 on Friday before slightly recovering to LP/US\$ 34,500-LP/US\$ 34,600, and compared to LP/US\$ 32,000-LP/US\$ 32,100 at the end of last week.

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## TREASURY BILLS

	02/09/2022	26/08/2022	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%	
<b>Nom. Subs. (LP billion)</b>	<b>1,070</b>		<b>246</b>	
Short-term (3&6 mths)	70		-	
Medium-term (1&2 yrs)	1,000		-	
Long-term (3 yrs)	-		200	
Long-term (5 yrs)	-		-	
Long-term (7 yrs)	-		46	
<b>Maturities</b>	<b>249</b>		<b>13</b>	
<b>Nom. Surplus/Deficit</b>	<b>821</b>		<b>233</b>	

Sources: Central Bank of Lebanon, Ministry of Finance

The further deterioration in LP against the US dollar is mainly explained by the tough reform challenges that Lebanon is facing to secure much-needed international financial support, worsened domestic economic and living conditions, and nosediving FX buffers. In fact, the Central Bank of Lebanon's latest bi-monthly balance sheet ending 31<sup>st</sup> of August 2022 showed that BDL's foreign assets contracted by US\$ 396 million during the second half of the month to reach US\$ 14.7 billion at end-August 2022, bringing year-to-date contractions to circa US\$ 3.1 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 at end-August 2022.

In parallel, the Central Bank of Lebanon announced that foreign currency operations on the "Sayrafa" platform were executed at an average rate of LP/US\$ 27,200 to LP/US\$ 27,400 between August 29 and September 2, 2022.

## STOCK MARKET: SIGNIFICANT WEEKLY CONTRACTION IN BSE PRICE INDEX, ON PROFIT-TAKING OPERATIONS

The Beirut Stock Exchange remained underpinned this week by some profit-taking operations on Solidere shares, which resulted into an 8.0% drop in the price index when compared to the closing of the previous week. Four out of seven traded stocks registered price falls, while one stock posted price gains and two stocks saw no price change week-on-week.

## EXCHANGE RATES

	02/09/2022	26/08/2022	30/12/2021	
LP/US\$	1,507.50	1,507.50	1,507.50	↔
LP/£	1,741.92	1,777.95	2,022.91	↑
LP/¥	10.74	11.01	13.11	↑
LP/SF	1,538.42	1,562.34	1,639.48	↑
LP/Can\$	1,147.43	1,164.09	1,175.53	↑
LP/Euro	1,503.58	1,505.54	1,701.52	↑

Source: Bank Audi's Group Research Department

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## AUDI INDICES FOR BSE

	02/09/2022	26/08/2022	30/12/2021	
Market Cap. Index	549.75	597.22	447.87	⬇️
Trading Vol. Index	79.24	48.66	80.38	⬆️
Price Index	115.41	125.38	94.02	⬇️
Change %	-7.95%	-2.29%	4.13%	⬇️
	02/09/2022	26/08/2022	30/12/2021	
Market Cap. \$m	13,042	14,168	10,625	⬇️
No. of shares traded (Exc. BT)	209,313	129,882	171,230	⬆️
Value Traded \$000 (Exc. BT)	8,762	5,382	5,359	⬆️
o.w. : Solidere	8,645	5,183	4,614	⬆️
Banks	55	58	732	⬇️
Others	62	140	13	⬇️

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

A closer look at individual stocks shows that Solidere "A" and "B" share prices plunged by 13.7% and 15.3% respectively to reach US\$ 49.26 and US\$ 47.52 respectively, as some market players sought to book profits following recent strong price rally. As to banking stocks, Bank Audi's GDR price shed 4.7% to US\$ 1.41. Byblos Bank's "listed" share price slumped by 5.9% to US\$ 0.64. BLOM's GDR price stood unchanged at US\$ 2.50. Bank Audi's "listed" share price remained stable US\$ 1.50. Amongst industrials, Holcim Liban's share price jumped further this week by 6.9% to reach US\$ 31.0.

As to trading volumes, the BSE total turnover expanded by 62.8% week-on-week, moving from US\$ 5.4 million last week to US\$ 8.8 million, noting that Solidere shares continued to capture the lion's share of activity (98.8%).

## BOND MARKET: LEBANESE BONDS IN FREE FALL ON TOUGH REFORM CHALLENGES

Lebanon's Eurobond market remained in free fall this week, with prices of sovereigns ranging between 6.0 and 6.63 cents per US dollar on Friday as compared to 6.88-7.50 cents per US dollar at the end of last week. This came within the context of a dim domestic political outlook and growing concerns over a Presidential vacuum that may add to the cabinet stalemate, and after the IMF said recently that Lebanon's amended banking secrecy law still retains "a few key deficiencies", urging officials to make new changes to their first step at financial reform, which is a requirement to access the US\$ 3 billion financial assistance.

On a cumulative basis, Lebanese Eurobonds maturing between 2020 and 2037 posted price falls of 3.50 pts to 4.13 pts since the beginning of the year 2022.

## EUROBONDS INDICATORS

	02/09/2022	26/08/2022	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)	6.0-6.63	6.88-7.50	9.88-10.63	⬇️
Average Life	5.60	5.61	6.18	⬇️
Yield on US 5-year note	3.40%	3.19%	1.26%	⬆️

Source: Bank Audi's Group Research Department

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## INTERNATIONAL MARKET INDICATORS

	02-Sep-22	26-Aug-22	31-Dec-21	Weekly change	Year-to-date change
<b>EXCHANGE RATES</b>					
YEN/\$	140.21	137.65	115.11	1.9%	21.8%
\$/£	1.151	1.174	1.353	-2.0%	-14.9%
\$/Euro	0.995	0.997	1.137	-0.1%	-12.5%
<b>STOCK INDICES</b>					
DOW JONES INDUSTRIAL AVERAGE	31,318.44	32,283.40	36,338.30	-3.0%	-13.8%
S&P 500	3,924.26	4,057.66	4,766.18	-3.3%	-17.7%
NASDAQ	11,630.86	12,141.71	15,644.97	-4.2%	-25.7%
CAC 40	6,167.51	6,274.26	7,153.03	-1.7%	-13.8%
Xetra Dax	13,050.27	12,971.47	15,884.86	0.6%	-17.8%
FT-SE 100	7,281.19	7,427.31	7,384.54	-2.0%	-1.4%
NIKKEI 225	27,650.84	28,641.38	28,791.71	-3.5%	-4.0%
<b>COMMODITIES (in US\$)</b>					
GOLD OUNCE	1,712.19	1,738.14	1,829.20	-1.5%	-6.4%
SILVER OUNCE	18.04	18.90	23.31	-4.5%	-22.6%
BRENT CRUDE (per barrel)	93.02	100.99	77.78	-7.9%	19.6%
<b>LEADING INTEREST RATES (%)</b>					
1-month Libor	2.66	2.49	0.10	0.16	2.56
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	3.19	3.04	1.51	0.15	1.68

Sources: Bloomberg, Bank Audi's Group Research Department

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