



The number of tourist arrivals recovered in 2015 for the second year running, but a true rebound for the sector is still not attained. The purchasing power of visitors is more crucial than their number and whether or not the recovery in the tourism sector will extend into 2016 highly depends on local and regional stability.

Tourist arrivals to Lebanon have been on a steady decline since the eruption of the Arab spring but have shown their second yearly recovery in 2015. Following three years of regressing tourist activity due to local instability and spillovers from the neighboring Syrian war, data from the Ministry of Tourism showed a 12% yearly growth in tourist arrivals to 1,517,904 tourists in 2015.

February 27, 2016

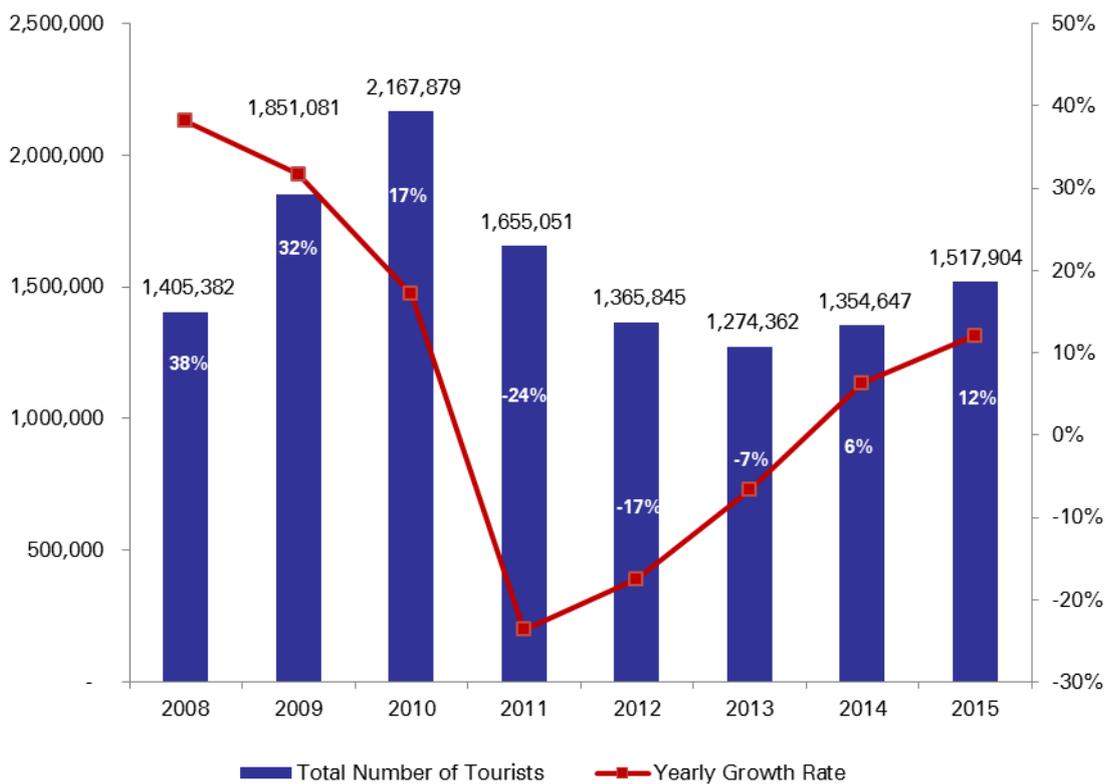
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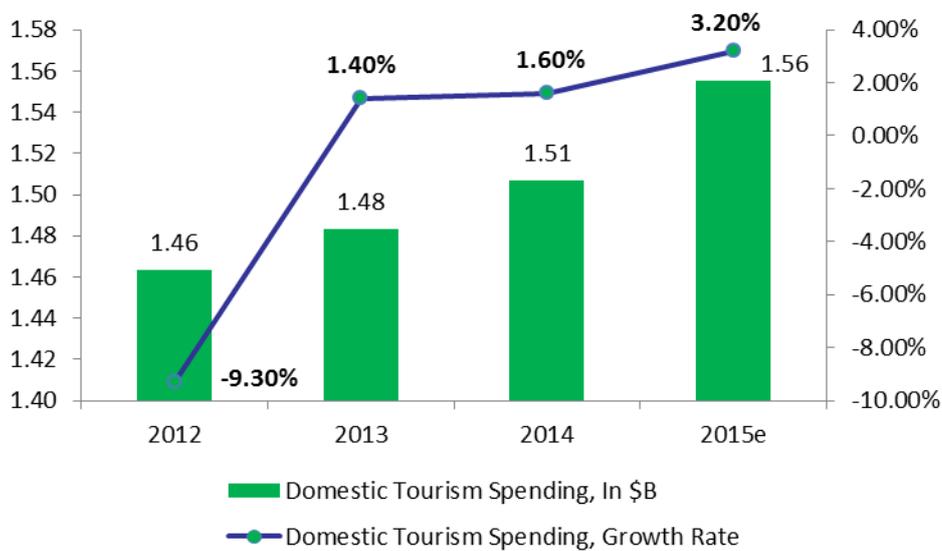
**Yearly Tourist Arrivals**



Source: Ministry of Tourism

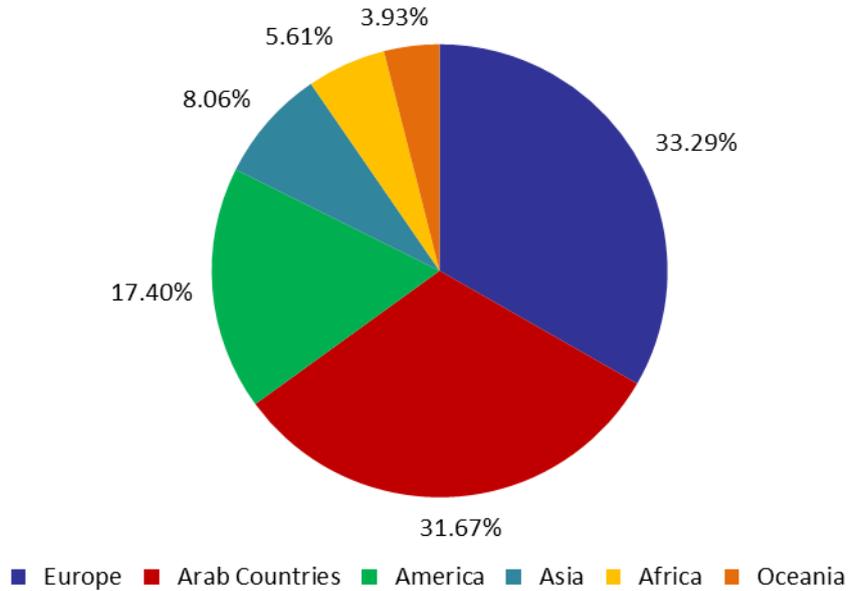
In-house tourism is yet another proof of Lebanon’s adaptability to tough times and has been gaining traction in Lebanon. Slower tourist arrivals compelled stakeholders in the industry to develop internal tourism with numerous family owned Bed and Breakfasts and guest houses popping up. This type of accommodation used to appeal to Europeans only but has now gained the approval of the Lebanese as well. Dhiafee, which promotes internal tourism, estimated that the number of these concepts surged from 40 in 2005 to over 100 in 2015. According to the World Travel and Tourism Council, domestic tourism spending has been on an upward trend since 2012 and that trend is likely to extend to 2025 where domestic tourism would reach a value of \$2.54B. While domestic tourism is expected to have grown by 3.2% in 2015, spending by foreigners, who generated LBP 10,572.8 B (\$7.01B) in 2014, are only expected to have grown by 0.2% in 2015.

**Domestic Tourism Expenditures**



Source: World Travel and Tourism Council

Composition of Tourist Arrivals to Lebanon in 2015



Source: Ministry of Tourism

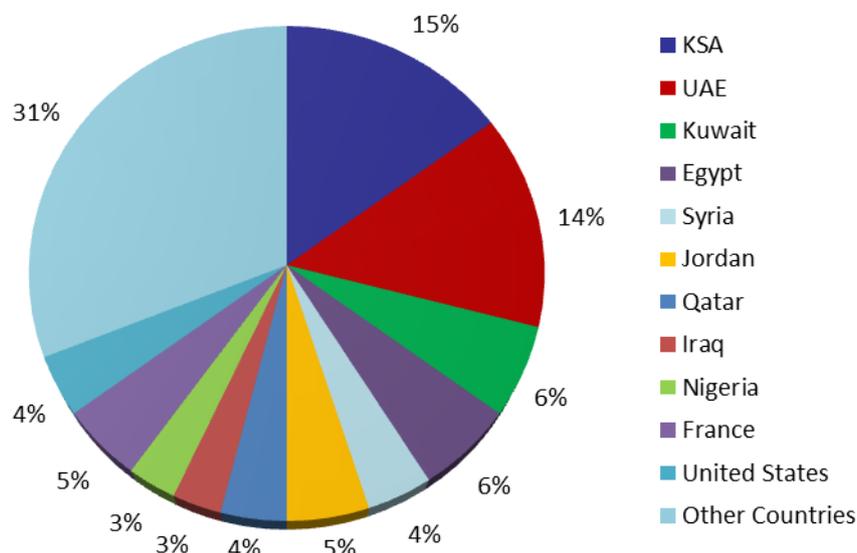
For the first time in many years, European tourists, rather than Arab tourists, occupied the largest share in the total of tourist arrivals to Lebanon. The fading of Arab Gulf tourists but also the development of a wide range of bed and breakfast concepts appealing to all tastes explain why European tourists accounted for the largest share in total tourists. The number of European visitors, grasping 33.29% of the total, augmented by 12.87% y-o-y, to reach 505,264. In details, French tourists, constituting the largest share of European tourists at 27%, went up by a yearly 11.16% to 134,181 visitors. The number of incomers from Germany, the United Kingdom and Turkey also saw respective yearly improvements of 10.05%, 15.11% and 30.39% y-o-y to 74,823, 56,608 and 21,027 in 2015.

The number of Arab tourists, coming in second place in the tourist composition, also rose in 2015 however at a much lower rate than the average. Prior to 2011, the majority of incoming tourists were heavy spenders from the oil-rich Gulf countries but today that changed. The number of Arab tourists, constituting 31.67% of the total, displayed a yearly increase of 4.32%, to record 480,723 by December 2015. Iraqi incomers had the largest share among Arab tourists at 40%, with their number increasing by an annual 1.28% to 191,578, over the same period. It is important to note that a large part of Iraqi tourists are actually refugees relocating to Lebanon due to the heightening security developments in their mother country. The number of Egyptian visitors improved by 9.17% from 69,179 to 75,524 while that of the Jordanians increased by 5.61% from 73,822 to 77,960. The number of Saudi incomers also progressed by 4.46% annually to 47,831 by December 2015.

Tourism spending data backs up the claim that the actual tourism spending is accounted for by nationals of the Gulf countries. As tourist arrivals reached a four-year high in 2015, tourist spending followed. According to Global Blue, tourist spending, based on the number of refund transactions, in Lebanon increased by a yearly 2% in 2015. The largest bulk of tourist spending is accounted for by Saudi Arabian visitors with a share of 15% in the total, followed by 14% for the nationals of the United Arab Emirates, 6% for each Kuwait and Egypt tourists and 4% for Syria. Tourist spending by Saudi Arabian visitors increased by 5% compared to last year while spending by UAE tourists recorded a double-digit growth of 12%. Tourist spending from Jordan, Qatar and the United States rose by a yearly 14%, 21% and 18%, respectively. However, spending from Kuwait, Egypt and Syrian nationals dropped by 16%, 4% and 23%, respectively.

Tourism spending would have portrayed a higher increase if the visitors' stay, was longer. Unfortunately, no statistics are made available regarding the number of nights spent by tourists in Lebanon. However we believe that Gulf nationals which used to spend extended periods of time in Lebanon, around 30 days for some, no longer do and that directly reduces tourism spending.

**Tourism Spending by Country of Residence**

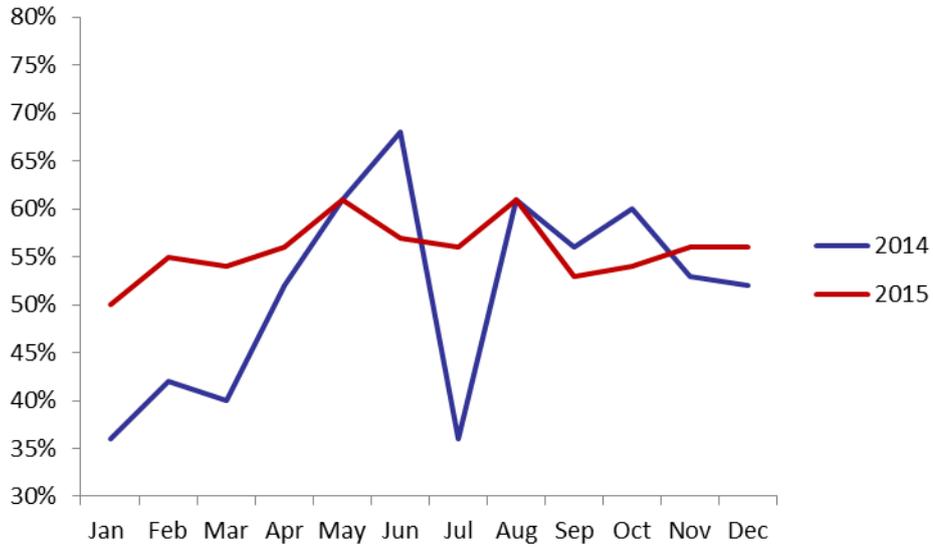


Source: Global Blue

In 2015, fashion and clothing was the category that captured most of the tourist spending with a share of 71% in the total followed by 16% for watches and jewelry. Spending on fashion and clothing edged up by a mere 1% while spending on watches and jewelry grew by 15%. The capital Beirut is where 81% of tourist expenditures took place while 12% were disbursed in Mount Lebanon. In Beirut, tourist spending rose by 2% while it decreased by 6% in Mount Lebanon.

According to Ernst and Young's Middle East Hotel Benchmark Survey, the occupancy rate of Beirut Hotels surpassed the 52% mark it had stabilized on since 2012 but has yet to regain the 64% rate recorded back in 2011. However, occupancy at Beirut hotels regained some vigor in the summer month of August with a rate of 61% also seen in May 2015. The average room rate increased from \$174 in 2014 to \$175 in 2015 and the Revenue per Available Room from \$91 in 2014 to \$99 in 2015.

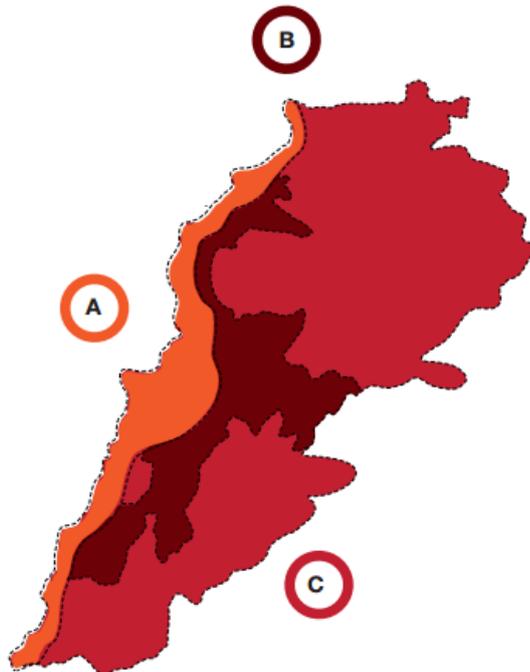
**Hotel Occupancy of Beirut Hotels**



Source: EY Middle East Hotel Benchmark Survey

The recovery in the number of tourist arrivals is still not enough to spur investment in new tourism projects. According to Kafalat, the number of issued guarantees for the tourism sector dropped from 98 guarantees in 2014 to 75 guarantees in 2015. In light of the tough economic background, investor sentiment has been subdued but the Investment Development Authority of Lebanon (IDAL) offers numerous incentives to revive the sector. IDAL offers region based incentives; depending on the location of the tourism project.

**IDAL’s Tourism Incentives**



	<b>Zone A</b>	<b>Zone B</b>	<b>Zone C</b>
<b>Minimum Investment Required</b>	10 million USD	4 million USD	1 million USD
<b>Corporate Income Tax</b>	100% Exemption for two years provided the company is listed on the Beirut Stock Exchange.	50% reduction for 5 years	100% Exemption for 10 years
<b>Taxes on Project Dividends</b>	-	50% reduction for 5 years	100% Exemption for 10 years
<b>Nationals to Foreign Workers Ratio</b>	At least 2 Lebanese for 1 Foreigner	At least 2 Lebanese for 1 Foreigner	At least 2 Lebanese for 1 Foreigner

Source: IDAL

Overall, the tourism sector is one of the pillars of the Lebanese economy, but its performance for the coming years hinges on political and security stability both locally and in the region. According to the World Travel and Tourism Council, the total contribution of Travel & Tourism to GDP stood at 21.1% of GDP in 2014 and is forecast to rise by 2.4% in 2015 and by 5.7% annually over the period 2015-2025. The Travel & Tourism industry's total contribution to employment represented 20.3% of total employment or 313,000 jobs in 2014. This contribution is expected to rise by 1.6% in 2015 to 318,000 jobs and to increase by 3.0% per annum to 429,000 jobs or 25.1% of total employment in 2025. Again, uncertainty still revolves around these figures which can change in light of the situation in the country and the region. For 2016, the diplomatic crisis between Lebanon and the Gulf has already resulted in Saudi Arabia, UAE, Bahrain and Kuwait, issuing travel bans, preventing their nationals to fly to Lebanon.

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