

March 03<sup>rd</sup>, 2017

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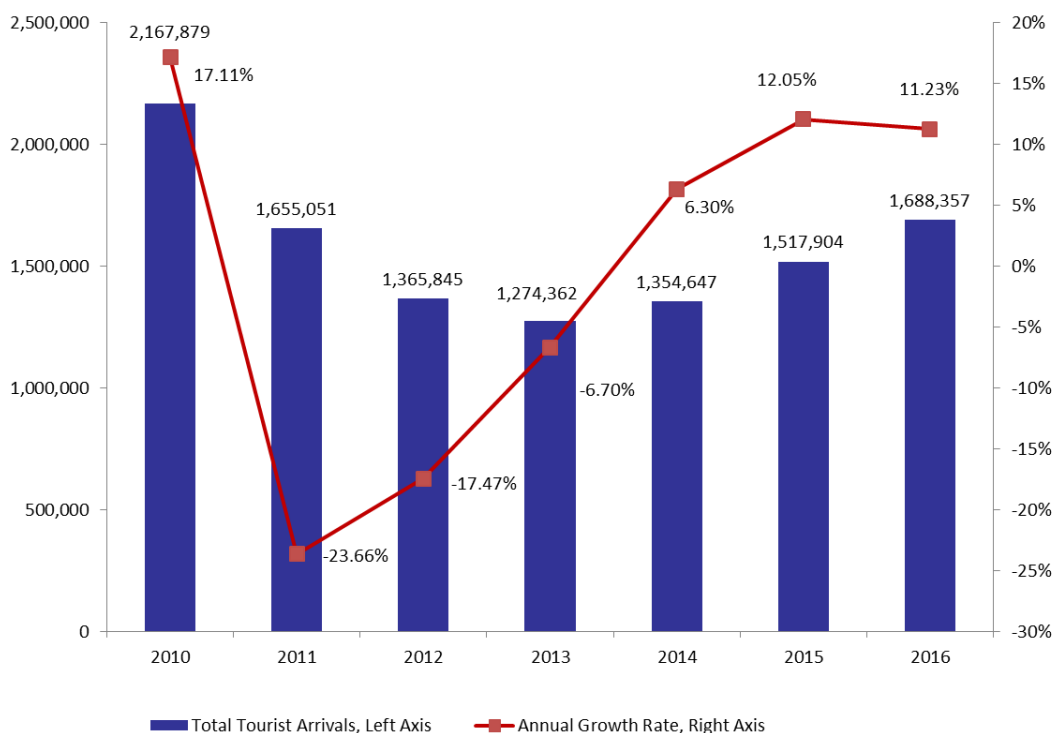
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2016, the best out of 6 rough years

In 2016, tourism statistics show signs of respite for the Lebanese tourism sector after six tough years. According to the Ministry of Tourism, in 2016, tourist arrivals hit their highest level since 2011. 1.69 million tourists from all nationalities visited Lebanon in 2016. This is the closest Lebanon has been to the 2.17 million visitors mark reached back in 2010.

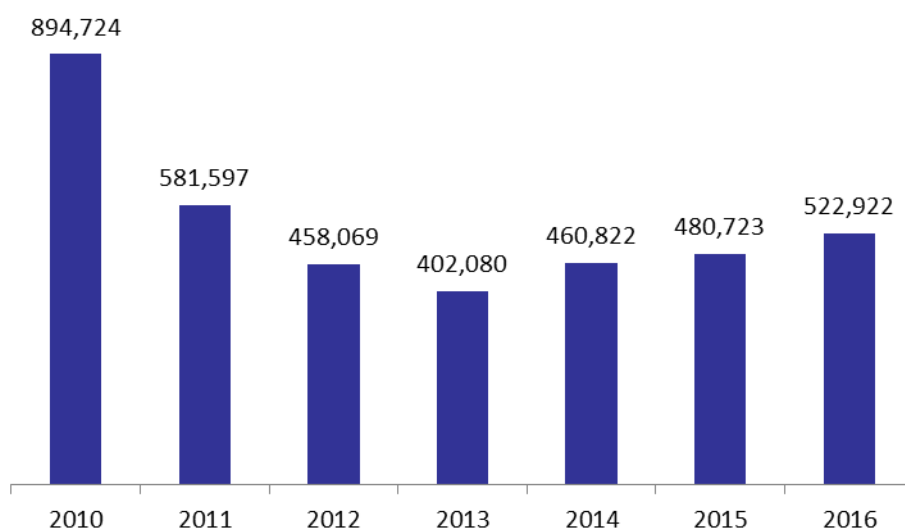
Number of Tourist Arrivals



Source: Ministry of Tourism

Compared to 2011, the number of Arab tourists is still down. Statistics show that the number of visitors from Arab countries dropped by 10% compared to 2011 to reach 522,922 in 2016. The number of tourists with a high purchasing power from Saudi Arabia, Kuwait and the UAE fell by 63.8%, 58.5% and 93.4%, from 111,701, 61,756 and 32,058 in 2011 to 40,391, 25,653 and 2,114 in 2016, respectively. Meanwhile, travelers from Iraq and Egypt with a relatively lower purchasing power saw their numbers rise from 129,294 and 62,825 in 2011 to 236,013 and 83,337 in 2016, respectively.

Number of Arab Tourist Arrivals



Source: Ministry of Tourism

Therefore, Lebanon is yet to receive the same numbers of heavy spenders as it did prior to 2011. This is shown by the Global Blue Tourist Spending statistics for 2016 that rely on tourists claiming the VAT on their purchases in Lebanon. The biggest spenders were Emiratis grasping a 14% share of total spending; Saudis came in a close second with a 13% share while Kuwaitis and Egyptians grasped a 6% share each. Overall tourist spending dropped by an annual 9% in 2016 with the number of refund transactions falling by a yearly 11%.

However, visitors from Europe and America offset declines in the number of Arab tourists. The number of European visitors rose by 16% to 564,499 in 2016 while that of American visitors increased by 33.3% to 296,831. Lebanon has developed leisure concepts that are appealing to European and American visitors. We have seen the development of many guesthouses, bed and breakfasts, boutique hotels in regions outside Beirut for those looking to escape the city buzz but also in the heart of the capital for those wanting to explore the capital’s bustle. These concepts also turned out to be attractive for “in-house” tourism, with these new destinations becoming domestic escapes for the Lebanese themselves.

### The year 2016 in-focus

**The diplomatic crisis between Lebanon on one hand and Saudi Arabia and the UAE on the other resulted in the issuance of travel bans preventing Gulf nationals from going to Lebanon.** Accordingly, the number of incomers from Saudi Arabia, Kuwait and the UAE all registered annual drops of 19%, 16% and 1% to reach 6,368, 4,254, and 948 by February, respectively. For the remainder of the year, any increases in Arab tourists were mainly due to upturns in visitors from Iraq and, to a lesser extent, to increases in visitors from Jordan and Egypt.

**The Ministry of Tourism's expectations of substantial tourist arrivals for festive occasions materialized in 2016.** In September, during which Eid el Adha was celebrated, tourist arrivals reached 164,605, their highest level since 2013. This confirms the Ministry of tourism's previous statement to Blominvest Bank that the campaign launched on MBC channel for Eid el Adha will have positive effects on tourist activity.

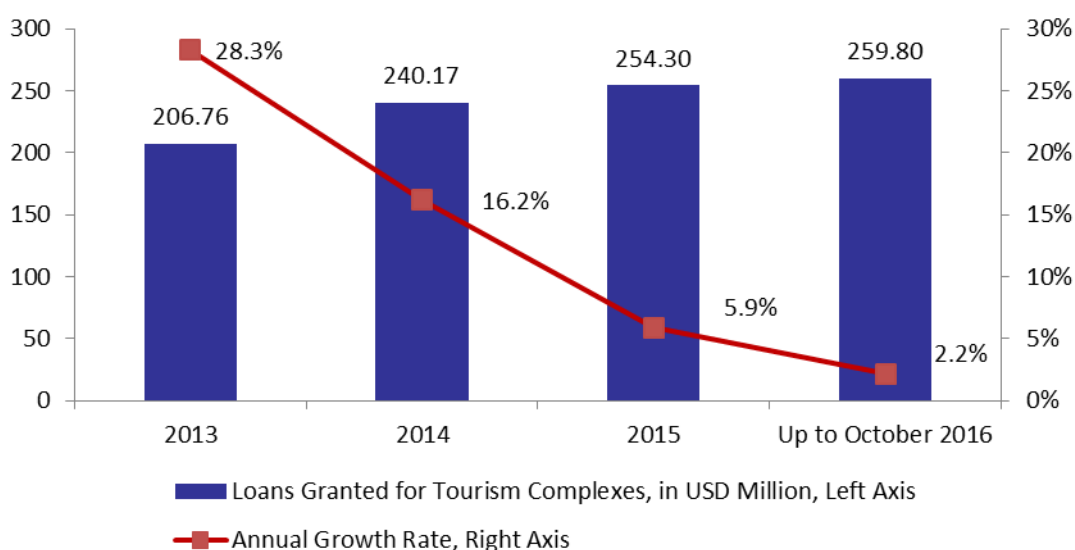
**Christmas and New Year holidays in December boosted the number of tourist arrivals to 141,537, the highest since 2010.** In December, occupancy rates of Beirut hotels released by E&Y's Middle East Hotel Benchmark Survey hit 64%, close to the 65% registered in December 2010. However, to be able to achieve that occupancy level in 2016, hotels had to offer more attractive room rates; the average daily rate fell from \$242 in December 2010 to \$148 in December 2016. The Revenue per available room also fell from \$159 in December 2010 to \$95 in December 2016 which is another indication of less spending per room.

**For the summer season, the year 2016 was vibrant with a large number of summer festivals.** The stable security situation played a big role in boosting attendance to these festivals. For the peak holiday months of June, July and August 2016 combined, the number of tourists totaled 562,008 up by 8% from 521,400 registered in the same period in 2015.

**At the end of 2016, the stable security situation was finally paired with an important political breakthrough.** After more than two years of presidential void, overall sentiment was boosted by the election of a president on December 19<sup>th</sup>, 2016. If the security stability is sustained and if the newly formed government passes important reforms, the tourism sector might see yet another rebound in 2017.

The tourism sector has been recovering but large investments will take longer to bounce back. According to data from the Central Bank of Lebanon, the growth rate of loans granted for tourism complexes was the lowest since at least 2012. After a double-digit growth rate of 28.3% in 2013, loans granted for tourism complexes grew by an annual 5.9% in 2015 and by 2.2% up to October 2016 to reach \$259.80 million. This indicates that the appetite for large investments in the sector has suffered substantially and that it will take more time for investors to take on long-term engagements and to bear the associated risks.

Loans Granted for Tourism Complexes



Source: Central Bank of Lebanon

Investments made by large Lebanese hotels will need to be matched by higher occupancy rates. During the period 2008-2011, the Kempinski Summerland Hotel disbursed \$312 million for renovation purposes while the Bristol spent \$30 million also on renovation in 2013. The return on these investments will be largely dependent on achieving higher occupancy rates in the period ahead.

**For your Queries:**

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