



February 8, 2018

Contact Information

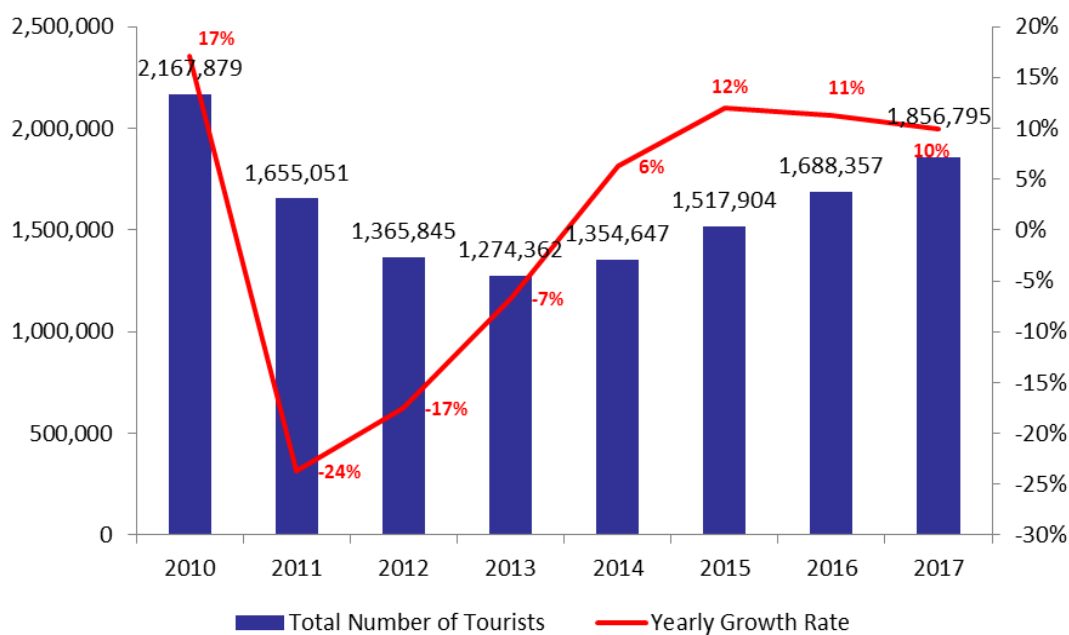
Research Assistant: Dina Antonios
dina.antonios@blominvestbank.com

Head of Research: Marwan Mikhael
marwan.mikhael@blominvestbank.com

Research Department
 Tel: +961 1 991 784

Tourism remains one of the main pillars in the Lebanese economy, accounting for more than 19% of GDP. The improving political stability in Lebanon and the region in 2017 has spurred the recovery of the Lebanese tourism sector. In fact, tourist arrivals have registered another rebound during 2017, following the eruption of the Syrian crisis in 2011, and airport passengers registered their highest level in more than a decade at 8.23M. According to the Ministry of Tourism, in 2017, tourist arrivals hit their highest level since 2011 with 1.85M tourists visiting the country, revealing a 10% yearly increase.

Total Number of Tourist Arrivals

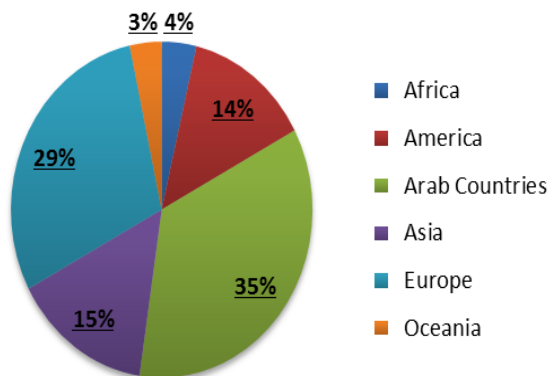


Source: Ministry of Tourism

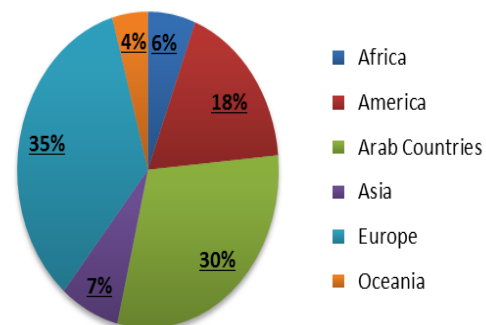
For the sixth consecutive year, European tourists grasp the lion's share of tourist arrivals. The number of European visitors, constituting 34.45% of the total, augmented by 13.31% y-o-y, to reach 639,624, its most elevated records in more than a decade. In details, French tourists, constituting the largest share of European tourists at 27%, went up by a yearly 13.31% to 169,787 visitors. The number of incomers from Germany, the United Kingdom and Sweden also saw respective yearly improvements of 12.99%, 12.96% and 15.14% y-o-y to 70,045, 98,914 and 39,864 in 2017.

Despite not reaching pre- 2011 levels, the number of Arab tourists, constituting the second largest share in tourist composition, is catching up on the back of the GCC countries lifting their travel ban to Lebanon. The number of Arab tourists, constituting 30.23% of the total, displayed a yearly increase of 7.33%, to stand at 561,273 tourists by December 2017. Saudi and Kuwaiti tourists' number rose from 40,391 and 25,653 in 2016 to 63,422 and 41,046, respectively, in 2017, hence offsetting the drop in Iraqi incomers which dropped by an annual 2.74% to 229,542, over the same period.

2011 Tourist Composition



2017 Tourist Composition

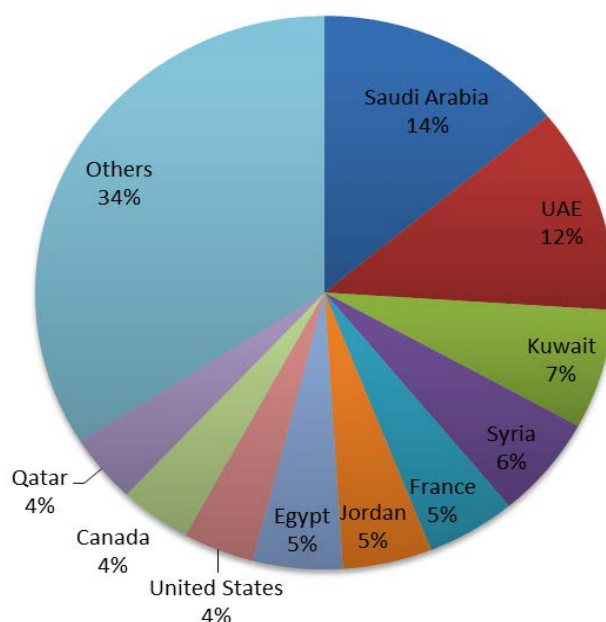


Knowing that the largest bulk of tourism spending is accounted for by GCC nations, data supports the fact that spending grew in correlation with the rise of Gulf tourist arrivals. According to Global Blue, tourist spending, based on the number of refund transactions, in Lebanon increased by a yearly 5.5% in 2017. Saudi Arabian visitors grasped the largest share of 14% in the total, followed by 12% for the nationals of the United Arab Emirates, and 7% for Kuwait. In fact, tourist spending by Saudi Arabian and Kuwaiti visitors recorded double-digit increases of 15% and 28% compared to last year while spending by UAE tourists fell by 9%. Tourist spending from US, Qatar and Syria rose by a yearly 11%, 7% and 32%, respectively.

Heavy spending was mainly registered in the fashion and clothing category that captured a share of 69% of the total followed by 16% for watches and jewelry. Spending on fashion and clothing edged up by 4% while spending on watches and jewelry grew by 5.5%.

The capital Beirut is where 80% of tourist expenditures took place while 19% were disbursed in Mount Lebanon. Worth noting, tourism spending in Verdun increased by a remarkable 20%, which can be linked to the opening of ABC Verdun Mall in August.

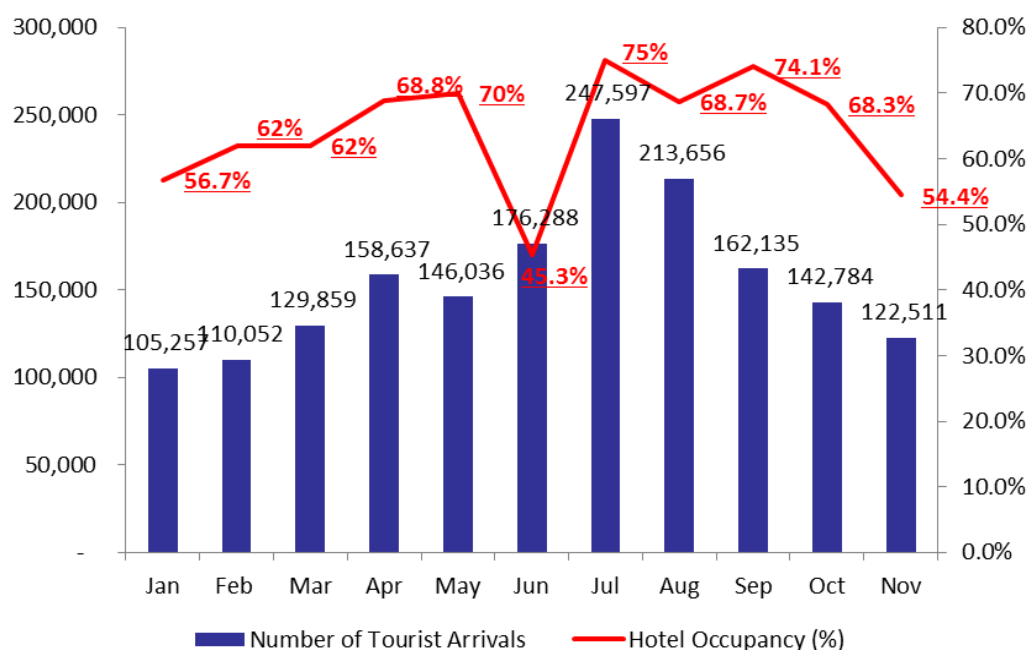
Composition of Tourist Spending in Lebanon



Source: Global Blue

According to Ernst and Young's Middle East Hotel Benchmark Survey, the occupancy rate of Beirut Hotels surpassed the 64% rate recorded back in 2011 to reach 64.8% by November 2017. Hotel occupancy in Beirut recuperated in the summer as well as during the Easter vacation in April. However, the resignation of PM Saad Hariri and the instability on the political front, in November 2017, weighed down on both the number of tourists as well as hotel occupancy rates which fell by monthly 14.2% and 13.9%, respectively. The average room rate increased from \$141 in 2016 to \$152 in 2017 and the Revenue per Available Room from \$84 in 2016 to \$99 in 2017.

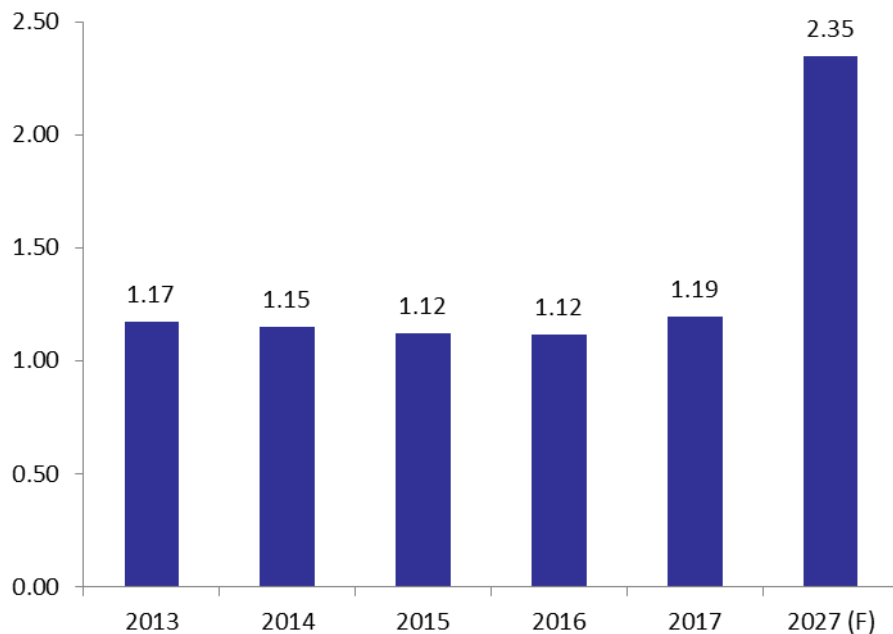
Monthly Tourist Arrivals and Hotel Occupancy rates in 2017



Source: EY, MoT

In parallel to the increase in foreign tourism spending in Lebanon, domestic tourism has been gaining momentum in the past few years. In fact, internal tourism has been on the rise specifically in the years following the political turmoil in Lebanon's neighboring countries. As a matter of fact, it reached \$1.19B, compared \$1.17 to in the year before. According to the World Travel and Tourism Council (WTTC), this trend is likely to extend to 2027 where domestic tourism expenditures would reach a value of \$2.35B. In fact, domestic tourism is expected to have grown by 4.8% in 2017 and to rise by a yearly 4.3% by 2027.

Domestic Tourism Expenditures in Lebanon (\$B)



Source: WTTC

Despite BDL injecting an additional \$500 million to the stimulus package for 2017 and the number of tourists booming, the tourism sector failed to attract further investments. According to Kafalat, the number of issued guarantees for the tourism sector dropped from 125 guarantees in 2016 to 117 guarantees in 2017.

The relative stability on the security front managed to help the tourism sector recover in 2017, despite the recurrent political shocks. Given the importance of the sector in the economy, the WTTC stated that in 2017 the travel and tourism industry is expected to, directly and indirectly, support 338,000, constituting 18.9% of total employment. For the year to come, tourism activity may witness another yearly progress especially if the "Paris IV" donor conference for Lebanon in March 2018 proves to be a success and if the parliamentary elections went smoothly in May.

For your Queries:

BLOMINVEST BANK s.a.l.

Research Department
Bab Idriss, Weygand Str.
POBOX 11-1540 Riad El Soloh
Beirut 1107 2080 Lebanon

Research Department
Tel: +961 1 991 784
research@blominvestbank.com

Dina Antonios
Tel: +961 1 991 784
dina.antonios@blominvestbank.com

Marwan Mikhael, Head of Research
marwan.mikhael@blominvestbank.com
+961 1 991 782

Disclaimer

This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.