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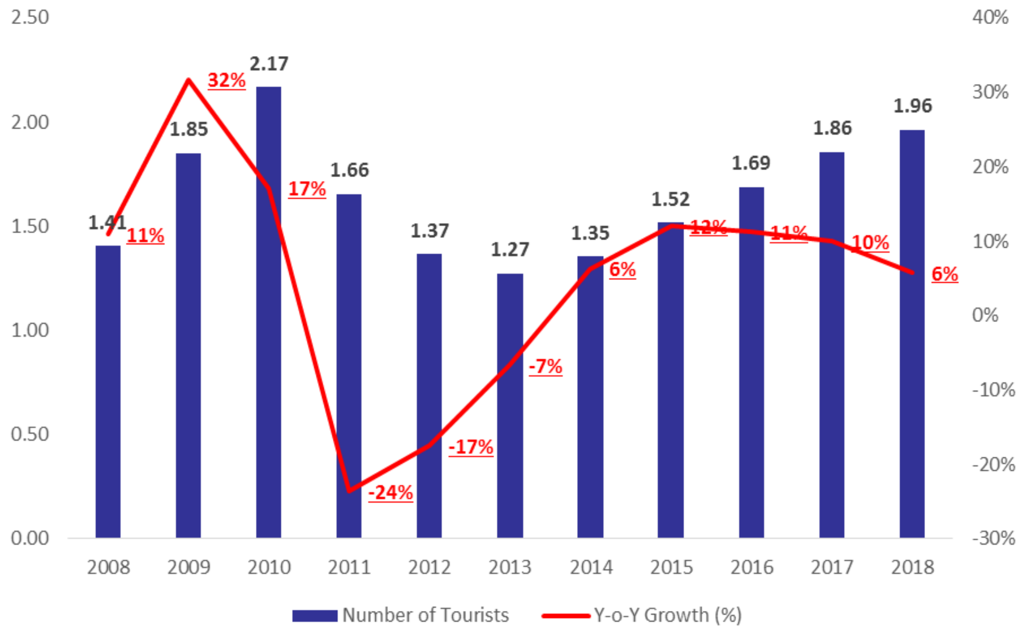
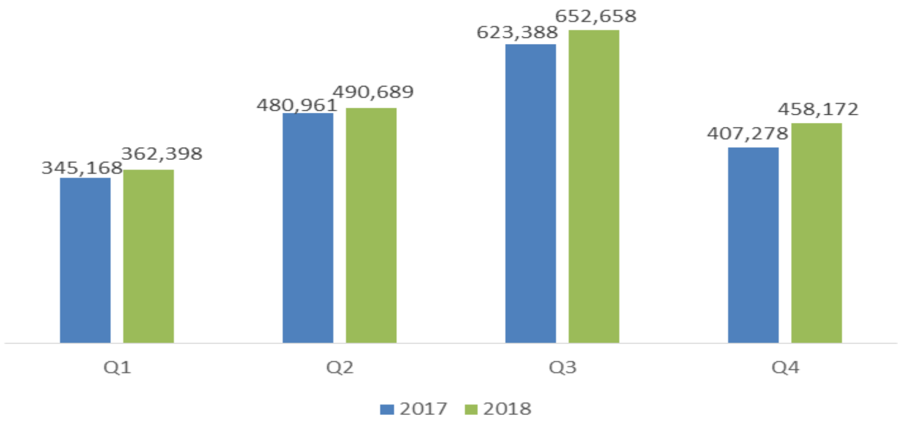
Tourist Arrivals Evolution (in Millions)



As one of the fastest growing economic sectors in Lebanon, the tourism sector continued its upward trend during 2018. Despite a 9-month governmental void and political uncertainty, tourism in Lebanon proved to be resilient, backed up by its reputation as one of the top Middle Eastern attractions for leisure. In fact, Lebanon ranks second in the Middle East when it comes to the sector's total contribution to GDP, estimated at $9.3B in 2017, or 18% of GDP. However, Lebanon's tourism was one of the main factors driving GDP growth downwards, as the slight increase of 0.87% in nominal spending, can be translated into a 3% yearly fall in real terms. Hence, tourism contributed negatively to the GDP growth during 2018.

Moreover, according to the Ministry of Tourism, tourist arrivals maintained their recovery, increasing by an annual 6% in 2018 to reach 1.96M tourists, its highest number after the record 2M registered in 2010. Airport passengers also witnessed a significant improvement during 2018, recording an annual 7.88% rise to 8.89M.

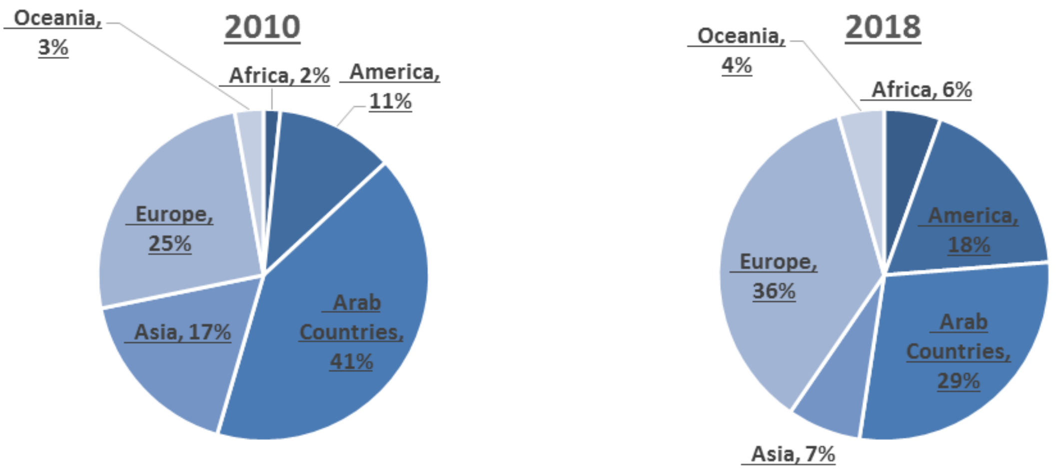
Tourist Arrivals by Quarter



Tourism was slow in the first two quarters of the year, exhibiting a 3.29% yearly rise. Early-on in 2018, investors and nationals adopted a cautious wait-and-see attitude in anticipation of Lebanon’s April Cedre pledge outcome as well as the awaited parliamentary May elections. These last engendered a political impasse exceeding 5 months, with no government formation while the Cedre grants were tied to reforms yet-to-be implemented.

The summer season as well as the end of year festivities contributed to the significant increase in the total number of tourists in the second half of the year. Accordingly, total number rose by 7.78% and hotel occupancy rates stabilized at 64.60% by November 2018. Furthermore, according to EY’s Middle East Hotel Benchmark Survey, both the average daily rate and the revenue per available room for 4 and 5 stars hotels increased from $184 and $119 to $186 and $120, respectively. Moreover, National Geographic ranked Beirut’s New Year’s Eve festivals among the top 10 worldwide.

Tourist Composition



Tourist composition has drastically changed when compared to 2010, pre-Syrian crisis. In fact, as a result of the impediment of land borders to Lebanon through Syria, the share of Arab tourists has witnessed a major drop, falling from 41% in 2010 to almost one-third of the total in 2018. However, the number of European tourists has compensated for the fall in Arab arrivals, hence acquiring the largest share of total tourist arrivals for the seventh year in a row, with a stake of 36% in 2018. As such, Lebanon should cater and adapt to the new composition of tourists.

In details, the number of European tourists rose by an annual 10.37% in 2018 to reach 705,969. Both the British and Italian German and French tourists were the main drivers behind such an increase, recording respective rises of 12.93% and 8.57% to 79,104 and 37,013, by the end of 2018. The number of incomers from the Germany, France and Turkey also saw respective yearly improvements of 5.31%, 6.79%, and 8.40% to 104,167, 181,321 and 32,744 in 2018.

Given the travel ban imposed on GCC nationals in late 2017, the number of Arab tourists stagnated in 2018. In fact, the total number of Arab arrivals registered a mere 0.22% annual improvement to reach 562,535. As such, the number of Emirati, Saudi and Kuwaiti tourists recorded respective yearly falls of 7.86%, 2.96%, and 1.62% to 1,770, 61547, and 40,382 in 2018. However, this drop was offset by the 10.51% and 2.09% increase in Egyptian and Jordanian tourists, which reached 92,173 and 92,920, respectively.

Despite the shift in tourism composition, GCC nationals remain on being the number one spenders in Lebanon, grasping a total share of 36% of total spending in 2018. According to Global Blue, average tourist spending in Lebanon, based on tourists claiming the VAT back on their purchases, increased by a mere 0.87%. In details, spending increased mainly on the back of the significant rises in VAT claims from Syrian, Qatari and Egyptian citizens. Moreover, the total number of refund transactions also witnessed an annual rise of 5.53% in 2018.

Heavy spending was mainly registered in the fashion and clothing category that grasped a share of 67% of the total, followed by 18% for watches and jewellery. Spending on “fashion and clothing” and “watches and jewellery” increased by an annual 2.86% and 21.40% at the end of 2018.

In addition to the slight improvement in foreign tourist spending, internal tourism spending has been on the rise in the past few years. The hospitality market in Lebanon has been offering new opportunities by introducing a new range of accommodation types, including boutique hotels, hostels, guest houses and furnished apartments. Hence and according to the World Travel and Tourism Council (WTTC), internal tourism consumption is expected to grow by 6.7% in 2018 and by a yearly 5.8% by 2028.

Tourism remains on being a main pillar in the Lebanese economy, despite frail economic performance during the year. The lift of the Saudi ban could pave the way for the return of the wealthy; however, Lebanon is in dire need for drastic changes to maintain the upward movement in this sector. The Lebanese tourism sector sees many opportunities to further grow, either through its medical tourism or through becoming a business hub for the region, given Lebanon’s large exhibition centres. In order to achieve this, the government has not only to implement a strategy that markets these potential touristic cites, but also to prepare the right infrastructure (airport, roads, waste management…).

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