



Tourism is a prime revenue to the Lebanese economy. Alongside construction and real estate which are currently in a slowdown, the tourism sector is also a driver of economic growth in the country. Lebanon is renowned for its cultural, rural, and religious tourism which render it a rich and unique destination for tourists, namely Arabs, Europeans, and Americans. Since 2011, the spillovers from the Syrian crisis sent tourist arrivals and tourist spending to new lows. In addition, regional pressures were imposed in the form of travel warnings, airline restrictions, and a GCC ban - all amid a country struggling to maintain its internal security and stability.

Nonetheless, Q4 of 2016 brought about positive developments on the political, national fronts. These were carried forward onto the first months of 2017 and a recovery was nurtured by the improved tourism in summer 2017. With the election of a president for the republic and the formation of a cabinet, national efforts succeeded to mend relations and break the curse of the GCC travel ban. The tourism sector witnessed a recovery by August 2017, with both main parameters: tourist arrivals and spending improving solidly, compared to the shy recovery that started in 2014. However, compared to tourism in 2010, a complete recovery in the tourism sector is still a long way ahead.

Overview: The Recovery in Lebanon's Tourism

The recovery in Lebanon's tourism by August 2017 stands more robust than 2014's, marked by moderate improvements in tourist arrivals as well as tourist spending. Tourism in Lebanon was majorly afflicted in 2011, yet 2014 recorded the first "marginal" recovery in the sector as the Syrian crisis still weighed down on the sector's activity. The number of tourists rose incrementally by 0.68% y-o-y to 897,106 tourists by August 2014 while tourist spending declined by 6% y-o-y, recording a minor deceleration in its slump. The recovery was more pronounced by August 2015, recording a 16.57% y-o-y uptick in the number of tourists to 1.05M, accompanied by a 7% increase in tourist spending as per *Global Blue*. With a sharp 14% slump recorded in 2016's tourist spending, the recovery of tourism was mixed until Q4 2016. The quarter then carried positive developments on the country's political and regional fronts, which spurred a solid rise in tourist arrivals and tourist spending by August 2017.

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Contact Information

Jr. Analyst: Rouba Chbeir

rouba.chbeir@blominvestbank.com

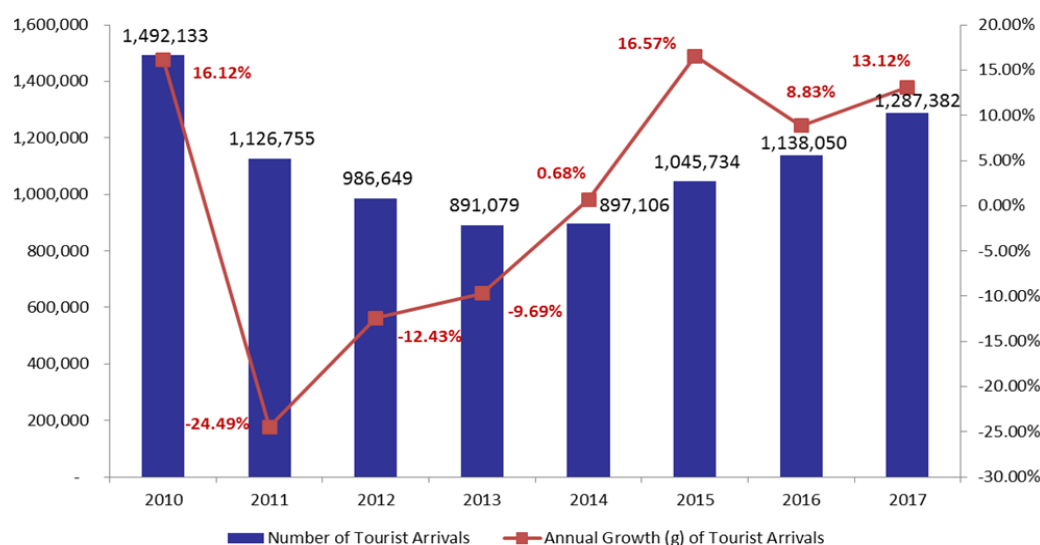
Head of Research: Marwan Mikhael

marwan.mikhael@blominvestbank.com

Research Department

Tel: +961 1 991 784

Tourist Arrivals in Lebanon by August



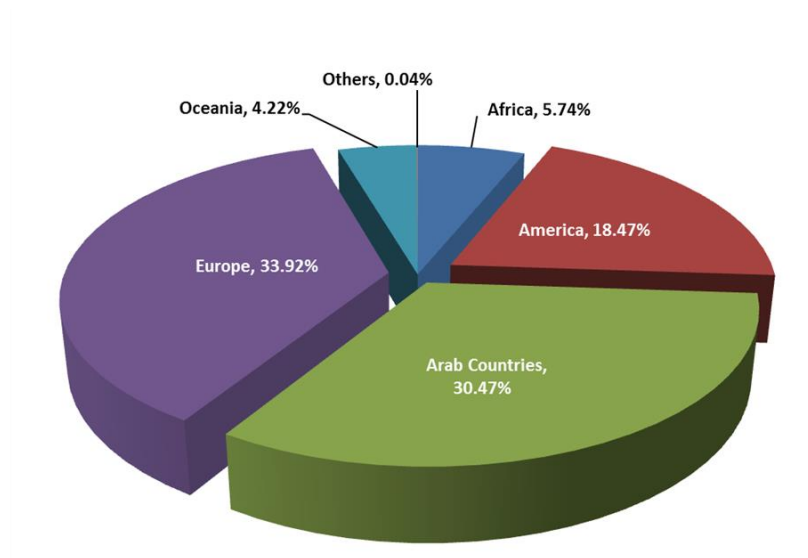
Source: BLOMInvest ; Data, Ministry of Tourism

In details, tourist arrivals rose to a 7-year high by August 2017, following key national and regional developments. The first 8 months of the year including the peak summer season, revealed tourist arrivals rose by 13.2% year-on-year (y-o-y), soaring to a 7-year high of 1.29M visitors by August 2017. The new presidential era spurred a sense of security in Lebanon, and by February 2017, the GCC travel ban was finally lifted. Nonetheless, the number of tourists failed to surpass the country's 2010 level considered one of Lebanon's golden years when Lebanon hosted 1.5M visitors, prior to the start of the Syrian war in 2011.

Breakdown of Tourist Arrivals

European tourists grasped the lion's share of total tourist arrivals to Lebanon, hitting an 8-year high by August 2017. The national developments were perceived by the international community as a confident grip on the country's internal stability and security. Hence, the total number of European tourists (constituting 33.92% of total tourist arrivals) hit the 8-year high of 436,619 visitors, as compared to the 386,628 welcomed in the country by Aug. 2016. The number of French tourists (9.22% of total tourists), Germans (5.52% of total tourist arrivals), and British (3.77% of total tourists) registered annual upticks of 17.07%, 15.28%, and 13.66%, respectively, to stand at 118,737 French tourists, 71,043 Germans and 48,557 British visitors. The number of Swedish, Italian, and Turkish tourists also recorded yearly growth rates of 14.91%, 13.55%, and 23.5% to stand at 28,889, 22,480, and 19,492 visitors, respectively. It is worthy to note that Europeans primarily boost the country's cultural tourism offered through Lebanon's museums, historical, and archeological sites.

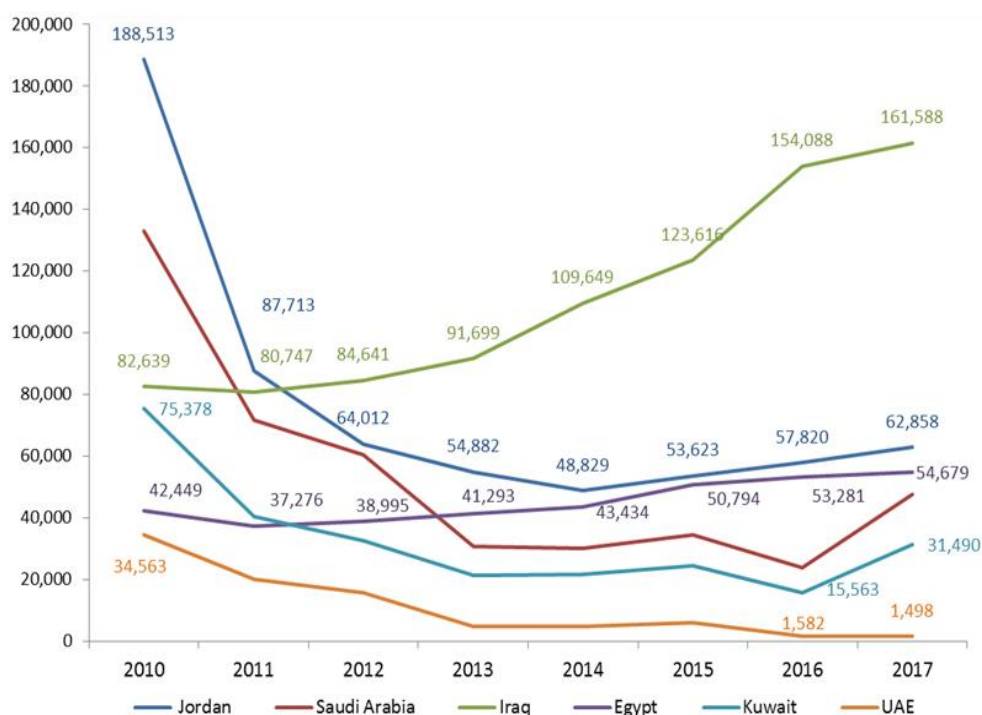
Breakdown of Tourist Arrivals to Lebanon by Nationality by Aug. 2017



Source: BLOM Invest ; Data - Ministry of Tourism

Ranking second, Arab nationals visiting Lebanon hit a 7-year high with the composition of Arab tourists is shifting favorably compared to last year. By August 2017, the number of visiting Arab nationals (of which: Jordan, KSA, Iraq, Egypt, Kuwait, UAE) continued to recover, hitting a 7-year high with Lebanon welcoming 392,203 Arab visitors.

Number of Arab Tourists by August



Source: BLOMInvest; Data - Ministry of Tourism

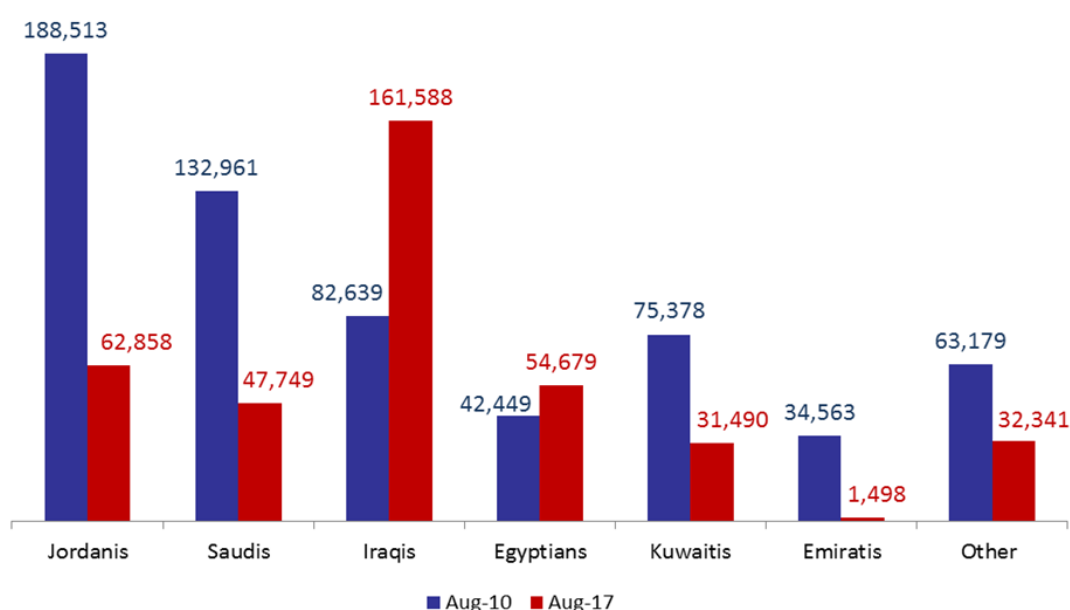
The largest annual increases among Arab visitors were recorded for GCC nationals (excluding Emiratis), while all others continued rising incrementally. This is important to note as Kuwaitis and Saudis are the two largest spenders

and growth contributors. As such, tourists from the KSA and Kuwait climbed from 23,711 and 15,563 by Aug.2016 to 47,749 and 31,490 visitors by Aug. 2017, while Jordanians rose by a yearly 8.71% to 62,858 and Iraqis climbed by a marginal 4.87% y-o-y to 161,588 visitors.

In Focus: GCC Nationals in 2010 v/s 2017

The recovery in the tourism sector however remains partial, as the number of GCC nationals lagged behind 2010 levels. Compared to the tourist composition before the afflictions of the Syrian Crisis, the number of GCC nationals is still subdued. Egyptians& Iraqis fleeing their insecure hometowns still exceeded the country's large spenders (namely from KSA and Kuwait) as follows:

Total Arab Tourists by August: Pre- Syrian v/s Today



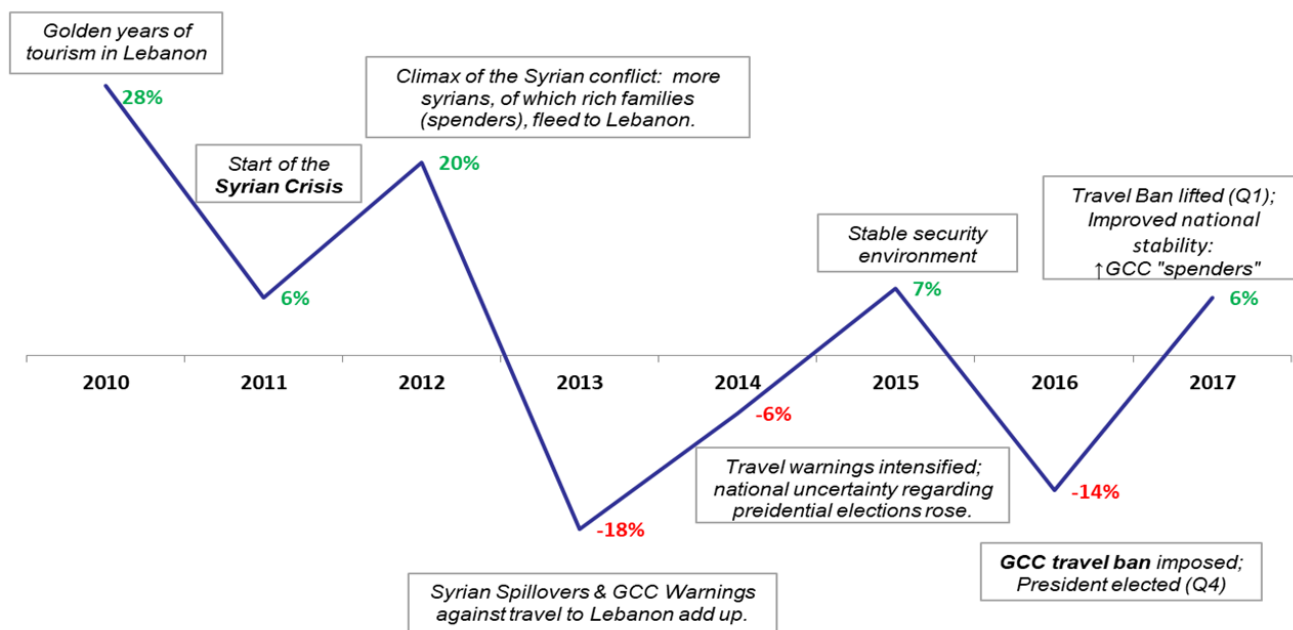
Source: BLOMInvest; Data- Ministry of Tourism

This may signal shy tourist spending and a slower economic growth driven by the tourism sector for the country, compared to the highs registered in 2010 when the sector was at its best.

Tourists from the Americas ranked third by August 2017. These grasped a stake of 18.47% of total tourist arrivals over the period. In details, visitors from the United States (10.09% of total tourist arrivals) and Canada (6.40% of total) recorded yearly growth rates of 16.6% and 14.76% to reach 129,887 and 82,386, respectively by august 2017. Americans made it among the top 3 this year mostly owing it to the rise in the number of Lebanese expatriates visiting Lebanon. Following the optimistic national developments by Q4 2016, the local environment enhanced the perceived stability in the country such that the promising outlook encouraged expatriates to visit, whether to tour the country or spend long holidays (Eid El Fitr) with their families.

Tourist Spending: Timeline and Drivers

Evolution and Key Drivers of Tourist Spending in H1 2017



Source: BLOMInvest; Spending Data- Global Blue

Tourist spending grew by 6% y-o-y in H1 2017, driven by GCC nationals, but it did not entirely capture the increase recorded in tourist arrivals. As the foreign relations with the GCCs (except the UAE) were mended in February this year, the travel ban that crippled Lebanon's tourism sector for the past 4 years was finally lifted. GCC nationals were consistently the country's largest spenders, and in H1 2017, Saudi visitors accounted for the largest portion of 15% of total tourist spending, followed by 12% for Emirati nationals, and 7% for Kuwaiti tourists. It's worthy to note that spending by Emirati tourists fell by an annual 7%. It followed that the number of Saudi and Kuwaiti incomers more than doubled in H1, climbing from 14,415 and 9,121 visitors by June 2016 to 28,870 and 18,969 tourists by June 2017, respectively. In turn, Saudis' and Kuwaitis' spending rose by the 19% and 47% y-o-y, respectively, compared to H1 2016. Nonetheless, the improved tourism sector was not mirrored on all sectors of the economy, and this may be partly attributed to tourist spending growing by less than the growth in the number of tourist arrivals.

European and non-Arab tourists take up less than 5% of total tourist spending. The increasing number of Saudi and Kuwaiti tourists flocking into the country by August 2017 directly fueled the 6% annual uptick in total tourist spending because the French and American tourists only grasped 5% and 4% of the total, respectively, over the same period. Moreover, *Global Blue's* special 2017 report confirms tourists from the KSA, UAE, Qatar, and Kuwait combined accounted for 51.04% of total spending in 2009 and still took up 36.36% in 2016 despite the disruptions to the tourism sector and the GCC travel bans in the recent years.

PMI, Tourism Spending, and the Hospitality Sector

Increased tourist spending driven by Saudis and Kuwaitis fed into the Lebanese hospitality sector. The multiple recovery signs in the tourism sector and the "Visit Lebanon" initiative revitalized the local hospitality

sector. With rising tourist arrivals, total airport passengers had gained 6.8% y-o-y to hit a high of 5.54M by August 2017. Actually, the number of arrivals rose by 9.18% to reach 2.83M passengers, which exceeded the number of departures by 4.43%. Moreover, the MoT launched the “Visit Lebanon” campaign in May, an international platform that promoted Lebanon’s tourism, particularly the MICE industry (Meetings, Incentives, Conferences, and Exhibitions). The initiative attracted additional foreign tour operators, event organizers, and total participants exceeded 850 professionals coming from 65 countries. The ministry particularly noted a “high” responsiveness from the KSA, Qatar, Kuwait, Jordan, Egypt, and France, Germany and Greece among others.

Beirut was the best regional performer in hospitality by July 2017, yet, compared to 2010, tourists’ spending was unequally distributed across Lebanon. Ernest and Young’s Hotel Benchmark Survey for July 2017 revealed that Beirut was the best performer in hospitality in the region. The hotel occupancy rate in Beirut increased from 57% by July 2016 to 64% by July 2017 on the back of the summer holidays, as well as the travel ban lift for GCC nationals. This was accompanied by a rise of average rate per room from \$141 to \$152. Accordingly, revenue per room witnessed a rise of 21.4% y-o-y to \$97 by July 2017. Nonetheless, in 2010, the hospitality tapestry was different. As the occupancy rate stood at approximately 74%, the average room rate reached highs of \$259. In its turn, revenue per available room stood at an estimated \$180. Against this backdrop of high prices, tourists were compelled to look elsewhere for more affordable prices or relaxing stays in less busy regions, so their spending reached hotels and sectors in different Lebanese regions and this revitalized the economy at large back then.

As such, the improvements in tourism in H1 2017 were further masked by the magnitude of the past slumps in the sector. The Purchasing Manager’s Index (PMI), among other parameters failed to reveal improvement in parallel to the higher tourist spending. First, the past slumps recorded in spending patterns of visitors especially in 2013, 2014, and 2016 were too large to outweigh. Second, the unequal distribution of spending explored above also partly justifies why the PMI remained subdued amid these recent developments.

Looking Forward: Main Upcoming Developments

The 2017 outlook for Lebanon’s tourism sector is optimistic according to the World Travel and Tourism Council’s latest report (WTTC). The WTTC’s latest report reveals the direct contribution of Travel & Tourism to GDP in 2016 stood at LBP 4,983.8B (USD3.3B) or 7% of total GDP, and is projected to rise by 2.9% to LBP 5,130B in 2017. This is a good indication to the future improvement in the economic contribution of hotels, travel agents, and airlines mainly.

The national developments also prove optimistic for tourism in 2017. Multiple factors are at play on a national level in the coming period. The relationship with Arab countries has proved crucial and essential to spur economic growth. By August 2017, relations with the GCC were on the mend, except with the UAE, which may prove critical to boost tourist spending further. Also, the next parliamentary elections are scheduled for May 2018 with a new electoral law passed earlier in June. Therefore, the adoption of the new law and the organization of the elections are expected to facilitate policy-making and diminish the risks of social unrest perceived by potential tourists. Last but not least, *Visit Lebanon’s* outcomes according to Horeca resulted in, “94% of hosted buyers express[ing] their willingness to program Lebanon on their next destination list in the next year; almost 33% of them immediately, and 23% in the next six months and 20% within the next three months.” Developments on these fronts can support or inhibit the recovery of tourism in the coming period.

For your Queries:

BLOMINVEST BANK s.a.l.

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

Rouba Chbeir, Jr. Analyst

rouba.chbeir@blominvestbank.com

+961 1 991 784

Marwan Mikhael, Head of Research

marwan.mikhael@blominvestbank.com

+961 1 991 782

research@blominvestbank.com

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