



غرفة التجارة والصناعة والزراعة
Chamber of Commerce Industry
and Agriculture
of Beirut and Mount-Lebanon في بيروت وجبل لبنان

THE LEBANESE ECONOMY IN 2018

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INTRODUCTION

A gloomy economic outlook depicts an overall economic sluggishness and slow-down of main macro-economic indicators for 2018 and real GDP growth reached ground levels amidst persistent geo-political unrest.

A tightened fiscal policy coupled with regional instability and political adversities are factors that undermined economic growth. The lack of structural administrative and fiscal reforms is restraining furthermore economic activity as the public debt to GDP ratio stood at 151 percent and the budget deficit reached \$6.3 billion in 2018, the largest budgetary shortfall of the decade and 70 percent higher than last year's budget deficit

On the external side, should the cumulative deficit in the flow of foreign currencies – a proxy measure of the balance of payments bottom line – continue on an upward path, as the deficit registered new highs of \$4.8 billion in 2018 and \$5.4 billion in the first six months of 2019, worries of an unchecked deterioration of the balance of payments situation will heighten. The current account and trade deficits widened furthermore to reach \$12.4 billion (24 percent of GDP) and \$17 billion, respectively.

On the monetary policy front, the tightening in liquidity translated by the ceasing of the subsidized housing loan program by the Central Bank of Lebanon and the reduction in private sector financing, is decelerating economic growth.

Macro-economic fragility is expected to persist in the coming year if policy-makers were unable to restore growth and stability on the political and the security fronts; major determinants of both investor and consumer confidence.

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PART I – THE MACRO ECONOMY

- A. Indicators of Economic Performance**
- B. Money and Banking**
- C. Public Finance**
- D. Foreign Trade**

PART II – SECTORS OF ACTIVITY

- A. Agriculture**
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A. Indicators of Economic Performance

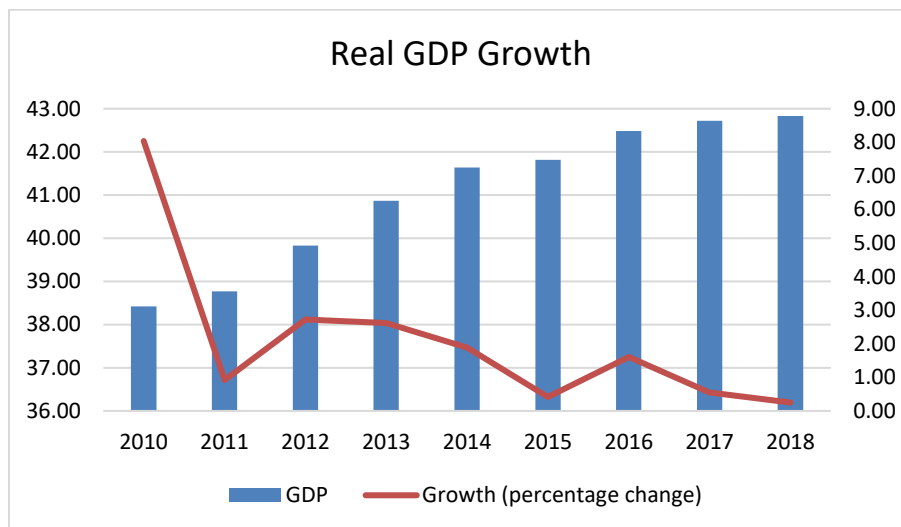
1. Gross Domestic Product

The nominal Gross Domestic Product (GDP) stood at \$56.4 billion in 2018. In real terms, GDP growth stood at nearly 0.25 percent compared with less than one percent in 2017.

In the wake of the four years of heady growth from 2007 to 2010 during which the measure of economic activity expanded at an average pace of more than 13 percent a year, economic growth barely remained in positive territory over the past couple of years.

<i>in billion \$ (at constant prices)</i>	GDP	Growth (percentage change)
2010	38.42	8.04
2011	38.77	0.92
2012	39.83	2.72
2013	40.87	2.62
2014	41.64	1.88
2015	41.81	0.42
2016	42.48	1.61
2017	42.72	0.55
2018	42.83	0.25

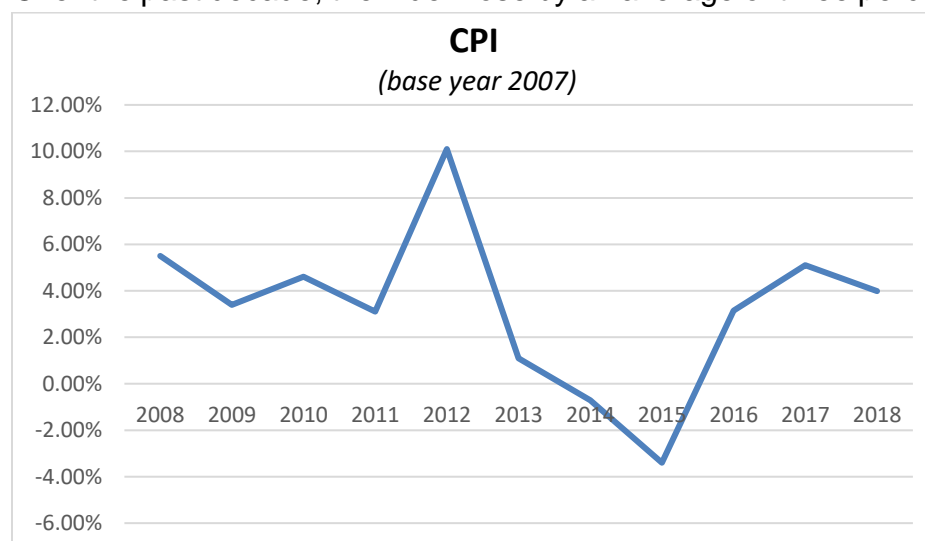
Source: IMF



2. Inflation

The Consumer Price Index computed by the Central Administration of Statistics shows that the prices of goods and services monitored for the purposes of the index increased by nearly four percent in 2018 compared to a 5.1 percent increase in 2017.

Over the past decade, the index rose by an average of three percent.



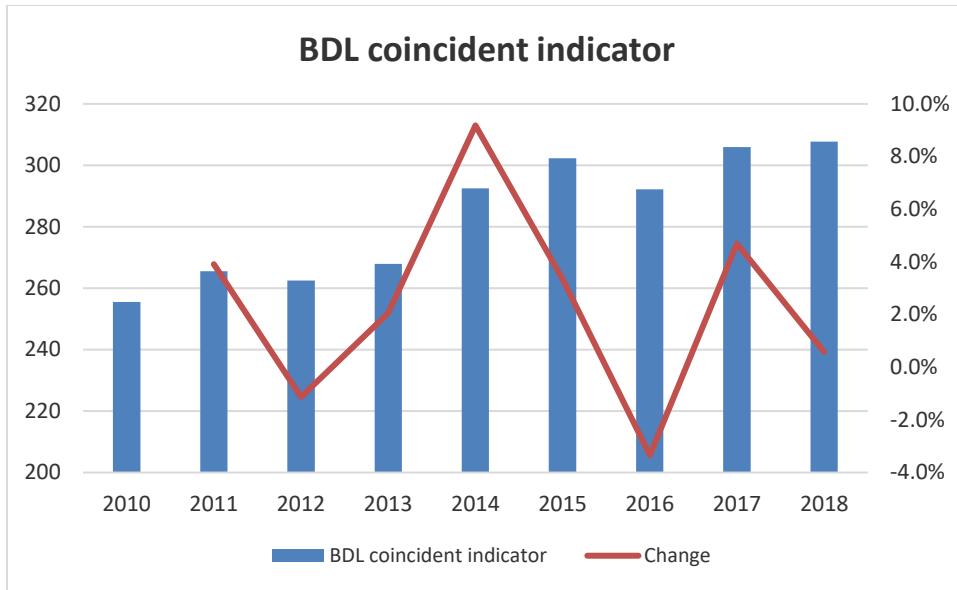
	CPI (base year 2007)
2008	5.5%
2009	3.4%
2010	4.6%
2011	3.1%
2012	10.1%
2013	1.1%
2014	-0.71%
2015	-3.4%
2016	3.14%
2017	5.10%
2018	3.98%

3. Growth indicator

The Central Bank's coincident indicator, a synthesized gauger of economic activity, remained nearly unchanged in 2018 compared to a five percent increase in 2017.

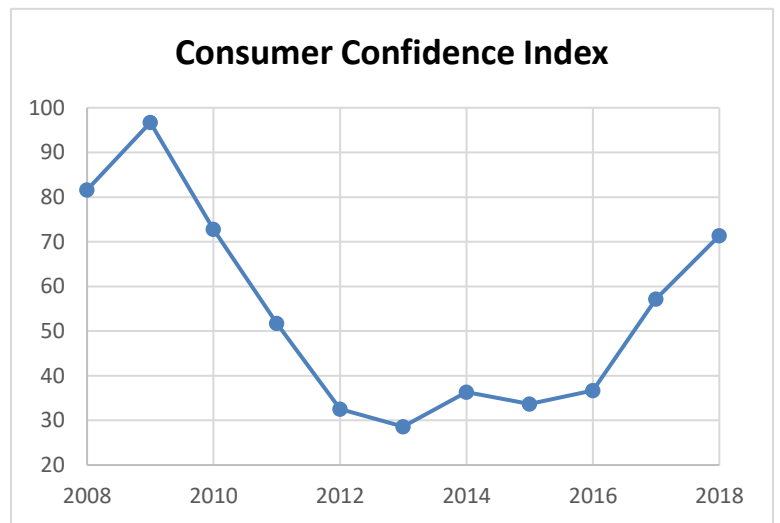
Though not a leading indicator of GDP growth, this concurrent indicator reflects minor growth dynamics within the economy over the short term.

	BDL coincident indicator	Change
2010	255.5	
2011	265.5	3.9%
2012	262.5	-1.1%
2013	267.9	2.1%
2014	292.5	9.2%
2015	302.3	3.4%
2016	292.2	-3.3%
2017	305.9	4.7%
2018	307.7	0.6%



4. Consumption

The Consumer Confidence Index¹, a leading indicator that captures consumer perception about their financial situation and about economic prospects in general, has been on a downward path over four years in a row but has picked up during the past couple of years.



The index trend over the past seven years reflects consumers' pessimistic

outlook towards general economic conditions; but has nonetheless surged by 55.9 percent in 2017 to reach 57.2, compared to a nine percent growth in 2016 and by 25 percent in 2018. However, this index remains 26 percent lower from its highest value registered in 2009.

Consumption being the largest component of GDP, factors that undermine consumer spending expectedly reduce the rate of growth of aggregate demand and hence GDP

¹ Prepared by Byblos Bank and the American University of Beirut.

growth. From here stems the importance of measuring households' expectations about future prospects of the economy, for these expectations will become a self-fulfilling prophecy. If consumers have negative expectations, they will more likely restrain their consumption and hence pull down GDP growth but if they are positive about future economic conditions, this will translate in an increased consumption and by the same stroke a surge in economic growth.

5. Foreign Direct Investments

According to the UNCTAD World Investment Report 2019, the value of foreign direct investment (FDI) went up by 11.5 percent in 2018 compared to last year's value and stood at \$2.9 billion. As a percentage of GDP, FDI inflows remained nearly unchanged at stood at 5.14 percent of GDP.

FDI Outflows stood at nearly one billion dollars in 2018, a 24 percent drop from their value in 2017.

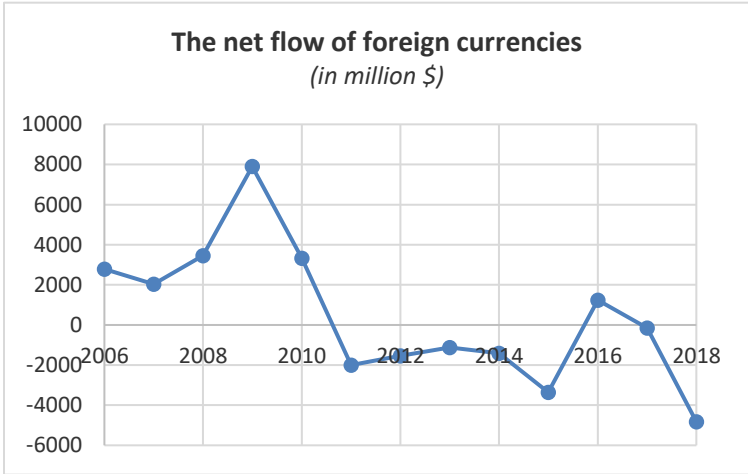
Year	FDI inflows (in billion \$)	FDI inflows % of GDP
2010	3.7	9.6%
2011	3.2	8%
2012	3.1	7.1%
2013	2.7	5.9%
2014	2.9	6.1%
2015	2.3	4.6%
2016	2.6	5.1%
2017	2.6	5.0%
2018	2.9	5.14%

Source: UNCTAD, World Investment Report 2017

FDI inward stock reached around \$66.2 billion by end of 2018, an eight percent increase from its 2017 value and a 49.4 percent increase from its value in 2010. FDI outward stock stood at \$16 billion in 2018; 15 percent higher compared with its value reached in 2017.

6. The net flow of foreign currencies

The net flow of foreign currencies to the banking sector showed, for the second year in a row, a negative balance of \$156 million in 2017 and a substantial record low deficit of \$4.8 billion in 2018, compared with a surplus of \$1.24 billion last year. This shortfall comes after a five-year streak of deficits between 2011 and 2015.



Should the cumulative deficit in the flow of foreign currencies – a proxy measure of the balance of payments bottom line – continue on an upward path, as the deficit hits \$5.4 billion in the first six months of 2019, worries of an unchecked deterioration of the balance of payments situation will heighten.

	The net flow of foreign currencies												
<i>(in million \$)</i>	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Central Bank	246.6	-830.8	7,282.60	8,693.10	3,201.10	2270.7	581	1,846	3,815	-473	3,866	1,609	-2,290
Banks	2,545.00	2,867.40	-3,821.10	-794	123.4	-4266.9	-2119	-2,973	-5,222	-2,881	-2,628	-1,766	-2,533
Balance	2791.6	2036.6	3461.5	7899.1	3324.5	-1996.2	-1538	-1,128	-1,407	-3,354	1,238	-156	-4,823

B. Money and Banking

1. The Central Bank

Foreign assets held by the Bank of Lebanon decreased slightly from their historic high of \$47.8 billion reached in 2017 and stood at \$44.3 billion.

The foreign currency component of the Central Bank's foreign assets forms 23 percent of the Central Bank's balance sheet total, whereas the gold component represents nearly eight percent of the balance sheet. Foreign assets represent the largest component of BDL's assets and form 31 percent of its balance sheet total.

	Foreign assets held by the Bank of Lebanon									
(in billion \$)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Foreign Assets	35.7	41.6	45.2	45.3	42.8	43.4	40.5	44.7	47.8	44.3
Gold	10.1	13.0	14.4	15.3	11.1	11.0	9.9	10.7	12.0	11.8
Foreign Currencies	25.7	28.6	30.8	30.0	31.7	32.4	30.6	34.0	35.8	32.5

The securities portfolio is the second largest part of the Bank's balance sheet and constitutes 27 percent of total assets. That portfolio which represents the Central Bank's holdings of public debt instruments expanded by almost seven percent in 2018 and its value was multiplied by a factor of 3.7 between 2009 and 2018. This portion of the public debt, is in the nature of high-powered money injected into the system; as such, it contributes to the building of destabilizing pressures. However, and to the extent that change in the volume of this 'monetized' portion of the public debt stems from a policy decision, it would constitute a flexible instrument of liquidity management at the disposal of monetary authorities.

On the liabilities side, deposits of banks and financial institutions grew by 23 percent in 2018 compared to a 16 percent surge in 2017, to reach the equivalent of approximately \$119 billion. These deposits currently constitute around 85 percent of the Central Bank's total liabilities.

The balance sheet of the Bank of Lebanon

<i>(in billion LL)</i>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assets										
Foreign Assets	53,851	62,724	68,163	68,267	64,547	65,356	61,033	67,436	72,011	66,782
Claims on Private Sector	333	350	380	380	401	449	451	412	422	420
Loans to Banks and Financial Institutions	1,803	1,136	2,099	2,438	3,466	6,361	7,574	9,645	19,185	50,669
Claims on Public Sector	293	218	140	55	0	0	0	0	0	0
Securities Portfolio	15,525	17,681	19,847	24,990	23,846	29,314	36,924	49,039	53,435	57,265
Fixed Assets	412	404	358	387	379	342	331	327	361	348
Unclassified Assets	8,812	11,868	14,986	19,096	23,462	27,371	13,345	10,012	14,775	18,411
TOTAL	81,029	94,381	105,973	115,613	116,100	129,194	137,036	154,249	178,269	211,952
Liabilities										
Currency in Circulation outside BDL	2,730	3,088	3,283	3,638	3,983	4,254	4,706	5,285	5,662	5,861
Deposits of Banks and Financial Institutions	51,950	59,559	69,752	77,111	82,033	97,979	109,914	125,741	146,240	179,495
Liabilities to the Private Sector	36	45	42	49	50	68	80	46	42	31
Public Sector Accounts	8,932	9,312	7,985	8,908	11,033	9,123	8,154	8,312	8,892	7,578
Valuation Adjustment	6,761	11,170	13,285	14,708	8,426	8,146	6,401	7,707	9,726	9,464
Securities Other than Shares	3,015	3,015	3,015	3,015	2,605	1,867	0	0	0	0
Foreign Liabilities	594	353	329	326	328	325	321	320	497	495
Special Long-term Liabilities	2,520	2,503	2,503	2,202	1,900	1,598	1,297	844	844	844
Capital Accounts	3,342	4,280	4,556	5,080	5,134	5,174	5,340	5,429	5,540	5,581
Unclassified Liabilities	1,149	1,056	1,223	576	608	661	824	565	826	2,602

2. Money supply

In 2018 almost all measures of money supply (except M₂) grew at higher growth rates compared to 2017. The growth rate of the M₁ measure of money supply was the highest, it grew by 9.4 percent. M₂ witnessed for the second year in row, a drop in its growth rate that reached three percent in 2018. M₃ grew by 2.1 percent in 2018 compared with 4.2 percent in 2017. M₄ grew at 2.3 percent, nearly two percent lower than its last year's growth rate.

		Money supply									
		<i>(in billion LL)</i>									
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
M1		4,840	5,728	6,138	7,104	7,620	8,301	9,042	10,159	10,655	11,661
<i>growth</i>		13.38%	18.35%	7.16%	15.74%	7.27%	8.93%	8.93%	12.35%	4.88%	9.40%
M2		51,489	59,402	58,643	65,077	68,749	73,400	78,620	82,428	79,113	76,828
<i>growth</i>		37.95%	15.37%	-1.28%	10.97%	5.64%	6.77%	7.11%	4.84%	-4.02%	-3.00%
M3		123,732	138,910	146,576	156,797	167,571	177,397	186,360	200,192	208,613	212,993
<i>growth</i>		19.54%	12.27%	5.52%	6.97%	6.87%	5.86%	5.05%	7.42%	4.21%	2.10%
M4		131,085	146,821	154,365	164,679	176,807	187,826	197,369	210,989	219,354	224,437
<i>growth</i>		19.81%	12.00%	5.14%	6.68%	7.36%	6.23%	5.08%	6.90%	3.96%	2.32%

3. Credit to the private economy

<i>(in billion \$)</i>	Structure of the consolidated balance sheet of commercial banks									
	2018		2017		2016		2015		2014	
Balance sheet total	249.5		219.9		204.3		186		175.7	
On the asset side		Share in balance sheet		Share in balance sheet		Share in balance sheet		Share in balance sheet		Share in balance sheet
Loans to private sector	58.9	24%	60.3	27%	57.2	28%	54.2	29%	50.9	29%
Loans to public sector	33.6	13%	31.9	15%	34.7	17%	37.8	20%	37.4	21%
Reserves	130.8	52%	103.9	47%	89.8	44%	71	38%	63.9	36%
On the liability side										
Total deposits	178.6	72%	172.7	79%	166.4	81%	155	83%	147.6	84%

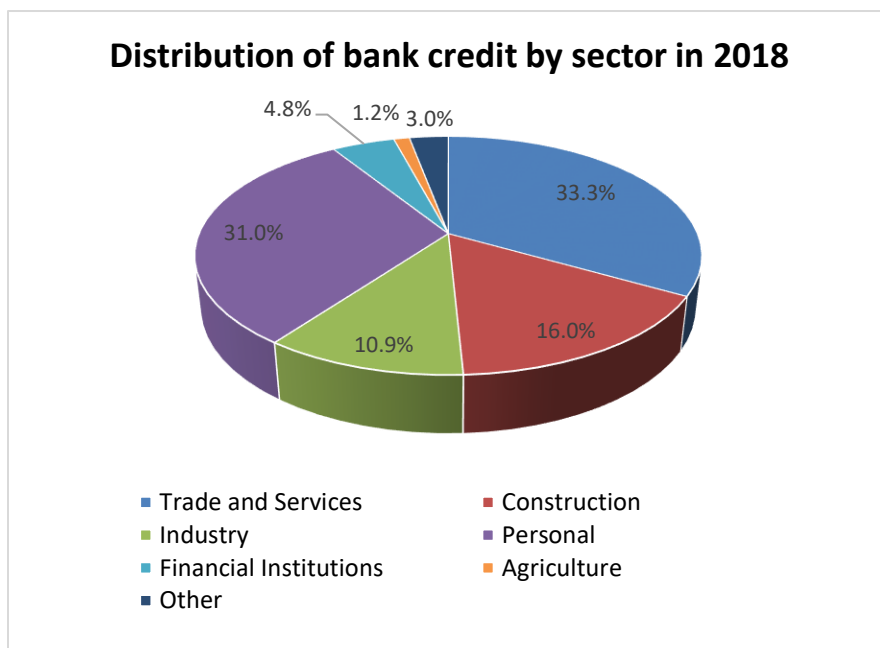
The balance sheet total of commercial banks grew by 13.5 percent in 2018 and totaled \$250 billion. On the asset side, loans to the private sector went down by 2.3 percent in 2018 and formed 24 percent of the consolidated balance sheet total. The reserves component, which constitutes the largest component of assets, nearly 52 percent, remains on an upward trend to reach \$130.8 billion in 2018 (2.3 times GDP), a 26 percent surge compared to its last year's value. These funds have the potential of financing the private economy over the short and medium terms if a portion of them was to be relinquished.

On the liability side, total deposits stood at \$178.6 billion, a 3.4 percent increase from 2017, and constitute 72 percent of total liabilities.

4. Sectoral distribution of bank credit

The sectoral distribution of bank credit underwent a radical structural change in the past decade. Personal loans granted mainly to finance all forms of consumer spending were multiplied by a factor of 7 in the period from 2000 to 2012 and by a factor of 11 in the period from 2000 to 2018. Their share in total bank credit more than doubled to account for almost a third of total bank credit to the private sector. This increase in personal loans reflects banks' preference for this high-interest, fully-secured type of lending.

In 2018 personal loans remained nearly unchanged from their value in 2017 as opposed to an eight percent increase in 2017.



Bank lending to other sectors of activity fell in relative terms from 2000 to 2018. Loans to the trade and services sectors still take up the largest portion of bank credit, but these loans constitute nearly 33 percent of the total in 2018 compared with nearly 44 percent in the year 2000. The fall in the share of loans to construction and industry was also significant, as the adjoining table shows.

Distribution of bank credit by sector												
<i>(in billion LL)</i>	2013	%	2014	%	2015	%	2016	%	2017	%	2018	%
Trade and Services	27,501	34.5%	29,373	34.0%	30,287	33.7%	31,346	32.4%	34,110	33.0%	35,016	33.3%
Construction	13,840	17.3%	14,471	16.7%	15,470	17.2%	17,414	18.0%	17,267	16.7%	16,810	16.0%
Industry	9,007	11.3%	9,320	10.8%	9,533	10.6%	9,517	9.8%	10,304	10.0%	11,453	10.9%
Personal	22,207	27.8%	24,911	28.8%	26,447	29.4%	29,662	30.6%	32,332	31.2%	32,611	31.0%
Financial Institutions	4,315	5.4%	5,171	6.0%	4,934	5.5%	5,169	5.3%	5,452	5.3%	5,042	4.8%
Agriculture	824	1.0%	994	1.1%	1,021	1.1%	1,146	1.2%	1,183	1.1%	1,259	1.2%
Other	2,082	2.6%	2,214	2.6%	2,245	2.5%	2,527	2.6%	2,846	2.7%	3,113	3.0%
Total	79,776		86,454		89,937		96,781		103,495		105,304	

5. The Beirut Stock Exchange

Trading activity on the Beirut Stock Exchange (BSE) slightly improved in 2018. The value of shares traded increased by 7.3 percent and reached 90 million.

	Shares Traded <i>(million shares)</i>	Market Cap <i>(\$ billion)</i>	Value Traded <i>(\$ million)</i>
2016	120.5	11.9	971.6
2017	83.9	11.5	752.5
2018	90	9.7	623.6

The market's capitalization fell to \$9.7 billion, down nearly 15.6 percent from its value in 2017.

The BSE is still underdeveloped and bank credit remains practically the sole source of investment financing. This deprives business enterprises of an alternative, non-bank, source of financing. At the enterprise level, the existence of such source would enable businesses to make decisions leading to an optimal debt-to-equity mix. At the level of the economy, developed capital markets help render the investment environment more attractive and competitive.

At the present, only 10 companies are listed on the BSE, two of which are industrial enterprises constituting around 0.3 percent of total market capitalization, down from nine percent in 2005.

The minimal presence of the industrial sector in the BSE is primarily due to the fact that Lebanese enterprises are mostly family-owned and are hence reluctant to expand their ownership base and relinquish decision-making.

C. Public Finance

	Fiscal performance									
(in billion \$)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Public Revenues	8.43	8.41	9.33	10.14	9.42	10.88	9.58	9.92	11.62	11.5
Total Public Expenditure	11.39	11.31	11.67	13.53	13.64	13.95	13.53	14.87	15.3	17.8
Deficit Spending	2.96	2.89	2.34	3.39	4.22	3.07	3.95	4.95	3.7	6.3
Deficit Spending / Total Expenditure	26.0%	25.6%	20.1%	25.0%	30.9%	22.0%	29.2%	33.3%	24.1%	35.4%
Debt service	4.04	3.91	3.75	3.98	3.79	4.19	4.46	4.77	5.18	5.4
Total Expenditure (excl. debt service)	7.35	7.4	7.92	9.55	9.85	9.76	9.07	10.1	10.12	12.4
Primary surplus(+), deficit (-)	1.08	1.02	1.41	0.59	-0.43	1.12	0.51	-0.18	1.5	-0.9
Revenues growth rate	20%	0%	11%	9%	-7%	15%	-12%	4%	17%	-1.0%
Expenditures growth rate	15%	-1%	3%	16%	1%	2%	-3%	10%	3%	16%

1. A worsening fiscal strain

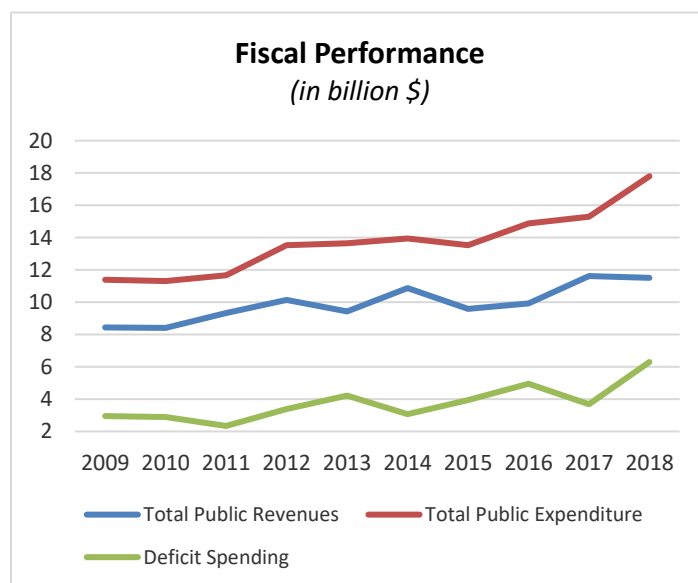
Over the past decade, public expenditure was multiplied by a factor of 1.6 to reach the equivalent of \$17.8 billion by the end of 2018, a 16 percent increase from their value in 2017. Public revenues were multiplied by a factor of 1.4 during the same period and reached the equivalent of \$11.5 billion, a one percent drop from last year's value.

The budget deficit reached \$6.3 billion in 2018, the largest budgetary shortfall of the decade and 70 percent higher than last year's budget deficit.

Between 2009 and 2018, public revenues grew at an annual average rate of 5.6 percent compared with public expenditure growth at an annual average rate of 6.3 percent.

In the ten-year period to 2018, total public expenditure excluding debt service nearly

doubled, whereas debt service grew by 35 percent in the same period. The ratio of public expenditure to GDP remained confined to a range of 30 to 35 percent throughout the decade under review, while the ratio of debt service to GDP fell markedly from 16 percent in 2003 to ten percent in 2018.



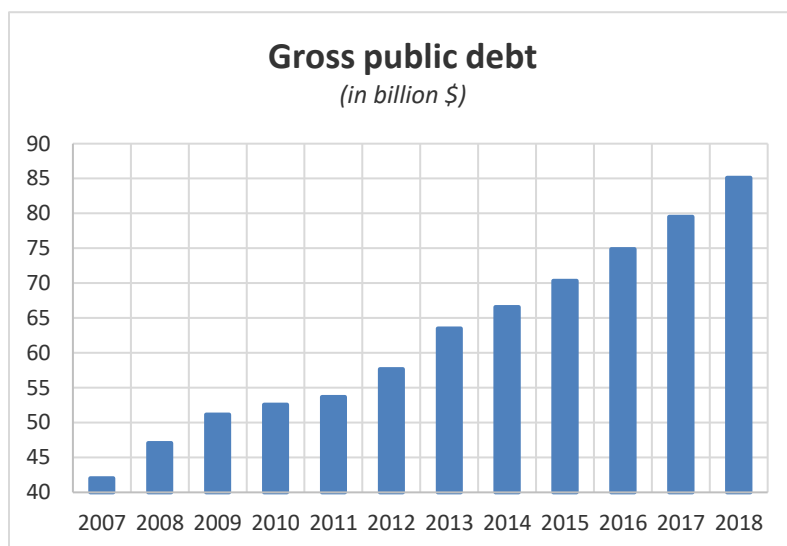
2. Public debt metrics and management

The gross public debt reached the equivalent of \$85.1 billion at the end of 2018, up seven percent from last year's value; its ratio to GDP slightly remained nearly unchanged compared to 2017 and stood at 151 percent.

The ratio of gross public debt to GDP does not constitute a measure of the economy's ability to maintain a particular level of indebtedness. The setting of the debt-to-GDP ratio as a fiscal-policy target has hitherto lent acceptance to the presumption that a decrease in this ratio is an indicator of improvement in public finances. In fact, a reduction in that ratio may be the

result of GDP growth, rather than any direct fiscal-policy achievement. Furthermore, the ratio offers no gauge of the extent to which the burden of heavy public indebtedness is disabling fiscal policy's role and impact in economic management.

Public sector deposits, which constitute the difference between the gross public debt and its net valuation, have grown over the past decade to reach the equivalent of \$9.3 billion in 2018, that is close to 11 percent of the gross debt.



The public debt (in billion \$)				
	Gross public debt	Public sector deposits	Net public debt	Gross public debt / GDP
2007	42.03	3	39.03	168%
2008	47.06	5.52	41.54	156%
2009	51.15	6.98	44.17	148%
2010	52.6	7.57	45.03	137%
2011	53.66	7.3	46.36	134%
2012	57.68	8.56	49.12	131%
2013	63.49	10.27	53.22	138%
2014	66.57	13.24	53.33	139%
2015	70.33	8.77	61.56	142%
2016	74.9	9.5	65.4	148%
2017	79.5	10.2	69.1	154%
2018	85.1	9.3	75.7	151%

D. Foreign Trade

1. The trade balance

Lebanon's recurrent merchandise trade deficit grew deeper by two percent compared with last year, to hit a total of \$17 billion in 2018.

Over the past ten years, the shortfall in merchandise trade exchange grew at a yearly average of nine percent. The 2018 deficit, which is the largest during the past three years, is almost three times larger than that of 2003.

In 2018, the country's imports were valued at nearly \$20 billion, up two percent compared with the value of imports in 2017.

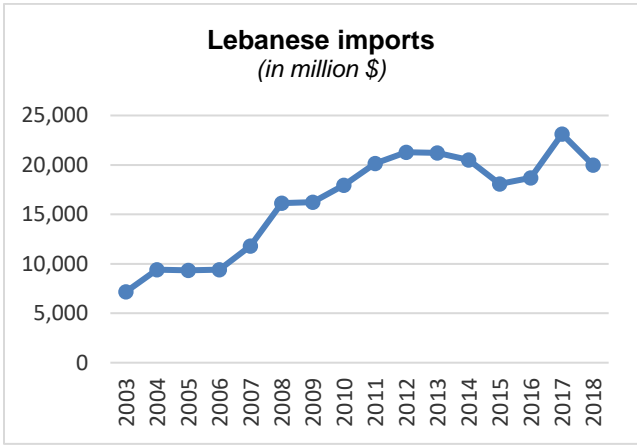
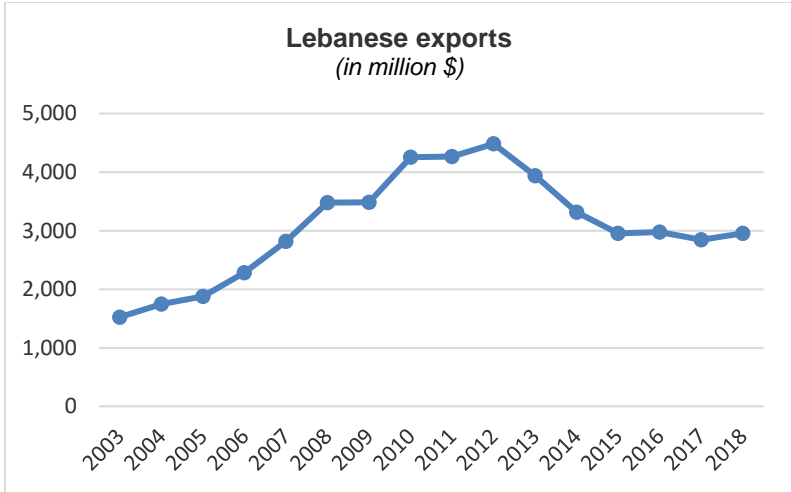
Over the past decade, the value of imports was multiplied by a factor of 1.3.

	Lebanon's trade exchange			
(in million \$)	Exports	Imports	Balance	Coverage
2003	1,524	7,168	-5,644	21.26%
2004	1,747	9,397	-7,650	18.59%
2005	1,880	9,340	-7,460	20.13%
2006	2,283	9,398	-7,115	24.29%
2007	2,816	11,815	-8,999	23.83%
2008	3,478	16,137	-12,659	21.55%
2009	3,484	16,242	-12,758	21.45%
2010	4,253	17,964	-13,711	23.68%
2011	4,265	20,158	-15,893	21.16%
2012	4,483	21,280	-16,797	21.07%
2013	3,936	21,228	-17,292	18.54%
2014	3,313	20,494	-17,181	16.17%
2015	2,952	18,069	-15,117	16.34%
2016	2,977	18,705	-15,728	15.92%
2017	2,843	19,582	-16,739	14.52%
2018	2,952	19,980	-17,028	14.77%

Total value of exports has been on a downward path for the past eight years to reach a low of \$2.8 billion in 2017 for that period and \$2.95 billion in 2018. Exports improved slightly in 2018 as they increased by nearly four percent from their total value in 2017, but remain 1.5 times lower from their record high value of \$4.5 billion reached in 2012.

Import coverage, the ratio of exports to imports, rose to 14.8 percent in 2018, a two percent decrease compared with the previous year, but perceptibly lower than the 2010 coverage ratio of 23.7 percent. At its highest, export coverage had exceeded 24 percent in 2006.

Higher prices of oil and food imports contributed to broadening the trade deficit in 2018.



2. Main suppliers

China maintains the same rank as Lebanon’s largest supplier in 2018 with imports from that country totaling \$2 billion, or ten percent of total imports in 2018.

Greece ranked second among Lebanon’s largest suppliers with imports from that country totaling \$1.7 billion, which accounted for approximately 8.5 percent of Lebanon’s import bill in 2018.

Italy ranked third in the list of Lebanon’s largest suppliers in 2018. Imports from Italy were valued at approximately \$1.6 billion in that year and accounted for eight percent of total imports.

The value of imports from Lebanon's ten largest suppliers added up to \$11.3 billion in 2018, that is 56.5 percent of total Lebanese imports.

Lebanon's largest suppliers					
2017			2018		
<i>(in thousand \$)</i>			<i>(in thousand \$)</i>		
1	China	1,879,110	1	China	2,048,129
2	Italy	1,770,426	2	Greece	1,707,858
3	United States	1,442,313	3	Italy	1,590,558
4	Greece	1,372,593	4	United States	1,438,261
5	Germany	1,228,796	5	Germany	1,168,606
6	Turkey	777,173	6	Turkey	948,600
7	France	766,503	7	France	709,217
8	Russian Federation	746,274	8	United Arab Emirates	588,452
9	Spain	555,205	9	Russian Federation	567,379
10	United Kingdom	447,132	10	Egypt	548,694
Total		10,985,525	Total		11,315,754

3. Main export markets

Lebanon's ten largest export markets took up more than 57 percent of total exports in 2018; the five largest markets accounted for nearly 40 percent of total exports.

The UAE was the largest destination for Lebanese exports, these were valued at \$457 million and accounted for 15 percent of total exports in 2018. The Saudi Arabia ranked second with \$212 million worth of exports to that country, representing seven percent of total exports and the Syrian Arab Republic ranked third with \$205 million worth of exports constituting nearly seven percent of total exports.

Lebanon's largest export markets					
2017			2018		
<i>(in thousand \$)</i>			<i>(in thousand \$)</i>		
1	South Africa	315,094	1	United Arab Emirates	457,249
2	United Arab Emirates	265,674	2	Saudi Arabia	212,380
3	Syrian Arab Republic	246,245	3	Syrian Arab Republic	205,320
4	Saudi Arabia	243,162	4	South Africa	173,991
5	Iraq	172,043	5	Iraq	147,236
6	Switzerland	133,562	6	Qatar	133,393
7	Turkey	119,525	7	Switzerland	130,731
8	Qatar	98,625	8	Turkey	127,109
9	Kuwait	91,788	9	Jordan	85,663
10	Jordan	89,419	10	Kuwait	76,507
Total		1,775,137	Total		1,749,579

4. Main imports

The share of mineral fuels imports in total imports in 2018 reached 21 percent; their value added up to \$4.2 billion. Over the past 17 years, the share of fuel imports increased by some 19 percentage points from 17.74 percent of total imports in 2001. Greece, the United States, Italy and the Russian Federation are the main suppliers of mineral fuels to Lebanon.

Main imports 2018	
<i>(in million \$)</i>	
Mineral fuels	4,169
Machinery	2,321
Chemical products	2,213
Vehicles	1,659
Prepared foodstuffs and beverages	1,335
Base metals	1,269
Jewelry	1252
Live animals and animal products	1039
Vegetable products	965
Plastics and articles thereof; rubber	773
Total	16,995
Total imports	19,980

Imports of machinery ranked second in the tally of main imports, with a value of \$2.3 billion and a share of 11.5 percent of total imports. Chemical products ranked third, with imports valued at \$2.2 billion constituting 11 percent of total imports.

The ten largest items accounted for 85 percent of total imports in 2018, and the three largest accounted for 43 percent of the total.

5. Main exports

Jewelry exports have retained pride of place in 2018, as they were valued at \$648 million, that is 21.6 percent of total exports compared to \$586 million in 2017. Over the past decade, jewelry has been the main Lebanese export item; its value over five times since 2000.

Exports of prepared foodstuffs and beverages came second, with a value of \$383 million and a share of 13 percent in total exports.

The ten largest items of exports accounted for 90 percent of total exports in 2018.

Main exports 2018	
<i>(in million \$)</i>	
Jewelry	648
Prepared foodstuffs and beverages	383
Base metal	380
Chemical products	362
Machinery	322
Vegetable products	183
Plastic	180
Paper and cardboard products	140
Miscellaneous manufactures articles	55
Textiles	52
Total	2,705
Total exports	2,952

ECONOMIC REPORT - 2018

PART I – THE MACRO ECONOMY

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- A. Agriculture**
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A. Agriculture

Exports of agricultural produce were valued at \$183 million in 2018, up 2.2 percent compared with their previous year's value. Over the past six years, the value of exported agricultural produce declined by 15 percent, but the share of these exports in total exports remains stable at around 6.3 percent.

Agricultural imports reached to \$965 million, down 1.5 percent compared with their value in the year before.

The trade deficit in agricultural produce improved slightly in 2018 as the deficit decreased by 2.3 percent compared to last year's deficit, while import coverage amounted to nearly 19 percent.

	Trade exchange in agricultural produce					
	Agricultural Exports			Agricultural Imports		
	Value (in million \$)	Change	Share in total exports	Value (in million \$)	Change	Share in total imports
2018	183	2.2%	6.2%	965	-1.53%	4.83%
2017	179	-5.3%	6.3%	980	12.73%	5.00%
2016	189.1	2.9%	6.4%	869.3	-4.43%	4.65%
2015	183.7	-11.4%	6.2%	909.6	-5.86%	5.03%
2014	207.4	-3.8%	6.3%	966.2	4.70%	4.71%
2013	215.7	26.0%	5.5%	922.8	6.36%	4.35%
2012	171.2	6.6%	3.8%	867.6	2.12%	4.08%
2011	160.6	4.2%	3.8%	849.6	18.73%	4.21%
2010	154.1	28.3%	3.6%	715.6	13.79%	3.98%
2009	120.1	-8.1%	3.4%	628.9	-10.43%	3.87%
2008	130.7		3.8%	702.1		4.35%

Trade exchange in agricultural produce (continued)			
	Balance (in million \$)	Change	Import coverage
2018	-783	2.32%	18.96%
2017	-801.2	-17.79%	18.27%
2016	-680.2	-6.30%	21.75%
2015	-725.9	-4.34%	20.20%
2014	-758.8	7.31%	21.47%
2013	-707.1	1.54%	23.37%
2012	-696.4	1.10%	19.70%
2011	-689	22.70%	18.90%
2010	-561.5	10.40%	21.50%
2009	-508.8	-11.00%	19.10%
2008	-571.4		18.60%

Exports of food products receded by almost seven percent compared with their value in 2017 whereas imports increased by three percent. The trade deficit in food products is still sustained and amounted to \$2,852 million in 2018.

Trade exchange in food products (Exports)			
	Value (in million \$)	Change	Share in total exports
2018	643.7	-6.9%	22%
2017	691.5	0.5%	24%
2016	687.8	-6.1%	23%
2015	732.3	-6.3%	25%
2014	781.2	7.0%	24%
2013	729.8	7.0%	19%
2012	614.1	5.7%	14%
2011	581	12.2%	14%
2010	518	18.4%	12%
2009	437.4	-2.1%	13%
2008	446.9		13%

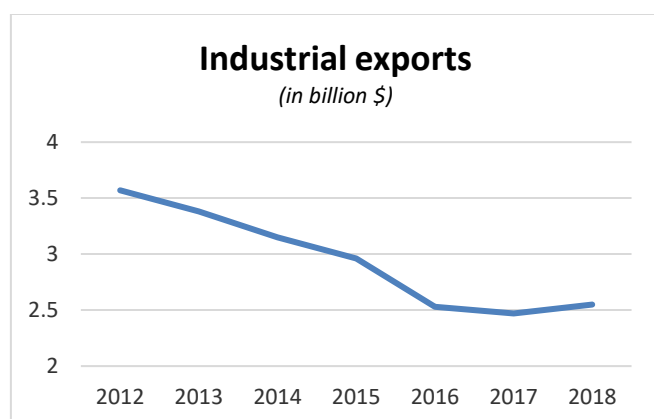
Trade exchange in food products (Imports)			
	Value (in million \$)	change	Share in total imports
2018	3,496.0	2.73%	17%
2017	3,403.0	3.99%	17%
2016	3,272.3	-2.04%	17%
2015	3,340.4	-7.61%	18%
2014	3,615.7	5.60%	18%
2013	3,423.9	4.10%	16%
2012	3,289.20	3.40%	16%
2011	3,181.30	11.60%	16%
2010	2,851.80	15.40%	16%
2009	2,470.90	8.00%	15%
2008	2,287.80		14%

Trade exchange in food products		
<i>(in million \$)</i>	Balance	Import coverage
2018	-2,852.4	18%
2017	-2,711.5	20%
2016	-2,584.5	21%
2015	-2,608.1	22%
2014	-2,834.5	22%
2013	-2,694.1	21%
2012	-2,675.1	19%
2011	-2,600.3	18%
2010	-2,333.8	18%
2009	-2,033.5	18%
2008	-1,840.9	20%

B. Industry

The value of industrial exports increased slightly in 2018 to reach \$2.55 billion, up from \$2.47 billion in the year before. The share of these exports in total Lebanese exports remained almost unchanged and stood at around 86.4 percent. The value of imported industrial machinery went up by 3.5 percent in 2018 and totaled \$266.4 million.

	2018	2017	2016	2015	2014	2013	2012
Industrial exports (in billion \$)	2.55	2.47	2.53	2.96	3.15	3.38	3.57
Share in total exports	86.4%	87%	85%	100%	95%	86%	80%
Imports of industrial machinery (in million \$)	266.4	257.4	235.5	243.4	269.4	300.4	288.1



Compliance with international norms and standards

The industrial sector's compliance with internationally accepted or imposed product specifications as well as compliance with regulations pertaining to production processes is proving too costly and constraining for the activity to remain competitive and hence viable.

Compliance with product standards and specifications is an on-going course that would in the near future give rise to the need for an integrated conformity assessment chain at cluster level.

Internationally-sanctioned regulations pertaining to production process and environmental regulations in particular would over the medium term constitute an additional and costly constraint on industrial production. Whole industries would be

compelled to re-tool and invest in new machinery and equipment. Technical support would be needed in this context, and also support in the form of financing and export credit guarantees to finance the purchase of technologically advanced machinery.

Manufacturing enterprises should be given incentives – mainly financial – to induce them to seek the establishment of joint ventures with their more advanced counterparts in developed countries. Joint ventures may indeed constitute a lifeline to local manufacturing concerns and this for four basic reasons: (i) joint ventures are a prime vehicle for technology transfer, (ii) they open up financing options that are otherwise unavailable on the local market, (iii) they are catalysts to raising the level of proficiency of both management and labor, and (iv) they open up new markets through the joint marketing efforts of partners within the venture. Industrialists would also benefit from access to training facilities, which supports their bid to upgrade the array of skills – technical, administrative, financial, marketing, entrepreneurial – required to raise the activity’s competitiveness.

The sector according to the latest census

According to the Ministry of Industry’s 2007 census published in 2010, the Lebanese industrial sector comprises 4033 establishments of which 70 percent were established before 2000.

The sector is characterized by the prevalence of small-size establishments as more than half of total industrial units employ between five and nine workers. Conversely, 41 percent of enterprises are medium size, employing from ten to 49 workers, whereas only three percent hire more than 100 workers.

Main indicators of the industrial sector	
Number of establishments	4033
Workforce	82,843
Industrial output	\$6.8 billion
Output per worker	\$82,087
Intermediate consumption	\$4.7 billion
Value-added	\$2.1 billion
Value-added /GDP	8.4%
Value-added/output	30.9%
Fixed assets	\$4 billion
Machinery/ fixed assets	45.5%
Value-added/fixed assets	51%
Gross fixed capital formation (GFCF)	\$296 million
GFCF./ assets (in %)	7.4%
Total salaries	\$548.2 million
Yearly salary per employee (in \$)	\$7,335

As for labor, a total of 74,743 workers (permanent, seasonal and outworkers) are employed by industrial establishments. Gross industrial output was valued at \$6.8 billion, 31 percent of which being the sector's value added which represents eight percent of 2007 GDP.

Industrial firms owned an aggregate of \$4 billion in fixed assets, which consist mainly of machinery used for production (45.5 percent of the total), followed by buildings (24 percent) and land (20 percent).

Information technology is obviously not a critical production factor for Lebanese industries as computers constitute one percent of total fixed assets in most industrial concerns.

Equipment for environmental protection does not exceed one percent of total fixed assets, which could limit the ability of Lebanon to compete globally if compliance with environmental standards became a prerequisite for access to world markets.

Overall, industrial investment in assets was restrained and the ratio of gross fixed capital formation to assets stood at 7.4 percent.

Industrial enterprises are concentrated in three main regions: Mount Lebanon, North Lebanon and the Bekaa. Mount Lebanon hosts about 50 percent of all industrial units, which produce 67 percent of the sector's value added and retain 61 percent of total workforce.

Ten major industries constitute 86 percent of total establishments; they produce 91 percent of aggregate value added, employ 87 percent of the industrial workforce, and carry out 95 percent of yearly investments.

C. Construction and Real Estate

The number of property sales transactions registered a low of 60,714 transactions in 2018; the lowest value over the past decade, a 21 percent decrease from their last year's value and 36 percent lower than their highest value reached in 2010.

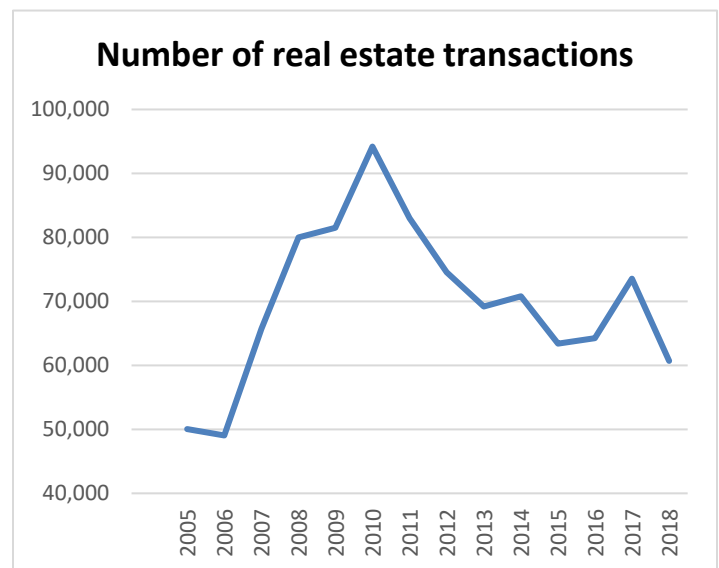
Conversely, the total value of property sales went down from a record high value of \$10 billion in 2017 to \$7.3 billion in 2018; a 27 percent drop.

The average value per transaction reached a record low level over the past seven years of \$120,236 in 2018; a 12 percent decrease from their value in 2017.

High real estate prices are sustained mainly due to the scarcity of land and soaring construction of luxurious residences. Lebanese residents account for the largest portion of demand for property, forming

nearly 60 percent of total real estate demand. This demand is fueled by diaspora remittances exceeding \$2000 per capita yearly, the highest level in the MENA region and among the highest worldwide.

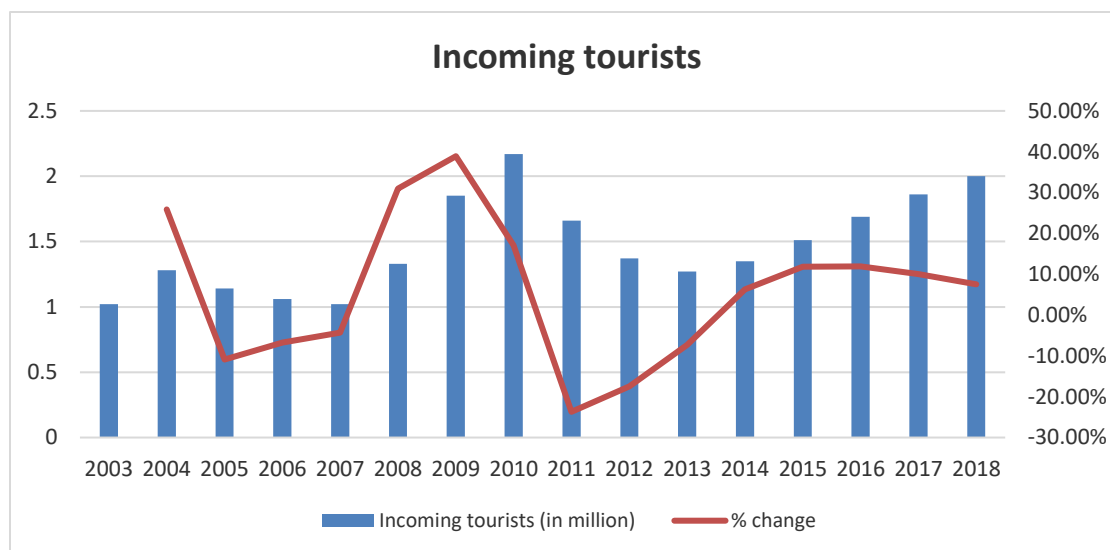
Construction activity continues to recede in 2018 with a 23 percent decline in construction permits compared to a four percent decrease in the previous year. Cement deliveries also dropped by nearly four percent in 2018.



	Construction Permits	Cement Deliveries	Number of real estate transactions	Total value of real estate transactions	Average value per transaction
	<i>(in million m²)</i>	<i>(in million tons)</i>		<i>(in billion \$)</i>	<i>in \$</i>
2005	9.3	2.8	50,057	3.3	65,845
2006	8.7	3.4	49,051	3.1	63,607
2007	9	3.9	65,681	4.2	63,565
2008	16.1	4.2	80,018	6.4	80,519
2009	14.3	4.9	81,509	7.0	85,365
2010	17.6	5.2	94,202	9.5	100,614
2011	16.1	5.5	82,984	8.8	106,527
2012	14.7	5.3	74,569	9.2	123,107
2013	12.9	5.9	69,186	8.9	128,639
2014	13.5	5.5	70,795	9	127,128
2015	23.3	5	63,386	8	126,211
2016	12.2	5.3	64,248	8.4	130,743
2017	11.7	5.1	73,541	10	135,979
2018	9	4.9	60,714	7.3	120,236

D. Tourism

After a regional turmoil that has taken its toll on Lebanon's tourism sector during the period between 2011 and 2013, touristic activity improved during the past three years. The number of incoming tourists has been on an upward path to reach around two million tourists in 2018, up 7.5 percent from last year's value.



The number of tourists from Arab countries remained nearly unchanged in 2018, still 37 percent lower from the value reached in 2010. In 2012, the number of Arab tourists had declined by over 21 percent following a record low of 35 percent in 2011.

Incoming tourists from Arab countries constituted almost 28 percent of total tourists in 2018, down nearly ten percentage points on their share in the 2010 total.

The number of European tourists visiting Lebanon registered the highest share of total tourists as they form 35 percent of the total. Their number increased by ten percent from last year's value.

Arab and European tourists visiting Lebanon thus account for two thirds of incoming tourists.

	Incoming tourists (in million)	% change
2003	1.02	
2004	1.28	25.90%
2005	1.14	-10.90%
2006	1.06	-6.70%
2007	1.02	-4.30%
2008	1.33	31.00%
2009	1.85	38.90%
2010	2.17	17.10%
2011	1.66	-23.70%
2012	1.37	-17.50%
2013	1.27	-7.30%
2014	1.35	6.30%
2015	1.51	11.85%
2016	1.69	11.92%
2017	1.86	10.06%
2018	2	7.53%

Incoming tourists by origin							
	Arab countries	Europe	Asia	America	Africa	Other	Total (in million)
2009	785,985	453,522	264,021	232,694	42,007	72,852	1.85
2010	894,724	549,481	373,490	248,725	39,399	62,170	2.17
2011	581,597	485,707	245,462	222,671	61,319	58,295	1.66
2012	458,069	444,824	127,290	221,174	61,263	53,225	1.37
2013	402,080	433,990	117,693	209,580	64,792	46,227	1.27
2014	460,822	447,668	113,597	224,621	55,613	52,326	1.35
2015	480,723	505,284	122,400	264,041	85,187	60,292	1.51
2016	522,922	564,499	125,418	296,831	103,193	75,494	1.69
2017	561,273	639,624	136,600	327,536	109,230	82,532	1.86
2018	562,535	705,969	140,716	357,764	108,608	88,325	2
share in total 2018	28%	35%	7%	18%	5%	4%	
change 2018 / 2017	0.22%	10.37%	3.01%	9.23%	-0.57%	7.02%	

According to the World Travel and Tourism Council (WTTC) the tourism sector's total contribution to GDP, which includes indirect and induced contribution in addition to capital investment, reached 19.1 percent and was valued at \$10.4 billion.

Total jobs directly or indirectly linked to the activity were put at 394,300, representing 18.4 percent of total employment in Lebanon. Travel and tourism's contribution to employment is expected to reach 501,000 jobs by 2029.

Visitors spent nearly \$8.4 billion which accounts for 57.7 percent of the country's total exports of goods and services.

Travel and Tourism Economic Impact in 2018	
Total contribution to GDP (in billion \$)	10.4
Total contribution to employment (jobs)	394,300
Total spending by international tourists (in billion \$)	8.4

Source: WTTC