IDAL
INVEST IN LEBANON

TOURISM SECTOR IN LEBANON

2019 FACTBOOK

CONTENT

ALL YOU NEED TO KNOW **ABOUT LEBANON**

Lebanon, with its official non-interventionist stance toward private investments, offers one of the most liberal investment climates in the Middle East. The country's economic openness is harnessed through the absence of legal restrictions on the entry and exit of firms, encouraging free market competition and furthering the development of the private sector. Liberal trade and investment policies have allowed Lebanon to register one of the highest rates of foreign direct investment in the region as a percentage of GDP.

Invest in Lebanon and enjoy the most hospitable MENA destination for business, culture and leisure with a Mediterranean climate, cosmopolitan lifestyle and a variety of touristic attractions and activities across breathtaking natural landscapes. Strategically located at the intersection of Europe, Asia and Africa, Lebanon provides businesses with easy access to regional and global markets. Lebanon also boasts internationally renowned, state-of-the-art health care facilities. A historic melting pot of multiple civilizations, Lebanon is a highly-educated, multilingual haven of culture and diversity that is worth investing in.

ECONOMIC PROFILE

GDP at current prices: USD 56.41 Billion (2018)

GDP/Capita: USD 9,260 (2018)

Real GDP growth: 0.2% (2018)

GDP composition by sector: (2017)
- Real Estate: 15%
- Education & Health Services: 14%
- Commercial Trade: 13%
- Mining, manufacturing and Utilities: 11%
- Public Administration: 10%
- Financial Services: 8%
- Construction: 4%
- Agriculture, Forestry & Fishing: 3%
- Information & Communication: 3%
- Others (including catering, transport…): 19%

Current Account balance: USD -14.02 Billion

Balance of Payments: USD -156 Million

Domestic credit to private sector: 109.4% of GDP (2018)

Corporate tax rate: 17% (2019)

Main Import Partners: China, Greece, Italy, USA and Germany (2018)

Main Export Partners: UAE, KSA, Syria, South Africa and Iraq (2018)

FDI inflows: USD 2.88 Billion (2018)

Airport passengers: 8.83 Million (2018)

Note: Latest available figures at the time of publication.

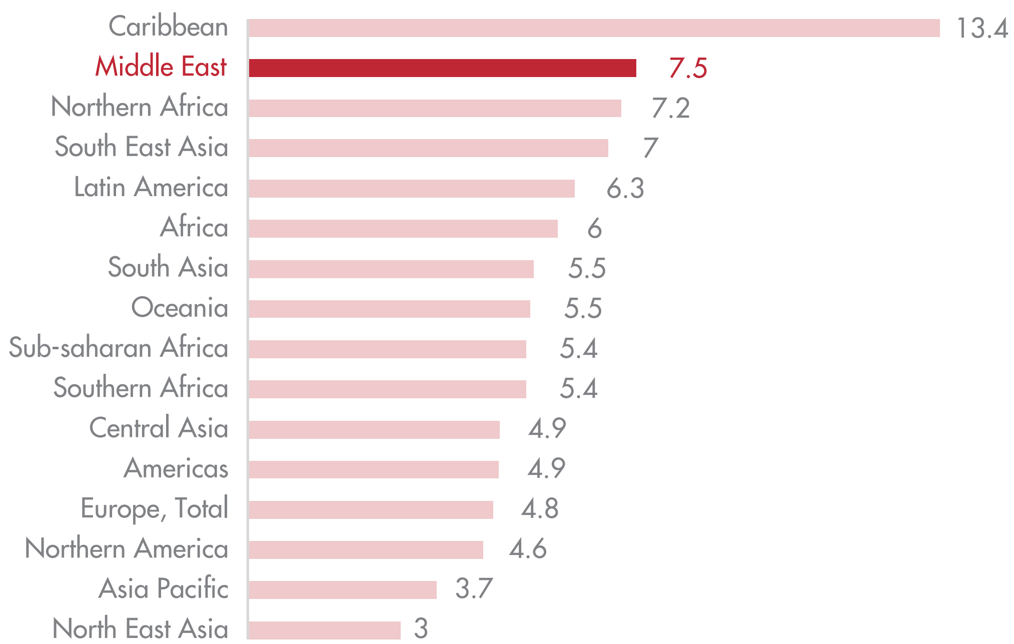
Source: *International Monetary Fund (IMF), Central Administration of Statistics (CAS), Central Bank of Lebanon, UNCTAD, Beirut Rafic Hariri International Airport.*

SECTOR OVERVIEW

01. REGIONAL OVERVIEW

The Middle East has a strong and vibrant travel and tourism sector, demonstrated by its high contribution to regional GDP. In 2018, the travel and tourism sector accounted for 8.7% of the Middle East's GDP, the eighth highest contribution worldwide[1]. The Middle East had the second largest tourism investment share worldwide **(Figure 1)**, an indicator of the sector's positive prospects and significance in contributing to overall economic growth.

Figure 1: Travel and Tourism Investment as a Percentage of Total Investments by Region % | 2018

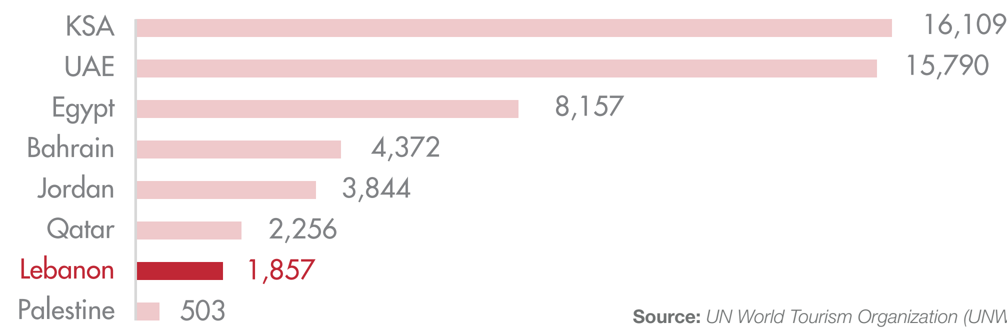


Source: *World Travel and Tourism Council (WTTC).*

The tourism sector in the Middle East was hard hit following the socio-political turmoil witnessed starting in 2010. However, the sector has rebounded in recent years, most notably with the return of stability in Egypt. Saudi Arabia remained the top tourist destination in the Middle East given its importance as a site for religious pilgrimage, while the UAE came in second for its unique and attractive entertainment offerings **(Figure 2)**.

1 WTTC

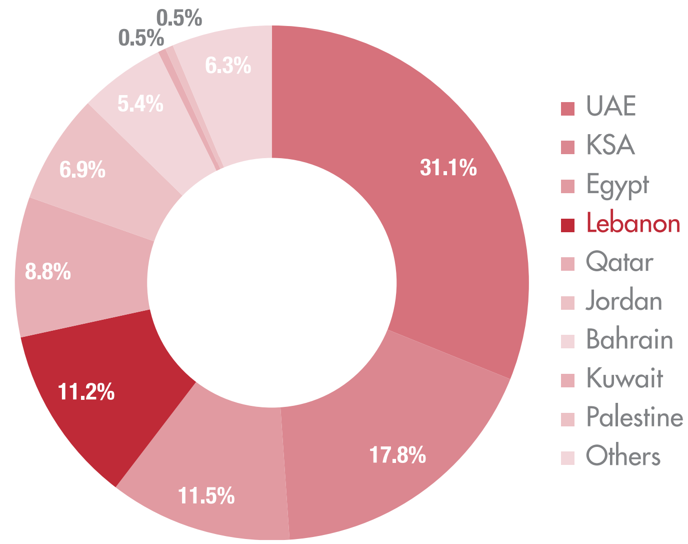
Figure 2: International Tourist Arrivals in Selected Middle Eastern Countries Thousand | 2017



Source: *UN World Tourism Organization (UNWTO).*

The UAE recorded the highest share of international tourism receipts in the Middle East, accounting for 31% of total receipts followed by Saudi Arabia (17.8%), Egypt (11.5%), Lebanon (11.2%) and Qatar (8.8%) **(Figure 3)**. This was mainly due to the various entertainment offerings that UAE has developed over the last decade capturing a high volume of the region's tourists, even in the low season.

Figure 3: Distribution of International Tourism Receipts in Middle East Countries % | 2017

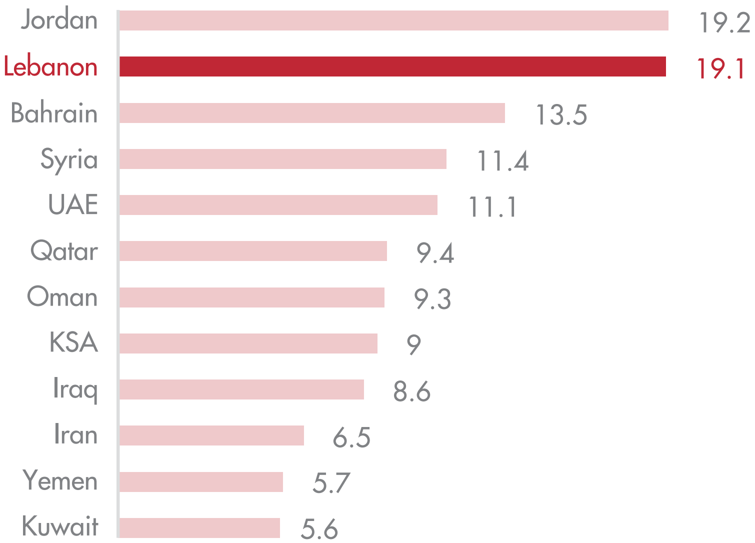


Source: *UNWTO.*

02. LOCAL OVERVIEW

Lebanon's tourism sector has always been an important contributor to the local economy, representing a major source of income and employment. The direct contribution of travel and tourism to GDP reached USD 3.8 billion in 2018, accounting for 7% of Lebanon's GDP[2]. It is worth noting that the total contribution of the tourism sector (direct and indirect) was estimated at USD 10.4 billion or 19.1% of GDP – the second highest ratio in the Middle East (Figure 4).

Figure 4: Travel and Tourism Total Contribution to GDP in Selected Middle Eastern Countries % | **2018**



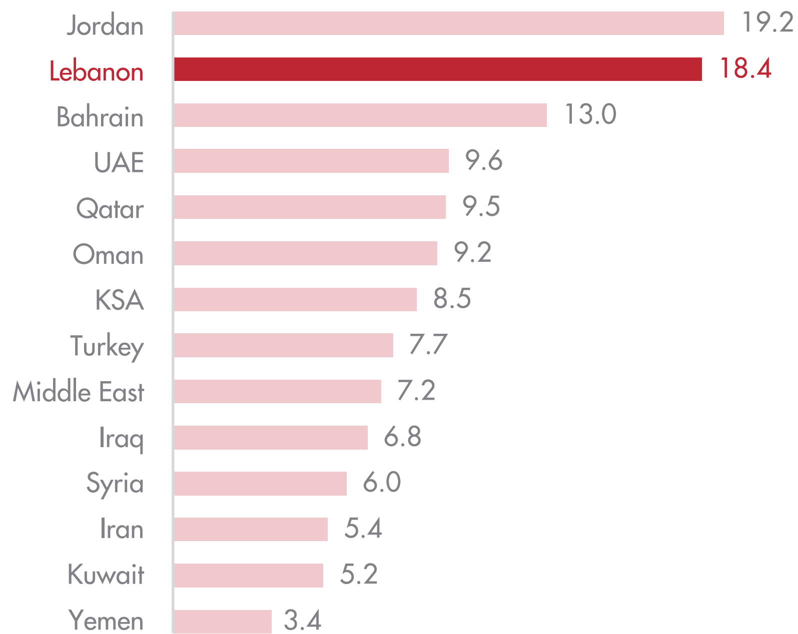
Source: *WTTC.*

Capital investments in the sector amounted to USD 1.3 billion in 2018 (10.5% of total investments) and are expected to grow at a CAGR of 2.7% over the next ten years to USD 1.7 billion by 2028[3].

The travel and tourism industry continued to contribute significantly to employment, generating 144,300 direct jobs in 2018 and 394,300 jobs in total (6.7% and 18.4% of total employment respectively (Figure 5). Employment derived from the tourism sector is expected to grow at a CAGR of 2.3% to reach 494,600 jobs in 2028[4]. This labor-intensive industry benefits from a large local pool of skilled and multilingual labor force, which has been a main driver of the industry's growth.

2,3,4 WTTC

Figure 5: Travel and Tourism Total Contribution to Employment in Selected Middle Eastern Countries % | **2018**

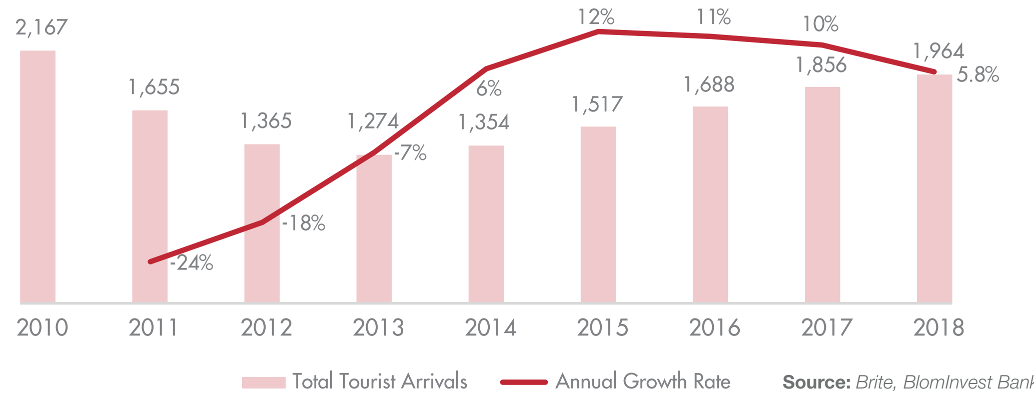


Source: *WTTC.*

03. TOURIST ARRIVALS

The tourism sector has been witnessing a double-digit average annual growth rate of 10% since 2014, with tourist arrivals reaching 1.9 million by the end of 2018 – the highest since the record number of 2.1 million in 2010 **(Figure 6)**.

Figure 6: Annual Tourist Arrivals **Million | 2010-2018**



Source: *Brite, BlomInvest Bank.*

Despite the repercussions on the sector since the outbreak of the war in Syria in 2011, the number of airport passengers reached 8.8 million in 2018, a record in more than a decade **(Figure 7)**.

This rise has led the Lebanese Government to discuss plans to expand airport facilities, which is currently equipped to handle up to six million passengers only.

Figure 7: Total Passengers at the Beirut Rafic Hariri International Airport **Thousand | 2010-2018**

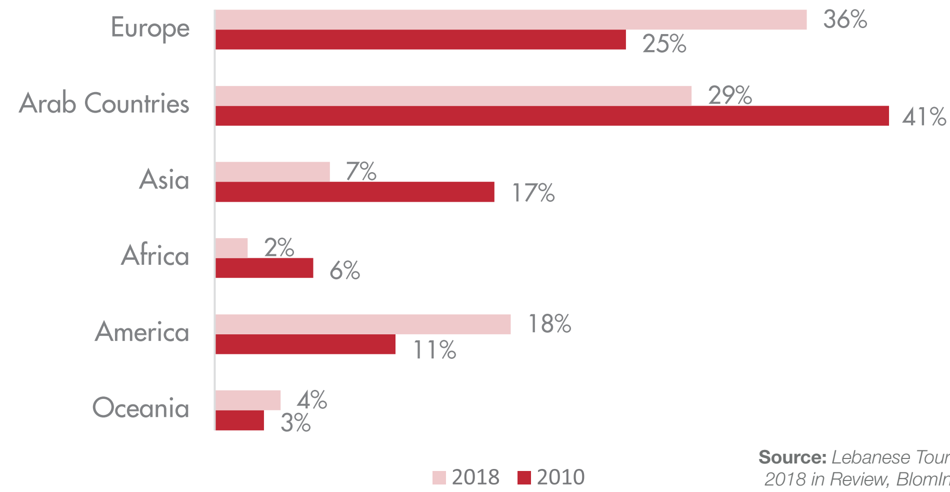
Source: *Beirut Rafic Hariri International Airport (BRHIA).*

04. TOURIST PROFILES

For the 7th consecutive year, European tourists accounted for the largest share of tourists to Lebanon, reaching 36% of total tourists, up by 25% compared to 2010 **(Figure 8)**.

Arab tourists, by contrast, who have traditionally been the largest by region of origin, dropped considerably between 2010 and 2018 (from 41% to 29%)[5].

Figure 8: Tourists by Region of Origin % **| 2010 vs 2018**



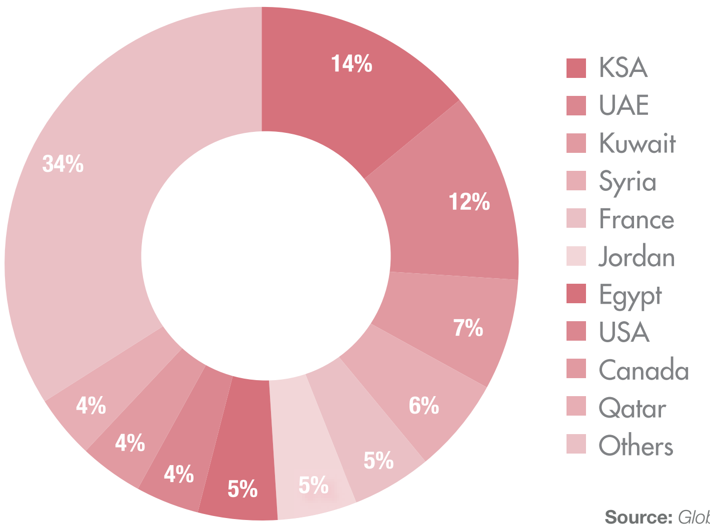
Source: *Lebanese Tourism Sector 2018 in Review, BlomInvest Bank.*

5 Lebanese Tourism Sector 2018 in Review, BlomInvest Bank

05. TOURIST SPENDING

Tourism spending in Lebanon increased in 2017 with the return of Gulf tourists, who have historically been the largest tourist spenders. Saudi Arabian nationals recorded the largest share of spending, accounting for 14% of total spending followed by UAE (12%) and Kuwait (7%) (Figure 9).

Figure 9: Tourists Spending in Lebanon by Country of Origin % | **2017**



Source: *Global Blue.*

The vast majority of tourist expenditures took place in the capital Beirut, while the rest was spent in the Mount Lebanon Governorate. In 2018, luxury fashion and clothing accounted for 67% of total expenditures, followed by watches and jewelry (18%)[6]. This attests to the positive impact of travel and tourism on the retail and manufacturing sectors in Lebanon.

06. BUSINESS TOURISM

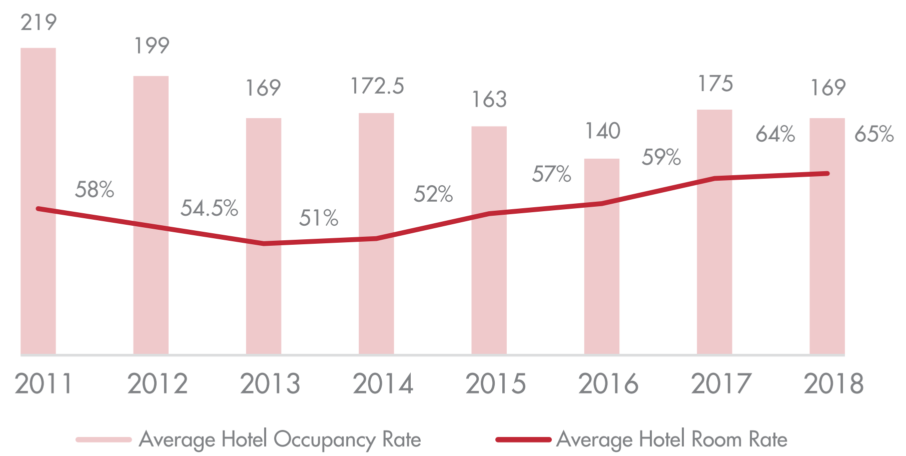
Tourism for business purposes remains a niche market in Lebanon, with business tourism spending contributing only 0.4% to the total contribution of direct travel and tourism to GDP[7]. However, this contribution is expected to grow at a CAGR of 2.2% during 2018-2028[8], as the country embarks on its infrastructure rehabilitation program to attract foreign investors and businesses.

6 Lebanese Tourism Sector 2018 in Review, BlomInvest Bank
7, 8 WTTC

07. HOSPITALITY PERFORMANCE

The hospitality sector's activities in Lebanon picked up in 2018 in line with the increase in the number of tourists. The average occupancy rate in Beirut hotels reached 64%, compared to 58% in 2011 following the outbreak of the war in Syria. Meanwhile, average occupancy across the country stood at 43%, due to lower occupancy in hotels outside Beirut (around 20-30%). The average room rate in Beirut hotels stood at USD 169 in 2018[9], with only Dubai and Muscat registering a higher rate in the region (Figure 10). This was mainly due to the high concentration of 4- and 5-star hotels in the capital, thus increasing the average rates.

Figure 10: Occupancy Rates and Average Room Rates in Beirut Hotels **USD | 2011-2018**



Source: *Brite, BlomInvest Bank.*

9, Brite, BlomInvest Bank

08. TOURISM SECTOR OUTLOOK

The tourism sector was identified by the Lebanese Government as one of the priority sectors to be supported to stimulate economic growth. The Lebanon Economic Vision Report (McKinsey Report) envisages a strong, resilient and diversified tourism sector that caters for various source markets. To this end, the government is working on reducing obstacles impacting the growth of the sector and improving existing hospitality and leisure offerings to put Lebanon back on the touristic map of the region.

The number of tourism projects are expected to increase as Lebanon is set to start implementing its Capital Investment Program (CIP) in 2019, with the aim of rehabilitating overall infrastructure and boosting economic growth.

Table 1: List of Announced Tourism Projects Tracked by IDAL | **2018**

PROJECT TYPE	INVESTMENT SIZE (USD)	PROJECT DESCRIPTION	PROJECT LOCATION
Leisure & Recreation Parks	1,000,000	Development of 2 mini-football, 2 tennis, 1 Olympic pool and 1 basketball courts, and a Roman theatre in Nabatieh.	South Lebanon
Leisure & Recreation Parks	1,500,000	Development of a guest house with a 6,000 sqm garden. The guest house will be powered by renewable energy and include a variety of activities such as hiking, harvesting and horse riding.	North Lebanon
Health Tourism	20,000,000	Development of a medical tourism hospital	Beirut
Leisure & Recreation Parks	15,000,000	Development of a circuit of 100,000 m, club house, F&B area, car expo, kids' playground, conference room and car showroom.	Mount Lebanon
Hotels & Resorts	33,000,000	Development of a 5-star hotel with 95 rooms and suites with a restaurant, 2 conferences rooms, spa, gym and rooftop.	Beirut
Health Tourism	20,000,000	Development of a medical hospital with an affiliation to AUB Medical Center, specialized in neurosurgery.	Beirut
Leisure & Recreation Parks	250,000	Development of an F&B project based on a franchised Malaysian coffee shop.	Beirut
Hotels & Resorts	2,000,000	Development of a resort facility	South Lebanon
Hotels & Resorts	50,000,000	Development of a 5-star hotel	Mount Lebanon
Leisure & Recreation Parks	1,500,000	Development of Suisse chalets	Mount Lebanon
Leisure & Recreation Parks	1,000,000	Development of a small touristic resort inside the North Mountain range, accessible by 4x4 cars in summer and snowmobiles in winter. The resort will develop 10 chalets, restaurants, indoor/outdoor swimming pools, camping area and provide staff lodging, storage areas, power and other services, transport vehicles and snow vehicles.	Mount Lebanon
Leisure & Recreation Parks	7,000,000	Development of a hotel, chalet, pub, venue and pool facilities.	Mount Lebanon
Hotels & Resorts	2,500,000	Development of a tourism project consisting of furnished apartments and a restaurant.	North Lebanon
Business Conference Centre	15,000,000	Development of a banquet venue with a capacity of 1,000 persons and a parking capacity of 1,500 vehicles. The concept will include pubs, restaurants, 'jet d'eau' area, gym and kids' area.	Mount Lebanon
Leisure & Recreation Parks	15,000,000	Development of an F&B cluster of around 4,000 sqm.	Mount Lebanon
Hotels & Resorts	70,074,431	Development of a luxurious resort with a total area of 16,382 m2, offering a wide range of services and commercial opportunities, including luxurious chalets, ballrooms, pubs, shops, kids' area, coffee shops and restaurants.	Mount Lebanon
Health Tourism	4,000,000	Development of a rehabilitation center in Ghosta based on international standards, consisting of acquiring an existing center.	Mount Lebanon
Hotels & Resorts	2,000,000	Development of a 4-star hotel with a restaurant and kids' playground.	North Lebanon
Hotels & Resorts	23,320,000	Development of a 5-star hotel	Beirut
Hotels & Resorts	8,680,000	Development of a 5-star hotel	North Lebanon

COMPETITIVE ADVANTAGES

Lebanon's multifaceted offerings, from sun & sea entertainment to cultural or religious heritage, make it a unique tourism destination in the Middle East. Growth potential exists in both city-centered attractions as well as in mountains, ski resorts, beaches and nature-focused options.

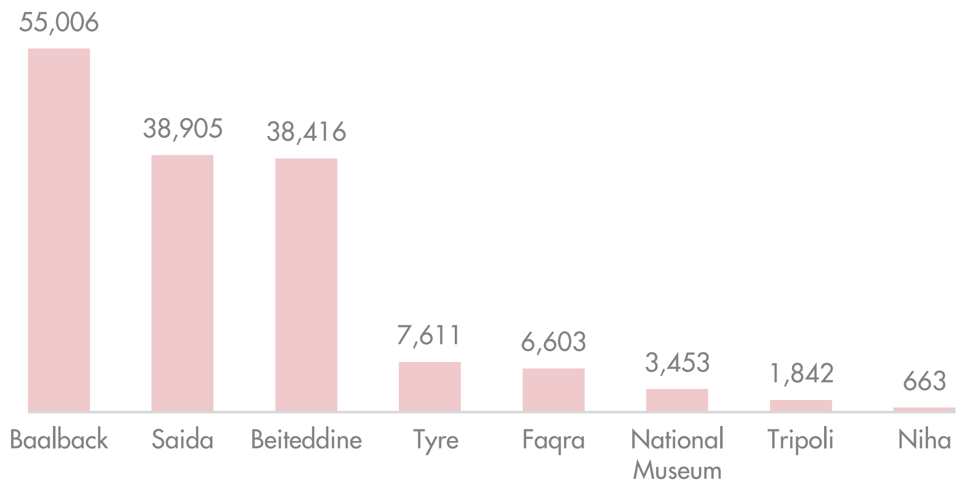
01. LEISURE ATTRACTIONS

Leisure tourism continues to take precedence over all other types of tourism, although business and health tourism are steadily on the rise. Resorts and hotels are located along most of Lebanon's coast, offering water activities and beach access. Lebanon is well known for its world-class gastronomy and a leading destination for nightlife and entertainment, catering for a variety of tastes.

02. CULTURAL AND RELIGIOUS HERITAGE

Lebanon has a wide range of cultural tourism choices, including 5 UNESCO World Heritage sites. During the summer season, Lebanon hosts over 15 international music and entertainment festivals - such as the Baalbeck and Byblos International Festivals - featuring local and world-acclaimed artists. In 2018, the Vatican reintroduced Lebanon to its list of worldwide pilgrimage destinations after a 12-year absence.

Figure 11: Number of Visitors by Touristic Sites | **2011**



Source: *Central Administration of Statistics (CAS).*

03. NATURAL HERITAGE

Lebanon has access to 225 kms of Mediterranean coastline, its beaches and favorable summer weather make it a perfect destination for "sun and beach" gateways. Lebanon hosts six ski resorts for skiers and snowboarders of all skill levels, as well as other winter sports options such as backcountry, cross-country and snowshoe trails. Visitors can also enjoy breathtaking hiking trails throughout the country all year round.

04. LABOR FORCE

Lebanon's educated and multilingual workforce is one of the major strengths of the tourism industry, as people are trained to receive and welcome tourists from a wide range of nationalities and cultural backgrounds.

05. VISA POLICY

Lebanon has a friendly visa policy, offering free visas for selected Arab and GCC countries. Most other nationalities can obtain a visa upon arrival for a USD 35 fee.

INVESTMENT IN THE SECTOR

Tourism investments have been one of the most important drivers behind Lebanon's economic growth. In 2018, capital investments in the tourism sector reached a total of USD 1.3 billion. The diversity in Lebanon's tourism opportunities has been the main driver behind the interest of both local and foreign investors.

01. INVESTMENTS THROUGH IDAL

Since 2003, IDAL has assisted 14 investment projects in the tourism sector, generating around USD 1 billion worth of investments and created 2,900 direct jobs **(Table 2)**:

Table 2: List of Tourism Projects Mediated by IDAL | **2003-2018**

SUB-SECTOR	PROJECT NAME	YEAR	INVESTOR'S ORIGIN	AUDITED INVESTMENT (MILLION USD)
Hotels & Resorts	Metropolitan City Center	2003	UAE	143
Hotels & Resorts	Hilton Beirut	2003	Iraq	46
Hotels & Resorts	Four Seasons Hotel	2004	KSA	131
Hotels & Resorts	Jiyeh Resort, Blue Island	2005	Lebanon	33
Hotels & Resorts	Grand Hyatt Hotel	2005	KSA	128
Hotels & Resorts	Le Gray Hotel	2005	Lebanon	87
Hotels & Resorts	The Landmark Project	2005	Kuwait	149
Leisure & Recreation Parks	Beirut Waterfront Development	2006	UK	81
Hotels & Resorts	Staybridge Suites Hotel	2009	Lebanon	51
Hotels & Resorts	Summerland Kempinski Hotel & Resort	2010	KSA	155
Hotels & Resorts	Vendome Expansion	2011	Lebanon	32
Leisure & Recreation Parks	KidzMondo	2012	Lebanon	18
Hotels & Resorts	Mandarin Oriental	2012	KSA	208
Leisure & Recreation Parks	Forest Resort	2017	Lebanon	18

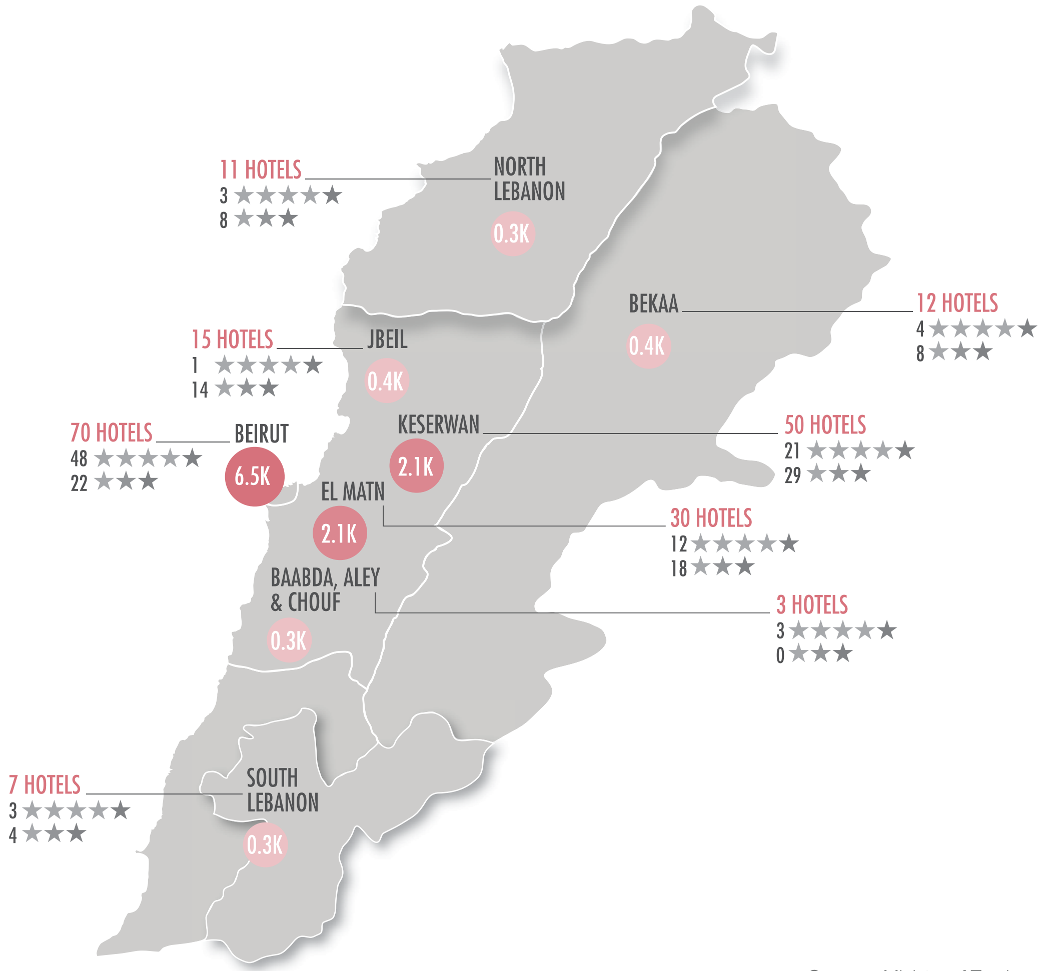
INVESTMENT **OPPORTUNITIES**

The Lebanese tourism sector offers a variety of promising investment opportunities across various niches within the sector. Ready-to-market tourism and hospitality concepts are growing, as demand for entertainment increases from the local population and foreign visitors.

01. HOTELS

Lebanon has 198 hotels with a capacity of around 12,300 rooms. 4- and 5-star hotels are concentrated in the capital, leaving plenty of opportunities to develop high-quality internationally-branded boutique hotels beyond Beirut.

Figure 12: Hotel Distribution by Region and Category | **2017**



Source: *Ministry of Tourism.*

Investment opportunities exist in:

BOUTIQUE GUEST HOUSES

Heritage houses in rural areas, beach houses with a unique style, small number of rooms and a feel-home environment.

YOUTH HOSTELS

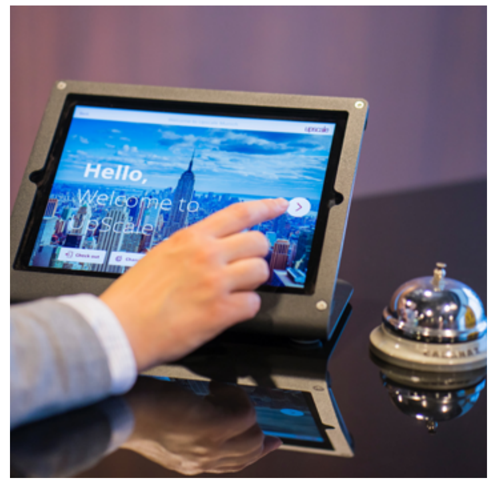
Network of Youth Hotels with amenities especially tailored for low budget and adventure travelers.

FURNISHED APARTMENTS

Furnished apartments dedicated for long-term business travelers and families.

SMART HOTELS

Streaming in-room entertainment, digital concierge and check-in and advanced technology.



02. MEDICAL TOURISM

Lebanon is renowned for its world-class health services and has always been a leading destination for medical tourism in the Middle East. Although the medical tourism market in the region is very competitive, Lebanon continued to maintain its position and reputation thanks to its specialized doctors, state-of-the-art medical equipment, exceptional services, high-standard hospitals and ideal climate.

13,500 highly trained physicians

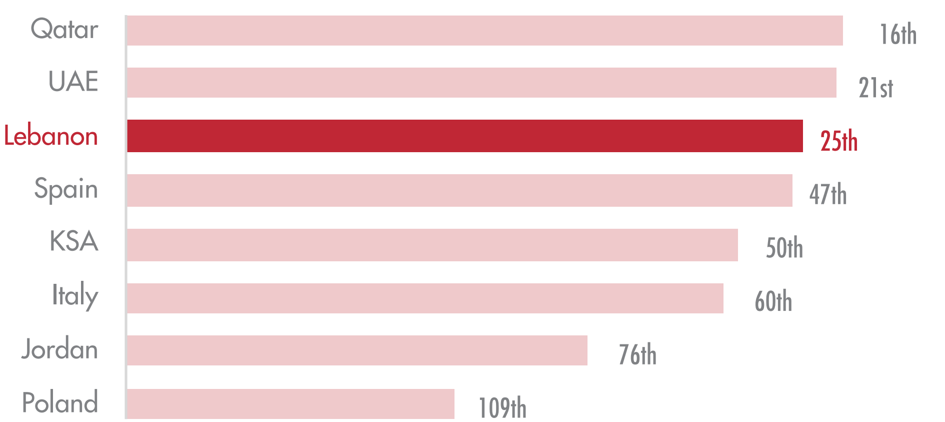
150 hospitals

31 physicians per 10,000 population

27.3 hospitals beds per 10,000 population

Lebanon's health system is recognized worldwide as being highly competitive and of high quality. According to the World Competiveness Report, Lebanon ranked within the top three MENA countries for the availability of skill set of graduates **(Figure 13)**. In 2017, Lebanon ranked as the third healthiest Arab country according to the Bloomberg Global Health Index. In 2018, Bloomberg ranked Lebanon 23rd worldwide for its healthcare efficiency[10], indicating the competitiveness of the sector and its potential to become a tradable foreign currency generator for Lebanon.

Figure 13: Skill set of graduates ranking in selected MENA countries* | **2018**



**Measuring the extent graduating students from secondary education as well as graduating students from university possess the skills needed by businesses.*

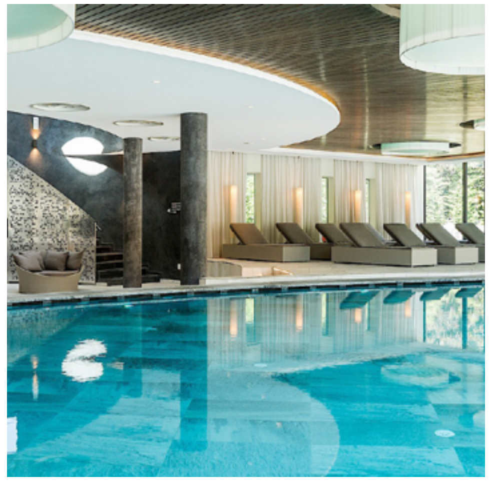
Source: *Global Competitiveness Report 2018.*

10 Healthcare efficiency measures life expectancy and health-care spending by economy.

Investment opportunities exist in the following sub-segments:

WELLNESS AND ALTERNATIVE MEDICINE CENTERS

Wellness programs around sports, nutrition, coaching and stress management.



ELDERLY CARE CENTERS

Mixed-use real estate projects in serene environments with home care services catering for elderly people.

REHABILITATION CENTERS

Physiotherapy and long-term rehabilitation.

SPORTS AND HEALTH CENTERS

State-of-the-art sports and health centers with mixed activities.

03. BUSINESS AND CONVENTION CENTERS

Business and Convention Centers (BCCs) are another untapped investment opportunity in the sector. Currently, Lebanon has only a handful of large exhibition centers, while the majority of them are located within hotels.

As a result, there is an opportunity to develop landmark flagship developments in Beirut and its surrounding areas to attract business tourism and cater for the increasing demand for world-class convention centers.

SEASIDE ARENA

BEIRUT WATERFRONT

FORUM DE BEYROUTH (BEIRUT)

FORUM DE BEYROUTH

PALAIS DES CONGRES (DBAYEH)

PLATEA (MOUNT LEBANON)

platea

Opportunities exist in centers of all sizes:

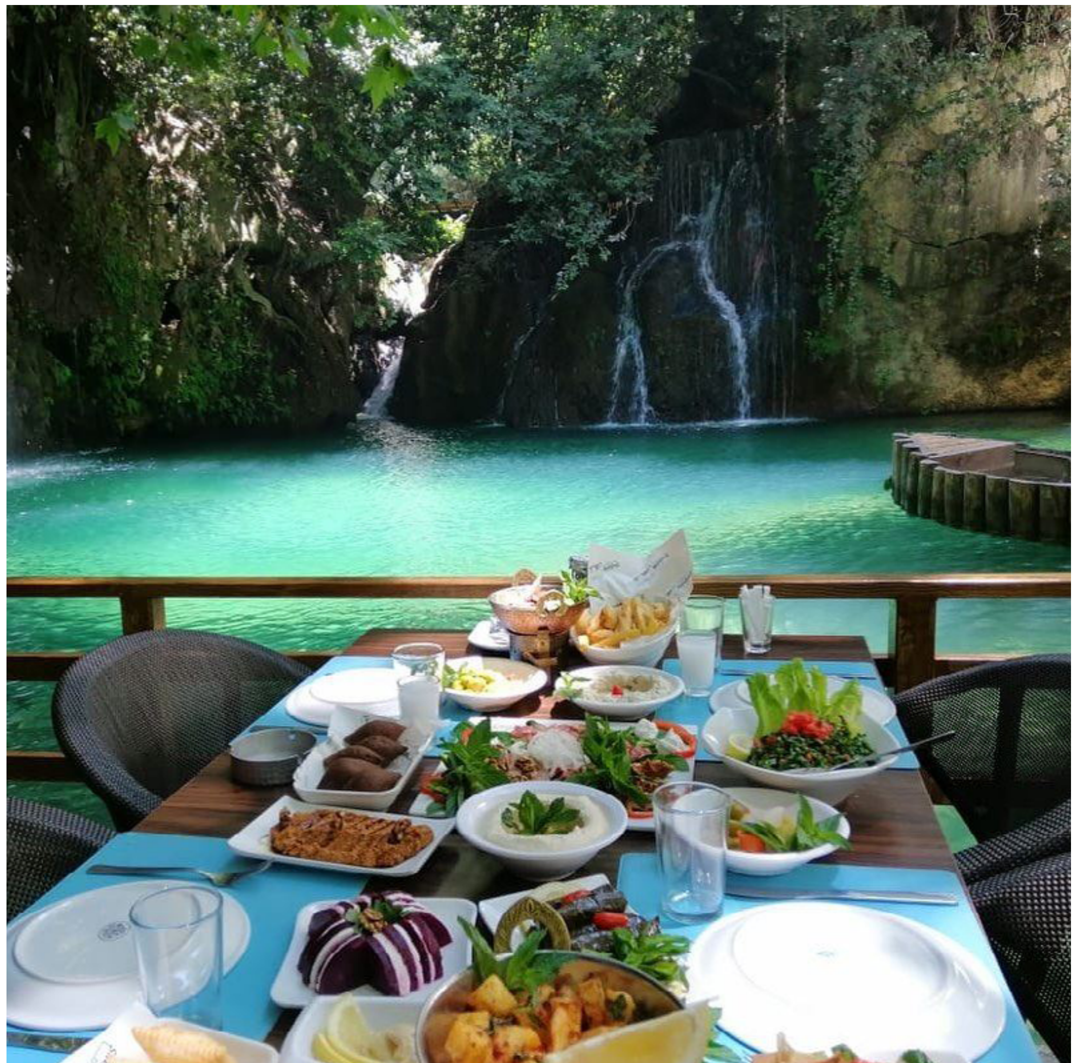
- **Large-scale BCCs:** to host regional and international fairs and worldwide events and summits, which normally require facilities with areas exceeding 10,000 sqm or the equivalent of around 8,000 seats.
- **Medium-to-small scale BCCs:** luxurious facilities usually comprising of several rooms to host meetings, conferences and banquets. The size of the largest room can vary from 1,000 sqm to 3,000 sqm.

04. FOOD AND BEVERAGE

Lebanon is considered a food and beverage hub where entrepreneurs experiment with innovative culinary concepts that are later exported to the region. The industry obtained international recognition as Beirut was ranked best international food destination in 2016 by Travel and Leisure magazine.

Opportunities exist in various sub-sectors, ranging from the casual diner, neighborhood bar to high-end restaurants. Given the market's saturation, however, differentiation and value are key for survival and success.

The food and beverage sector is mainly dependent on tourists, the diaspora and the local population. The latter has become a large target for the restaurant industry, given that food is still the most appealing and developed leisure activity for the Lebanese.



USEFUL **ADDRESSES & CONTACTS**

Beirut Rafic Hariri International Airport
www.beirutairport.gov.lb

Destination Lebanon
www.destinationlebanon.gov.lb

Investment Development Authority of Lebanon - IDAL
www.investinlebanon.gov.lb

Kafalat
www.kafalat.com.lb

Ministry of Tourism
www.mot.gov.lb

Syndicate of Hospitals
www.syndicateofhospitals.org.lb

Syndicate of Hotels Owners
https://www.facebook.com/groups/793407284139226/

Syndicate of Owners of Restaurants, Cafes, Night-clubs & Pastries
www.syndicatercnp.com

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