

**Embassy of India
Beirut**

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ANNUAL ECONOMIC & COMMERCIAL REPORT: 2018

1. Overview

Economic Indicators of Lebanon:

GDP	2016 (estimated)	2017 (estimated)	2018 (estimated)
GDP at Market	US\$ 47.510 billion	US\$ 51.84 billion	US\$ 52.9 billion
GDP Growth	1.0%	2.5%	1.0%
GDP (per head) PPP	US\$ 14,845	US\$ 19,116	US\$ 14,845

International reserves	2016 (estimated)	2017 (actual)	2018 (estimated)
Total international	US\$53.566	US\$ 55.411	US\$53.566

Total trade (US\$ bn)	2016	2017	2018
exports	2.98	2.8	2.98
imports	18.70	23.1	18.70
Trade balance	(-) 15.72	(-) 20.3	(-) 15.72

Trends in Bilateral trade and investment: (Source: Lebanese Customs Administration)

- i. **Value (in Rupees/Dollars) of Indian exports and imports.**

Volume of bilateral trade [India & Lebanon]

Year	Indias Export to Lebanon	Indias Import from Lebanon	Total trade
2017	US\$ 307,234	US\$ 12,283	US\$ 319,517
2018	US\$ 327 Million	US\$ 11 Million	US\$ 338 Million

ii. Imports & Exports

India export to Lebanon 1% of Lebanon's total imports

Indian Import from Lebanon 0.5% of Lebanon's total exports

Total Lebanese Import 15.36 Billion USD for the year 2018

Total Lebanese export 2.41 Billion USD for the year 2018

(i) Bilateral Trade

	Export 2017	Import 2017	Total 2017	Growth % of Export	Growth % of Import
Lebanon's Trade with India	14.2 million USD	412.5 million USD	426.7 million USD	30.04%	1.03%
Lebanon's total global trade	3.02 billion USD	9.3 billion USD	12.32 billion USD	4.07%	1.32%

(ii) Top 10 items of Imports from India

(In million \$)

S.No.	Commodity	2018	Percentage Growth (%)	% share in total Import (2018)
1	Pearls, precious stones and metals	71.00	-02.27%	4. %
2	Vehicles, aircraft, vessels, transport equipment	46.00	-13.45%	15 %
3	Textiles and textile articles	39.00	-12.26%	11%
4	Products of the chemical or allied industries	36.00	-22.77%	9%
5	Machinery; electrical instruments	32.00	02.74%	9 %

6	Vegetable products	29.00	-19.98%	9 %
7	Live animals; animal products	14.00	-24.31%	6 %
8	Plastics and articles thereof; rubber	14.00	12.10%	5 %
9	Article of stone, plaster, cement, glass	14.00	17.19%	5%
10	Prepared foodstuffs; beverages, tobacco	7.00	26.34%	5%

(iii) Top 10 items of Imports from the World

(In US\$million)

S.No.	Commodity	Total (2016)	Percentage Growth (%)	% share in total Import (2016)
1	Mineral products	3,745	08.89%	20%
2	Products of the chemical or allied industries	2,030	04.37%	11%
3	Machinery; electrical instruments	1,879	-05.72%	10%
4	Vehicles, aircraft, vessels, transport equipment	1,773	00.85%	9%
5	Prepared foodstuffs; beverages, tobacco	1,408	03.61%	8%
6	Pearls, precious stones and metals	1,255	52.68%	7%
7	Base metals and articles of base metal	1,174	01.29%	6%
8	Vegetable products	869	-04.51%	5 %
9	Live animals; animal products	837	-07.82%	4%
10	Textiles and textile articles	791	-03.42%	4%

(iv) Top 10 items of Exports to India

(In US\$ Million)

S.No.	Commodity	Total (2018)	Percentage Growth (%)	% share in total Export (2015)
1	Base metals and articles of base metal	7.00	-17.99%	77%
2	Raw hides and skins, leather, fur-skins	6.2	-57.24%	6 %
3	Pearls, precious stones and metals	4.32	-88.61%	4 %
4	Miscellaneous manufactured articles	4.00	4560%	4%

5	Plastics and articles thereof; rubber	3.7	959.26%	2%
6	Machinery; electrical instruments	2.1	01.04%	2%
7	Pulp of wood; paper and paperboard	2.08	-33.67%	2%
8	Products of the chemical or allied industries	1.6	276.60%	1%
9	Animal or vegetable fats and oils	1.3	N.A	1%
10	Textiles and textile articles	1.1	-41%	0.5 %

(v) Top 10 items of Export to the World

(In US\$ million)

S.No.	Commodity	Total (2017)	Percentage Growth (%)	% share in total Export (2016)
1	Pearls, precious stones and metals	828	90.78%	28%
2	Prepared foodstuffs; beverages, tobacco	446	-07.66%	15%
3	Machinery; electrical instruments	334	-19.32%	11%
4	Products of the chemical or allied industries	304	-26.03%	10%
5	Base metals and articles of base metal	253	-19.43%	9%
6	Vegetable products	189	2.72%	6%
7	Pulp of wood; paper and paperboard	133	-15.82%	4%
8	Plastics and articles thereof; rubber	133	03.10%	4%
9	Miscellaneous manufactured articles	93	-10.58%	3%
10	Textiles and textile articles	85	-19.81%	3%

(vi)Top 5 competitors of India's top 5 exports

S.No.	Commodity (including HS codes)	Competitors (In million \$)	Strategy of competitors (pricing, quality, distribution network, local tie ups etc.)
1	Textiles and textile articles HS codes :11	China (239) Turkey (115) Italy (82) India (45) Bangladesh (36)	China, Bangladesh- price EU countries- quality Turkey-distribution network
		Germany (24)	
2	Vehicles, aircraft, vessels, transport equipment HS codes :17	Germany (449) US (326) Japan (284) UK (129) Korea (97) India (43)	EU countries, US, Japan- Better brand name quality, distribution network,
3	Products of the chemical or allied industries HS codes :06	Germany (270) France (228) United States (193) Italy(144) Ireland (100) India (32)	EU countries, US - Better brand name quality, distribution network
4	Pearls, precious stones and metals HS codes :14	Egypt (296) Switzerland (180) Togo (167) Ghana (118) Belgium (116) India (34)	Switzerland, Belgium, - quality Togo, Ghana - price
5	Vegetable Product HS codes : 02	Ukraine (107) Russia (101) Egypt (77) Brazil(56) United States (47) India (26)	Ukraine, Russia, Brazil, US – better quality, distribution network

Number of Business Visas issued **in 2018:5 8 4**

Trade queries for import/Exports in 2018

Trade queries from India - 239

Trade queries from Lebanon – 73

Trade queries oral -80

BILATERAL

(i) Together to support the Lebanese India Trade

The 11th edition of annual 'Art of Living' Commercial Exhibition held under the patronage of the Prime Minister-designate Saad Hariri started on 14 November 2018. The Mission participated in this Exhibition as part of its Market Expansion Plan. The Exhibition was inaugurated by Member of Parliament Mr. Nazih Najem and remained open till 18 November, 2018. 14 Indian companies (under FIEO) representing sectors including; Textiles; Pharmaceuticals; Gems and Jewellery; Processed Food; and Home Décor are also participated in this Exhibition. It is an annual consumer products show, a special event for architects, decorators and public, ideas and Trends for the Home and living process, all through five consecutive days. The Embassy stall displayed and distributed information on 'Doing Business in India' in form of CDs. Brochures on various tourist destination of India, art and craft of India were also disseminated. Banners of "Make in India" were prominently displayed and information on the same was provided to the interested business people. An audio visual display of videos and photographs relating to 'Make in India' and 'Incredible India' was arranged throughout the exhibition days

(ii) Number of trade and other delegations:

- Ambassador visited Tripoli on 31 January – 1 February 2018 and had several meetings and interactions. Tripoli, the second largest city of Lebanon, has been historically a leading center of trade and commerce. Popularly called Lebanon's economic capital, Tripoli has a major port [second largest after Beirut]; a large and active Chamber of Commerce, Industry and Agriculture; the well known Rashid Karami International Fair Complex; a recently established Special Economic Zone; and a vibrant business community. With all these distinctive advantages; recent reopening of the land border from Tripoli to Syria; and the ambitious plans for expansion of Tripoli Port, revival and expansion of Tripoli's airport, and construction of new highways, Tripoli is an important 'gateway' for the reconstruction of Syria.
- Against the above backdrop, Ambassador's visit was focused on making a first-hand assessment of the opportunities offered by Tripoli for Indian businessmen and companies and enhancing awareness about India's economic strengths; GoI's business friendly policies; capabilities of India's corporate sector; and the vast potential and advantages of developing business with prospective Indian partners. The programme of Ambassador's visit included meetings with Governor of North Lebanon, Mayor of Tripoli, President of the Chamber of Commerce and Industry and Agriculture of Tripoli [CCIAT], Director General of Tripoli Port and other senior officials; addressing a business event at CCIAT and visiting the product testing laboratories and other facilities of CCIAT; interaction with large number of businessmen; and a visit to Tripoli Port. Local interlocutors gave high importance to the visit which has also been covered prominently in the media.

- On 19 February 2018 SS(Pol & PIC) attended a conference held at Grand Serail under the patronage of Prime Minister Saad Hariri. The conference was held to launch two investments for emerging companies. A fund of \$48 million catered to emerging companies in the telecommunications sector was established by MIC 1 (Mobile Interim Company 1) and MIC 2 (Mobile Interim Company 2), the two mobile operations in Lebanon managed by Alfa and Touch. A Business Support Unit, or BSU, was also instituted by the Investment Development Authority of Lebanon, the national promotion agency established in 1994 to promote Lebanon as a key investment destination and to support new start ups. PM Saad Hariri in his speech during the conference, said that government will continue to work on implementing essential projects for the country. He further thanked those involved with the investments. “I would also like to thank IDAL, Alpha and Touch, because this work is very important for Lebanon’s youth and all Lebanese people,” said the PM and added that the investments will be helpful in powering the technological revolution in Lebanon and making Lebanon a startup nation. He also informed that a team at PM’s office is working on updating all the laws dating back to the 1950s and the 60s, and their aim is to present these items to the Cabinet and include them in the budget items of 2018.
- SS(Pol) on 19 March 2018 attended a meeting chaired by Prime Minister Saad Hariri. The Prime Minister in his opening remarks said that the upcoming CEDRE conference to support investment in Lebanon’s infrastructure is another sign of the international community’s commitment to Lebanon. He added that the government is preparing for the conference with its policy of dissociation from regional issues in mind, and would submit not only an investment plan but a plan for longer-term stability at the forum. Detailed report on the meeting is sent to the Ministry separately.
- At the invitation of HE Avedis Guidanian, Minister of Tourism, Ambassador attended the inaugural session of ‘Visit Lebanon 2018’, a unique Lebanese forum and exhibition exclusively dedicated to the promotion of Lebanon worldwide, on 10 May, 2018. The event was held under the patronage of HE President of Lebanon, who was represented by HE Raed Khoury, Minister of Economy and Trade, and was attended by a large number of dignitaries, tourism and travel companies from Lebanon and abroad and media representatives, among others. In this Forum / Exhibition being held on 10-11 May, 2018, over 250 companies from 36 countries participated, including nearly 20 Indian companies. Ambassador utilized interactions with Indian participants and others to promote India Tourism.
- On 22 June 2018, SS(Commerce) attended the inaugural function of the “Explore Exhibition” organized jointly by M/s Lebanese Exhibitions & Conferences Association, M/s MICE Lebanon sarl, Federation of Chamber of Commerce, Industry & Agriculture in Lebanon and the Tourism Ministry at the Water Front area at 6.30 PM. The function was inaugurated by the Tourism Minister, Avidis Kidanian in the presence of MICE Chairman, Mr. Elie Rizk and Chairman of the Chamber of Commerce, Mr. Mohammad Choucair. The event was organized for the promotion of domestic tourism. Many companies and agencies associated with tourism and consumer items put up stalls in the area. Musical entertainment was also arranged by the organizers.

- On 26.6.2018, SS (Commerce) attended the inaugural function of the “Project Lebanon” the 23rd International Trade Exhibition for Construction Materials and Equipment for Lebanon and the Middle East. The function was attended by the Prime Minister, Mr. Saad Hariri accompanied by the Ministers of Telecom and Tourism.
- A 48 member multi-sectoral Business Delegation from India visited Lebanon on 12-13 September, 2018. The visit took place in the framework of the excellent relations between India and Lebanon and the shared keenness of both sides to further expand cooperation in diverse sectors. The companies that participated in the delegation represent four of India’s national level apex trade and industry bodies, namely, Federation of Indian Export Organizations [FIEO]; Confederation of Indian Industry [CII]; Federation of Indian Chambers of Commerce and Industry [FICCI]; and Engineering Export Promotion Council [EEPC] of India. Embassy of India, Beirut prepared a substantive programme for the visiting delegation, in cooperation with the Chambers of Commerce, Industry and Agriculture of Beirut and Mount-Lebanon, and Tripoli and North Lebanon. A large number of Lebanese participated in the events at these two prominent Chambers and had Business to Business meetings with members of the visiting delegation.
- India re-exports sugar after a break for 3 years :Indian sugar mills have signed agreements to export raw sugar for the first time in three years as New York prices soared to seven-month highs and government subsidies, making exports profitable. Mills in the world's second-largest sugar producer were reluctant to sign new export agreements as recently amid global prices were far below domestic prices.
- Mr. Tarun Katiyar, General Manager – Business Development and Mr. Piyush Kumar, HOG (Business Development – International) from Tata Power – Delhi Distribution Limited [Tata Power – DDL], a joint venture between Tata Power and Delhi Government, accompanied by Mr. Ghaith Madi, Chairman & CEO, Cedrus Enterprise Holding, Lebanese consultant of Tata Power – DDL, called on Ambassador on 3 October, 2018. They sought Ambassador’s guidance and assistance regarding business opportunities in Lebanon, with particular reference to the bid of Tata Power – DDL for oversight on a power distribution project of Electricity Department of Lebanon [EDL].

- (iii) **Details of cultural activities by the Mission during the year and promoting tourism in India : (Refer Annex-A)**
- (iv) **Details of capacity building and other projects in the host country financed by Government of India and status of their implementation:** The Indian Technical & Economic Cooperation [ITEC] programme has been popular in Lebanon since its inception in 1964. India has offered 75 civilian ITEC slots and 33 defence slots to Lebanon for 2018-19. So far, 34 have participated under the ITEC civilian and 27 in defence slots.
- (v) **Details of two way investment: Signing a memorandum of understanding with the Chamber of Commerce, Industry and Agriculture in Beirut and Mount Lebanon**
Details of two way investment: There have been some notable developments in recent months, including the award of operations and maintenance of two power plants to OEG, a Chennai based company which has deployed over 50

engineers at these plants; pre-qualification of ONGC Videsh Limited [OVL] as an operator in the latest licensing round for offshore gas blocks; steady increase in the number of Lebanese professionals and businessmen visiting India, and plans of Lebanese companies such as Future Pipes and Dar Al Handasah to expand their existing operations in India.

There is considerable potential for Indian investment in Lebanon in the energy sector, and in the information technology and infrastructure sectors. A couple of Lebanese companies have set up operations in India in the service sector. There is also potential for joint ventures between Lebanese and Indian companies in Africa and in reconstruction activities in the region.

Indian involvement in Lebanon's hydrocarbon sector has been initiated with two Indian companies – ONGC Videsh Ltd [OVL] and Cairn India – having pre-qualified as “non-operators” along with 34 other companies to participate in the first Offshore Natural Gas Round initiated by the Lebanese government. Eventually OVL withdrew from the bidding process for the first round of licensing due to lack of sufficient timeline for forming the consortium. The LPA and the MoEW has initiated measures for the second round of licensing for oil exploration, which will be another opportunity of the OVL.

Indian Register of Shipping (IRClass) on 19 November 2018 signed an Agency Agreement with the Exceptional Operations Classification (XOClass) of Lebanon, to develop the Lebanese market for ships' management, surveys and classification. The signing ceremony was held at the Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon (CCIABML) and in the presence of Ambassador Sanjiv Arora and Mr. Mohamad Choukair, Chairman CCIABML. IRClass will shortly open a new office in Beirut.

Minister of Economy and Trade Raed Khoury held a press conference to announce the signing of a trilateral Memorandum of Understanding with the Chamber of Commerce, Industry and Agriculture in Beirut and Mount Lebanon represented by its president Mr. Mohamed Choukair and Orient Swiss SARL represented by its Director General in Lebanon Mr. Bachir Abi Khalil.

In this regard, Minister Khoury declared that: “Zoodel online interface is a business-to-business marketplace dedicated to help presenting the Small and Medium Enterprises (SME's) and Lebanese products to non-classical marketplace for the Silk Road countries. This online platform aims to facilitate and further advance the trade, export and import process with prices less than those incurred by the classical method as well as to exchange trade information related to all Lebanese industries'. Furthermore, he added that: “ As a Ministry of Economy and Trade and Chamber of Commerce, Industry and Agriculture, we totally encourage this initiative and we undertake to facilitate hosting visits that the company will carry out to all Lebanese regions enabling the participation of the biggest number of companies”.

In his turn, Mr. Mohamed Choukair stressed the importance of signing this Memorandum that provides Lebanon with new horizons and markets. In addition, Mr. Bachir Abi Khalil expressed his sincere thanks to the Lebanese Government for

supporting this project and helping the Lebanese enterprises access the new digital world.

- (vi) **India's participation in Festivals/Fairs:** The Embassy participated in Heritage Day at LAU Nations Day Festival, Heritage Day at Collège Notre-Dame des Sœurs Antonines Hazmieh – Jamhour Celebrating India Day at Modern University of Business and Science (MUBS), International Day at Ahliyah School, International Day at Phoenicia University, India Day celebrated at Antonine Sisters High School, Abey Heritage Festival, Aley Festival, DSAL Charity Bazaar

2. INTERNAL

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1- Agriculture and Industry

The value of agricultural and industrial exports reached USD 2 billion for the first eight months of 2018, relative to USD 1.9 billion for the corresponding period of 2017, with an annual growth of 4.3%. Also, the value of agricultural and industrial imports increased by 4.8% from USD 13.1 billion to USD 13.7 billion during the same period.

These figures clearly reflect a better performing export activity and import activity, especially following the reopening of some routes namely the Jordan-Syrian border. These figures also reflect a positive contribution of the export activity to overall demand in the economy.

Electricity Production, an indicator of industrial activity, improved by 1.5%, from 9,993 mkw in the first eight months of 2017 to 10,146 mkw in the first eight months of 2018.

2- Real Estate and Construction

According to the figures of the Real Estate Registry and Ministry of Finance, the number of property sales operations decreased by 16.8% on annual basis to reach 43,963 operations in the first nine months of 2018. Also, the value of property sales dropped by 16.8% annually to reach USD 5.84 billion during the same period. This is partially affected by the recent seizure of housing loans by the Public Institution for Housing. These figures reflect a declining real-estate activity in the first nine months of 2018 as far as the demand side is considered.

Construction permits declined by 2.3%, from nearly 9.1 million sqm in the first nine months of 2017 to 7 million sqm in the same period of 2018. This suggests a curbed demand in the real-estate sector.

Cement deliveries dropped by 4.7% on annual basis to reach 3.2 million tons in the first eight months of 2018. This suggests a curbed supply in the real-estate sector during this period of 2018 relative to the same period last year.

3- Trade and Services

The statistics released by the **Hariri International Airport** indicate that the total number of passengers increased by 7.1% on annual basis to reach 6,851,775 passengers in the first nine months of 2018. The total freight handled by the airport recorded 42,334 metric tons in the first nine months of 2018. The number of air crafts recorded an increase of 3.5% on annual basis to reach 56,527 planes during the said period. These figures suggest an improvement in the airport activity.

According to the statistics of the **Port of Beirut**, its revenues recorded a decrease by 0.1% on annual basis to reach USD 174.7 million in the first nine months of 2018. The number of ships recorded an annual decrease of 0.2% to reach 1,413 ships during the same period. In parallel, the number of containers recorded an annual decrease of 1% to reach 653,861 containers during the same period.

The **number of tourists** visiting Lebanon totaled 1,505,745 tourists in the first nine months of 2018, growing by 3.9% from 1,449,517 tourists in the corresponding period last year.

According to the Survey of Ernst and Young, the Beirut's **hotel occupancy rate**, an indicator of tourism activity, decreased from 65.4% in the first nine months of 2017 to 63.6% in the same period of 2018.

4. Fiscal Policy and Indebtedness

The fiscal conditions in Lebanon remain highly unfavorable in light of continued fiscal deficits and growing public indebtedness, and the crowding-out effect of private investment fueled by public borrowing.

(i) Fiscal Deficit

The statistics of the Ministry of Finance has revealed a substantial surge in the total fiscal deficit, by nearly 234.5%, from USD 907 million for the first half of 2017 to nearly USD 3 billion for the same period of 2018. This substantial fiscal deficit resulted from a decline of 2% in total revenues to nearly USD 6 billion, and an increase of 28.8% in total spending to nearly USD 9 billion.

One should observe that the government was expecting an increase in its revenues for 2018, following the introduction of some new taxes and the raise of some other taxes in 2017, by nearly USD 1.2 billion. But the results came in an opposing way, where customs revenues declined by 3.9%, income tax revenues dropped by 10.1%, real-estate fees

decreased by 18.7%, and revenues from profit taxes fell by 38.5% during this period. Only the VAT revenues increased by 9.7%, and so did taxes on wages and salaries 17.9% during this period.

If it's supposed that the average monthly fiscal deficit stands at USD 506 million, then one can estimate its level for 2018 at nearly USD 6 billion, which then represents nearly 11% of GDP.

(ii) Public Debt

According to the Ministry of Finance figures, public indebtedness of Lebanon increased by 5.4% in the first nine months of 2018, from USD 79.6 billion at end-2017 to USD 83.8 billion at end-September 2018. The debt-to-GDP ratio stands currently at more than 150% which is quite high by international standards.

The domestic public debt declined by 1.4% in the first nine months of 2018 to reach USD 48.4 billion at end-September 2018, while the foreign public debt increased by 16.6% to USD 35.4 billion during this period. As for net public debt, which excludes deposits of the public sector at BDL and commercial banks, it went up by 6.2% to USD 73.6 billion during this period.

(iii) Inflation and Monetary Policy

The monetary authorities have maintained its monetary stabilization policy as well as its high interest-rate policy, to support currency stability and stimulate capital inflows. This period experienced higher inflation.

(iv) Central Bank

The Central Bank's statistics reveal that its balance sheet increased by 16% on annual basis to reach USD 135.8 billion at the end of September 2018, compared to USD 117 billion during the same period of 2017. Assets in foreign currencies reached USD 43.5 billion at the end of September 2018, with an annual decrease of 1.1% from USD 44 billion at the end of September 2017. As for the gold reserves, its value declined by 8.1% year-on-year to reach USD 10.9 billion as of end-September 2018.

(vi) Inflation

The Price Index of the Central Administration of Statistics increased by 6.3% on annual basis for the first nine months of 2018, compared to a lower level of 4.3% in the same period of 2017. This reflects the growth of inflation in the first nine months of 2018, following deflation in 2016 and 2015. This inflation is stimulated by the expanding economic activity, and monetary expansion where broadly-defined money supply M3 increased by an annual rate of 1.3% to reach USD 141 billion at end-September 2018.

5. Stabilization Policy

The Central Bank of Lebanon has continued its monetary stabilization policy during the first nine months of 2018, just like in the previous years. The stability in the exchange rate (USD1 = LBP 1,507.5) persists, thus contributing to overall monetary and economic stability

To support this monetary stability, the monetary authorities have maintained its policy of moderating growth in money supply which increased by 1.3% only between September 2017 and September 2018. This is crucial also for controlling inflation

6. Financial Markets

The banking sector has continued its growth in the half nine months of 2018, but the capital-market activity regressed, and so did the activity of financial institutions during the same period.

(i) Banking Sector

The statistics of the Association of Banks in Lebanon and the Central Bank indicate that the total assets of commercial banks stood at USD 241.1 billion as of end-September 2018, with an annual growth of 13% from end-September 2017.

The loans extended by commercial banks to the private-sector increased by 1.7% annually to reach 59.4 billion at end-September 2018. The dollarization rate of private-sector lending increased from 67.7% at end-September 2017 to 69.0% at end-September 2018.

The loans extended to the public sector increased by 4% on annual basis to reach USD 33.2 billion at end-September 2018.

The deposits of commercial banks at the Central Bank reached USD 123.9 billion at end-September 2018, with an annual growth of 24.9%.

The total private-sector deposits grew by 2.9% on annual basis to reach USD 173.9 billion at end-September 2018. The dollarization rate of these deposits increased from 66.9% at end-September 2017 to 69.1% at end-September 2018.

The private-sector loans-to-deposit ratio was 34.2% at end-September 2018, compared to 34.6% at end-September 2017.

The commercial banks' capital base expanded by 7.7% year-on-year to reach USD 20.1 billion at end-September 2018.

The net profits of six Lebanese banks listed on the BSE (Bank Audi, BLOM Bank, Byblos Bank, Bank of Beirut, BLC Bank and Bank BEMO) increased by 8.6% on annual basis, from USD 1 billion at end-September 2017 to USD 1.1 billion at end-September 2018.

7. Foreign Sector

The balance of payments, mirroring the aggregate foreign sector activity, experienced a deficit in the first nine months of 2018 relative to a lower deficit for the same period of 2017, due to stable capital inflows and widening trade deficit.

(i) Trade Balance

For the first eight months of 2018, the value of total exports reached USD 2 billion, with an increase of 4.3% from a year later. In parallel, total imports grew by 4.8% to reach USD 13.7 billion during the same period. As such, the trade deficit widened by 4.8% on annual basis to reach USD 11.7 billion at end-August 2018.

The export-to-import coverage ratio was stable at 14.5% in the first nine months of 2017 and 2018.

(ii) Capital Balance

The financial inflows to Lebanon stabilized at nearly USD 10.6 billion in the first nine months of 2017 and 2018. This mirrors continued capital inflows from foreign markets, which is partially stimulated by higher interest rates in Lebanon.

(iii) Balance-of-Payments

The statistics announced by the Central Bank show that Lebanon's balance of payments recorded a deficit of USD 1.3 billion in the first nine months of 2018, relative to a lower deficit of USD 190 million in the same period last year. The recorded deficit was due to a decrease of USD 2.9 billion in the net foreign assets of banks and financial institutions, and an increase of USD 1.6 billion in the net foreign assets of the Central Bank.

(I) ECONOMY

Consumer Price Index up 6.2% in first seven months of 2018

The Central Administration of Statistics' Consumer Price Index increased by 6.2% year on-year in the first seven months of 2018 compared to a growth of 4.2% in the same period of 2017. The CPI increased by 7.6% in July 2018 from the same month of 2017.

Lebanon ranks 108th globally, 11th among Arab countries in terms of property rights

The Property Rights Alliance ranked Lebanon in 108th place among 125 countries around the world and in 11th place among 14 Arab countries on its 2018 International Property Rights Index. Lebanon also came in 30th place among 32 upper middle-income countries (UMICs) included in the survey. Based on the same set of countries in the 2017 and 2018 surveys, Lebanon's rank regressed by seven spots from 100th place in 2017 to 107th place in 2018, constituting the 14th steepest deterioration globally.

Lebanon's external debt posts fourth highest return in emerging markets in July 2018

Figures issued by Intercontinental Exchange, Inc. (ICE) indicate that Lebanon's external debt posted a return of 6.23% in July 2018, constituting the second highest return among 44 markets in the Central & Eastern Europe and the Middle East & Africa (CEEMEA) region, and the fourth highest return among 76 emerging markets included in ICE's External Debt EM Sovereign Index. Lebanon outperformed the emerging markets' return of 2.21% and the 'B'-rated sovereigns' return of 4.77% in July 2018. It also posted the second highest return among 27 countries in the Middle East & Africa region during the covered month.

Lebanon ranks 65th globally, eighth among Arab countries in terms of FDI attractiveness

The 2018 Dhaman FDI Attractiveness Index ranked Lebanon in 65th place among 109 countries around the world and in eighth place among 16 Arab countries. In comparison, Lebanon ranked in 68th place globally in 2017, in 67th place in 2016, in 58th place worldwide in 2015 and in 56th place in the 2014 survey.

New industrial licenses up 56% in first half of 2018

The Ministry of Industry issued 333 new industrial licenses in the first half of 2018, constituting an increase of 56.3% from 213 licenses in the first half of 2017. Construction licenses accounted for 41.7% of issued licenses in the covered period of 2018, followed by construction & investment licenses with 31.8%, and investment licenses with 26.4%.

(II) TRADE & COMMERCE

Industrial exports up 6% to \$857m in first four months of 2018

Figures released by the Ministry of Industry show that industrial exports totaled \$856.6m in the first four months of 2018, constituting an increase of 6.1% from \$807m in the same period of 2017. Industrial exports reached \$227.8m in April 2018, down by 4.4% from \$238.4m in the preceding month, and up by 8.3% from \$210.4m in April 2017.

Coincident Indicator up 2.5% year-on-year in first half of 2018

Banque du Liban's Coincident Indicator, an index of economic activity in Lebanon, reached 298 points in June 2018 compared to 303.1 in May 2018 and 290.1 in June 2017. The Coincident Indicator, an average of 8 weighted economic indicators, decreased by 1.7% month-on-month and increased by 2.7% year-on-year in June 2018. The indicator averaged 311.8 in the first half of 2018, up by 2.5% from 304.2 in the same period of 2017. Also, the indicator averaged 309.7 in the 12 months ending June 2018, compared to 309 in the 12-month period ending May 2018 and 296.5 in the 12 months ending June 2017. As a result, the 12-month average coincident indicator was nearly unchanged month-on-month, while it grew by 4.4% year-on-year.

Stock market index down 26% in first 10 months of 2018

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 70,379,383 shares in the first 10 months of 2018, constituting a decrease of 1.7% from 71,609,264 shares traded in the same period of 2017; while aggregate turnover amounted to \$522m, down by 13.3% from a turnover of \$602.2m in the first 10 months of 2017.

Trade deficit widens by 5% to \$13bn in first nine months of 2018

Total imports reached \$15.2bn in the first nine months of 2018, constituting an increase of 4.9% from \$14.5bn in the same period of 2017; while aggregate exports grew by 4.1% year-on-year to \$2.2bn in the covered period. As such, the trade deficit widened by 5% annually to \$13bn in the first nine months of 2018 due to an increase of \$702.2m in imports, which were partly offset by a rise of \$86.8m in exports.

(III) Banking

Private equity deals at \$61m in first half of 2018

Figures issued by financial information providers Bureau Van Dijk and Zephyr show that there were two private equity (PE) deals targeting companies in Lebanon for a total of \$61m in the first half of 2018. In comparison, there was one PE deal worth \$0.3m in the first half of 2017. The value of PE deals targeting companies in Lebanon was the fourth highest among six countries in the Middle East & North Africa (MENA) region with available figures on their deal values, and represented 10.7% of the region's aggregate deal value of \$569m in the covered period.

Value of cleared checks down 1.2%, returned checks up 14% in first 10 months of 2018

The value of cleared checks reached \$55.7bn in the first 10 months of 2018, constituting a decline of 1.2% from \$56.4bn in the same period of 2017. In comparison, the value of cleared checks regressed by 0.4% in the first 10 months of 2017 and decreased by 2.5% year-on-year in the same period of 2016. The value of cleared checks in Lebanese pounds increased by 3.2% year-on-year to the equivalent of \$18.2bn in the first 10 months of 2018.

Top 100 banks in Arab world include 11 Lebanese banks

In its 2018 survey of the Top 100 banks in the Arab world, *The Banker* magazine included 11 Lebanese commercial banks on its list. In comparison, there were 21 banks from the UAE, 12 banks from Saudi Arabia, 10 from each of Bahrain and Qatar, nine from Kuwait, seven from each of Morocco and Oman, six from Egypt, five from Jordan, and one bank from each of Algeria and Tunisia.

Moody's affirms ratings on Byblos Bank and BLOM Bank

Moody's Investors Service affirmed at 'B3' the long-term deposit ratings of Byblos Bank and BLOM Bank, and at 'b3' their baseline credit assessments (BCAs). It also affirmed the national scale ratings of the banks at 'A3.lb/LB-2'. It maintained the 'stable' outlook on the banks' long-term deposit and national scale ratings. It attributed the ratings' affirmation to the resilience of the two banks' financial profiles. It noted that the banks' high direct exposure to the government, along with the concentration of their operations in the Lebanese market, make them vulnerable to the sovereign risk and constrain their BCAs at the sovereign level.

(IV) Finance

Balance sheet of investment banks down 1% in first half of 2018

Figures released by Banque du Liban show that the consolidated balance sheet of investment banks in Lebanon reached LBP7,655.5bn, or \$5.08bn at the end of June 2018, constituting a decrease of 0.9% from LBP7,733bn, or \$5.13bn, at end-2017, and a growth of 5% from LBP7,302.4bn or \$4.84bn at the end of June 2017. On the assets side, claims on resident customers reached \$1.58bn at end-June 2018, up by 0.9% from end-2017, while claims on non-resident customers totaled \$35.2m at the end of the first half of 2018, down by 28% from end-2017. In addition, claims on the resident financial sector reached \$753m at end-June 2018, down by 19.7% from end-2017; while claims on the non-resident financial sector totaled \$70.2m at the end of June 2018 and decreased by 5.6% from end-2017.

External bonds post second highest return in emerging markets in July 2018

Figures issued by Citi Research indicate that Lebanon's external sovereign debt posted a return of 5.7% in July 2018, constituting the second highest return among 48 emerging markets included in the Citi EM Sovereign Bond Index.

Balance sheet of financial institutions down 6% in first nine months of 2018

Figures released by Banque du Liban show that the consolidated balance sheet of financial institutions in Lebanon reached LBP2,365bn, or \$1.57bn at the end of September 2018, constituting a decrease of 5.9% from LBP2,513bn, or \$1.67bn, at end-2017, and a decline of 6.8% from LBP2,537bn or \$1.68bn at end-September 2017.

(V) BUDGET & TAXES

Lebanon ranks 113th globally, 13th among Arab economies in ease of paying taxes

The PricewaterhouseCoopers/World Bank Group Paying Taxes for 2019 ranked Lebanon in 113th place among 189 countries and jurisdictions worldwide and in 13th place among 20 Arab economies included in the survey. Also, Lebanon ranked in 30th place among 51 upper middle-income countries (UMICs) included in the survey. Lebanon's global and regional ranks were unchanged from the 2018 survey.

(VI) Infrastructure, Real estate and construction

Housing demand improves in third quarter of 2018 after Parliament allocates LBP100bn for mortgage subsidies

Demand for residential real estate in Lebanon improved in the third quarter of 2018, as reflected by the results of the Byblos Bank Real Estate Demand Index. The Index posted a monthly average of 51.4 points in the third quarter of 2018, constituting an increase of 17.4% from 43.7 points in the second quarter of 2018 and a growth of 3.7% from 49.6 points in the third quarter of 2017. The Index decreased by 19.3% in July and by 14.2% in August, but increased by 26.3% in September.

Number of real estate transactions down 18% in first 10 months of 2018

Figures released by the Ministry of Finance indicate that there were 49,652 real estate transactions in the first 10 months of 2018, constituting a decrease of 17.6% from 60,276 deals in the same period of 2017. In comparison, the number of real estate transactions grew by 16.6% year-on-year in the first 10 months of 2017 and increased by 1.2% annually in the same period of 2016.

Number and value of real estate transactions down 17% in first nine months of 2018

Figures released by the Ministry of Finance indicate that there were 43,263 real estate transactions in the first nine months of 2018, constituting a decrease of 16.8% from 51,993 deals in the same period of 2017. In comparison, the number of real estate transactions grew by 13.4% year-on-year in the first nine months of 2017 and increased by 1.2% annually in the same period of 2016. There were 8,500 real estate transactions in the Baabda area in the first nine months of 2018.

(VIII)Transport, Port & Airport

Airport passengers up 7% in first nine months of 2018

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 6,851,775 passengers utilized the airport (arrivals, departures and transit) in the first nine months of 2018, constituting an increase of 7.1% from 6,399,347 passengers in the same period of 2017. The number of arriving passengers grew by 7.8% year-on-year to 3,435,366 in the first nine months of 2018

Top five freight forwarders' import activity down 12% in first eight months of 2018, export activity down 22%

Figures released by the Port of Beirut show that overall import shipping operations by the top five freight forwarders through the port reached 212,998 20-foot equivalent units

(TEUs) in the first eight months of 2018, constituting a decrease of 11.7% from 241,131 TEUs in the same period of 2017. The five freight forwarders accounted for 75.7% of imports to the Lebanese market and for 50.4% of the total import freight forwarding market in the first eight months of 2018.

Moody's revises CMA CGM's outlook to 'negative'

Moody's Investors Service affirmed the Lebanese-owned and France-based container shipping group CMA CGM's corporate family rating at 'B1', its probability of default rating at 'B1-PD' and its senior unsecured bond ratings at 'B3'. But it revised the outlook on all the ratings from 'positive' to 'negative' following CMA CGM's announcement on October 25, 2018 of its intention to make a tender offer to acquire supply chain management company CEVA logistics AG. It noted that the outlook revision also takes into account downside risks in the container shipping industry, including the U.S.-China trade tensions, rising fuel costs, and the upcoming IMO 2020 low sulphur fuel regulation.

(X) Energy and Environment

Treasury transfers to Electricité du Liban up 44% to \$522m in first four months of 2018

Figures released by the Ministry of Finance show that Treasury transfers to Electricité du Liban (EdL) totaled \$521.7m in the first four months of 2018, constituting an increase of 44.1% from \$362m in the same period of 2017. The ministry said that reimbursements to the Kuwait Petroleum Corporation (KPC) and to the Algerian energy conglomerate Sonatrach totaled \$505.2m, or 96.8% of transfers, in the covered period. It added that transfers to Electricity Syria stood at \$12.7m, or 2.4% of total transfers, while EdL's debt servicing represented the balance of \$3.9m, or 0.7% of the total. It attributed the rise in transfers mainly to an increase of \$147.9m, or 41.4%, in payments to KPC and Sonatrach in the first four months of 2018. In contrast, debt servicing decreased by \$0.8m or 16.7%, in the first four months of 2018.

EdL launches tender to expand Beirut River Solar Snake project

Electricité du Liban (EdL) launched a tender for the second phase of the Beirut River Solar Snake (BRSS) project, which consist of in-stalling a solar photovoltaic (PV) system with a capacity of seven megawatts (MW). The first phase of the BRSS project, which was completed in 2015, consisted of the installation of a PV farm with a capacity of 1.08 megawatt-peak (MWp) across 30 meters of the Beirut River.

(XI) Tourism

Occupancy rate at Beirut hotels at 64%, room yields down 2% in first nine months of 2018

EY's benchmark survey of the hotel sector in the Middle East indicated that the average occupancy rate at hotels in Beirut was 63.6% in the first nine months of 2018, down from 65.4% in the same pe-riod of 2017 and compared to an average rate of 62.7% in 14 Arab

markets included in the survey. The occupancy rate at Beirut hotels was the sixth highest in the region in the first nine months of 2018, unchanged from the same period of 2017.

Tourist arrivals up 4% in first nine months of 2018

The number of incoming visitors to Lebanon totaled 1,505,745 in the first nine months of 2018, constituting an increase of 3.9% from 1,449,517 tourists in the same period of 2017 and a drop of 11.1% from 1,694,662 visitors in the first nine months of 2010, the record year for tourism activity in Lebanon. Also, the number of incoming visitors reached 166,526 in September 2018, down by 25.4% from 223,353 visitors in August 2018 and up by 2.7% from 162,135 tourists in September 2017.

4. LEBANON EXTERNAL

(I) Jordan – Lebanon

Opening of Jaber-Naseeb crossing to support Lebanese agricultural and industrial exports

The Jaber-Naseeb border crossing between Jordan and Syria reopened on October 15, 2018 following its closure in April 2015 due to the prevailing Syrian conflict. Prior to its closure, the Jaber-Naseeb border crossing was the main land route for the transport of goods from Lebanon and Syria to Jordan and Gulf Cooperation Council (GCC) countries. As such, the reopening of the border crossing would support Lebanon's export activity, specifically agricultural and industrial exports, as Lebanese farmers will now be able to resume the export of their products to Arab countries through the land route.

(II) UAE / China - Lebanon

Economy Ministry imposes tariffs on UAE and Chinese aluminum imports

The Ministry of Economy & Trade issued Decision 202/1 on October 30, 2018, which imposes tariffs on the imports of aluminum and aluminum-based products from China and the United Arab Emirates for a period of four months. Specifically, aluminum imports from China will be subject to a 20% tariff, while those from the UAE will be subject to a 14% tariff. The decision, which aims to protect the local production of aluminum and related products, places tariffs on rods, cutters and other aluminum-based goods that are imported from the two countries. However, the decision stipulates that Lebanese aluminum manufacturers are not allowed to raise the price of their products from current levels, unless global aluminum prices increase.

(III) EU - Lebanon

EU pledges €100m to support public education

The European Union (EU) and the Ministry of Education & Higher Education announced a new €100m financial package to support the education sector in Lebanon, which will be extended through the EU Regional Trust Fund. The funding consists of €80m to cover students' enrolment fees in primary education, teachers' salaries, as well as the

maintenance of public schools during the school years 2018/19 and 2019/20. It also includes €10m earmarked for non-formal educational programs, in line with the ministry's policy and plans. The remaining €10m will be allocated to improve the quality of education at Lebanese schools, such as by introducing the child-centered teaching and learning approaches, as well as to strengthen the ministry's capacity to collect data and monitor the quality of educational services. The EU has provided €228m to the public education sector in Lebanon since 2012, in addition to important contributions from EU member states.

(Pawan Chopra)
Attache (Comm)

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Activities by Embassy of India, Beirut in 2018

Date	Occasion
9 Jan 2018	Celebration of Pravasi Bharatiya Divas (PBD) with Indian Community In Lebanon.
18 Jan 2018	Ambassador's interview with OTV Channel Rozanna Rammal at the Embassy premises (it was aired on 24 Jan) program الدبلوماسية
26 Jan 2018	Ambassador's impromptu interview by Future TV during the celebration of Republic Day
8 Feb 2018	Hospitality Department of Sagesse University celebrated 'India Day' as a part of their annual assignment. Embassy supported the students by providing items for decoration; brochures containing relevant information on India; audio visuals; etc. The students also organized a dinner with theme India.
15 Feb 2018	Interaction with the students of the Lebanese University before their visit to India for participating in an Art conference at Sir J.J. Institute of Applied Arts in Mumbai.
8 March 2018	Celebrated of ITEC Day at Haigazian University
23 March 2018	Organised a dance workshop on the occasion of Women's Day at 'Hands On' premises (Organization for children)
11 April 2018	Heritage Day celebrated at the Lebanese American University (LAU) Beirut Campus. Embassy participated through a stall showcasing different aspects of India, tourism materials have been distributed to the students
13-14-15 April 2018	Embassy participated in the annual Nations Day Festival held at Zaitounay Bay with a stall displaying strides made by India in various sectors; art and craft of India; India tourism; etc. The photo booth (Kathakali dance) set up by the Embassy was the biggest crowd puller throughout the event.
24 April 2018	Organized a dance workshop at Saint Joseph School.
26 April 2018	Celebrated 'India Day' at Modern University of Business and Science (MUBS) Spears campus. The event included an exhibition entitled: 'Indimage' by the Art & Design department; screening of a documentary; dance workshop; and disseminating information about education opportunities and scholarships for studying in India.

29 April 2018	Celebrated International Day of Dance at the Embassy with dance workshops.
3 May 2018	Organized a dance workshop at Ahliah School.
15 May 2018	Embassy organised 'India day' at Antonine Sisters High School. The event included singing of Hindi songs by the students; screening of a documentary; and a dance workshop.
18 June 2018	Embassy organized IDY curtain raiser event at American University of Beirut. The event included Yoga workshops and photo exhibition. A dance performance was also given by the students attending dance classes at the Embassy.
20 June 2018	Celebrated 4 th IDY at Zaitunay Bay. The event included Yoga workshop; photo exhibition on Yoga; exhibition entitle: 'Indimage' by the students of Modern University of Business and Science; and a dance performance by the students attending dance classes at the Embassy.
21 June 2018	The Embassy in association with Indian Battalion (INDBATT) of UNIFIL, celebrated IDY at INDBATT Hqs in south Lebanon.
30 June 2018	Embassy participated in 'Music Around the Word' event organized by Vilma School of Music in Amchit with a documentary on Indian classical music and a dance workshop.
7,8,9 July 2018	Embassy participated at Abey Heritage Festival with a stall showcasing Indian culture and tourism and a dance performance by the students attending dance classes at the Embassy.
20,21,22 July 2018	Embassy participated at Aley Festival with a stall showcasing Indian culture and tourism and a dance performance by the students attending dance classes at the Embassy.
15 August 2018	Ambassador's interview in Annahar was published on the occasion of the Independence Day of India.
1 October 2018	<p>Event to celebrate 150th Birth Anniversary of Mahatma Gandhi was organized by Embassy of India, Beirut in cooperation with Association for Development of Lebanese-Indian Relations [ADLIR] and American University of Beirut [AUB] at AUB. The programme included screening of a documentary on Mahatma Gandhi; a Panel Discussion on 'Mahatma Gandhi's eternal and universal message'; singing of devotional songs close to Gandhiji's heart; and a Reception. The panelists for the discussion were Mr Ali Ghandour, President of the Association for Development of Lebanese-Indian Relations (ADLIR); HE Mr. Fouad Makhzoumi, Member of Parliament; Dr. Alwan Amin Eddine, Founder and Director, SITA Institute (Think-tank on international affairs); and Ms. Mona Mounayer, Founder-Owner, TRIARC I FIREHORSE (TV Director, Researcher). The panel discussion was moderated by Ambassador Sanjiv Arora.</p> <p>The event culminated in moving rendition of bhajan 'Vaishnav Jan To Tene Kahiye Je' in Gujarati by Ms. Abeer Nehme, renowned Lebanese</p>

	<p>singer, as a tribute to Mahatma Gandhi.</p> <p>LED screen was also installed at the historic courtyard of AUB where slides received from XP Division on the the most inspirational life of Mahatma Gandhi were displayed.</p>
2 October 2018	<p>Celebration at Mahatma Gandhi Park [MGP] was held in the area of operation of the Indian Battalion [INDBATT: 5 Assam Infantry Battalion Group, comprising 900 personnel] in UNIFIL in South Lebanon, in collaboration with the Embassy of India, Beirut. As a part of the programme, commemorative stamps received from Department of Posts were also released. <i>The dignitaries joining the event included UNIFIL Sector East Commander Brig-Gen Jose Luis Sanchez Martínez-Falero; local dignitaries and UNIFIL officers. Awards were distributed to the special children of Hasbaya Center for Care and Development of Dar al Aytam who participated in a competition organized by Indian Battalion.</i></p> <p>Same day, the video of bhajan ‘Vaishnav Jan To Tene Kahiye Je’ sung by Ms. Abeer Nehme was released by Ambassador Sanjiv Arora at INDBATT Hqs at Ebl-es-Saki.</p>
31 October 2018	<p>Celebrated Birth Anniversary of Sardar Patel at the Embassy premises by organizing a Photo Exhibition and screening of a documentary.</p>
29 November 2018	<p>Celebrated 150th Birth Anniversary of Mahatma Gandhi at Wellspring school with screening of a documentary on Gandhiji; a quiz competition; and a dance workshop.</p>
2 December 2018	<p>Embassy participated at the International Charity Bazaar organized by the Diplomatic Spouses’ Association in Lebanon (DSAL).</p>
12 December 2018	<p>Celebrated 150th Birth Anniversary of Mahatma Gandhi at Ahliah School with screening of a documentary on Gandhiji; a quiz competition; and a dance workshop.</p>

Besides the above mentioned cultural events, the Embassy supported several schools/ universities for their events, which were themed ‘India’. Mission provided them relevant information like tourism in India, strides made by India in Science and Technology; information about prominent personalities in India; festivals of India, cuisine of India etc.