

**Embassy of India
Beirut**

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Economic & Commercial Report - September, 2020

(Data given below are for July, 2020 as updated figures for September 2020 are not released by Lebanese authorities due to COVID 19 lockdown link:<http://customs.gov.lb/>)

1. ECONOMIC INDICATORS OF LEBANON:

GDP	2019 (Dec)
Nominal GDP	US\$ 9654.806
GDP Growth Rate (%)	0.2% (2019e)
GDP (per head) PPP	US\$ 15,049

(Figures still not updated by Labanese authorities)

	2019 (till 4 Sep)
International reserves (US\$ bn)	
Total international reserves	52.38

(Figures still not updated by Lebanese authorities)

ii. Total Trade commodity-wise with India by end of July, 2020:

HS code	Description	Import	Export
		Thousand \$	Thousand \$
1.	Live animals, animal products	5,545	179
2.	Vegetable products	17,712	56
3.	Animal or vegetable fats and oils and their cleava	95	0

4.	Prepared food stuffs; beverages, spirits and vinegar	4,649	18
5.	Mineral Products	245	0
6.	Products of the chemical or allied industries	18,641	104
7.	Plastics and articles thereof; rubber	6,598	35
8.	Raw hides and skins, leather, fur skins	329	38
9.	Wood and articles of wood; wood charcoal; cork	43	0
10.	Pulp of wood; paper and paperboard	779	167
11.	Textile and textile articles	6,501	2
12.	Footwear, umbrellas,artificial flowers	387	0
13.	Articles of stone, plaster, cement, glass	1,122	6
14.	Natural or Cultured pearls, precious or semi-precious	9,512	17
15.	Base metals and articles of base metal	1,272	4,538
16.	Machinery, electrical instruments	7,821	730
17.	Vehicles, aircraft, vessels, transport equipment	733	0
18.	Optical, photographic, medical, musical instruments	798	0
19.	Miscellaneous manufactured articles	425	57
20.	Works of art, collectors“ pieces and antiques	2	1
	Total (US\$ thousands)	83,210	5,948

iii. Top ten import from India commodity-wise by end of July, 2020:

Ranking	Description	Import
		Thousand \$
1.	Products of the chemical or allied industries	18,641
2.	Vegetable products	17,712
3.	Natural or Cultured pearls, precious or semi-precious	9,512
4.	Machinery, electrical instruments	7,821
5.	Plastics and articles thereof; rubber	6,598
6.	Textile and textile articles	6,501
7.	Live animals, animal products	5,545
8.	Prepared food stuffs; beverages, spirits and vinegar	4,649
9.	Base metals and articles of base metal	1,272
10.	Articles of stone, plaster, cement, glass	1,122

iv. Top ten export to India commodity-wise by end of July, 2020:

Ranking	Description	Export
		Thousand \$
1.	Base Metals and articles of base metals	4,538
2.	Machinery, electrical instruments	730
3.	Live animals, animal products	179
4.	Pulp of wood; paper and paperboard	167
5.	Products of the chemical or allied industries	104
6.	Miscellaneous manufactured articles	57
7.	Vegetable products	56

8.	Raw hides and skins, leather, fur skins	38
9.	Plastics and articles thereof; rubber	35
10.	Prepared food stuffs; beverages, spirits and vinegar	18

v. Major Exports/Imports Indices are as follows:

Volume of bilateral trade [India & Lebanon]:

Year	Lebanon Export to India	Lebanon Import from India
2019	US\$ 16 Million	US\$ 344 Million
2020 (Up to July)	US\$ 6 Million	US\$ 83 Million

vi. The principal export destinations of Lebanon

Ranking	Name of the Country	Till end of July, 2020 Million US dollars
1	Switzerland	666
2	United Arab Emirates	285
3	Saudi Arabia	132
4	Iraq	93
5	Qatar	92
45	India	6

vii. The principal import sources of Lebanon:

Ranking	Name of the Country	Till end of July, 2020 Million US dollars
1	Greece	478
2	United States	436
3	Italy	424
4	Turkey	401
5	China	395
22	India	83

2. BILATERAL

Status/progress of Non-Tariff Barriers/SPS/TBT issues during the month of September 2020 - **NIL**

Following candidates have joined ITEC (Civil) courses in India in the month of September 2020 - **NIL**

Following candidates have joined ITEC (Defence) courses in India in the month of September 2020 - **NIL**

Trade Inquires during the month of September 2020:

From India: Twenty five (25)

From Lebanon: One (1)

India Trade Portal during the month of September 2020:

Lebanese queries : One (1)

Tenders : Nil

Business visa issued by Embassy of India during the Month of September 2020: **NIL (COVID 19 lockdown - Travel restrictions)**

3. INTERNAL

N/A

(I) ECONOMY

Public debt to decline to less than 100% of GDP by end-2025 in case of reforms and IMF funding

Citi Research considered that Lebanon's public debt level would decline by more than 80 percentage points (pp) to less than 100% of GDP by the end of 2025, in case Lebanese authorities implement reforms to unlock funding from the International Monetary Fund (IMF). It noted that the reduction in the public debt level would mainly originate from a decrease in the value of local currency-denominated debt due to the depreciation of the exchange rate, as well as from haircuts on Lebanon's local and foreign currency-denominated debt. But it said that the debt reduction would partly be offset by an increase in foreign-currency denominated debt because the latter will be inflated by the currency depreciation, as well as by an accumulation of loans from the IMF and other external sources.

International Support Group calls for accelerating reforms to address socioeconomic and humanitarian crises

The International Support Group for Lebanon (ISG) called on political parties in Lebanon to unite in order to form an effective and credible government that will meet the legitimate needs of the Lebanese people and address the main challenges facing the country. It considered that the key challenges include the reconstruction of Beirut following the August 4 explosion at the Port of Beirut, the implementation of the necessary reforms to resolve the ongoing socioeconomic and financial crises, the urgent humanitarian needs, and the impact of COVID-19 on the economy. The ISG consists of China, France, Germany, Italy, Russia, the United Kingdom, the United States, as well as the United Nations, the European Union, the World Bank, and the Arab League.

Macroeconomic stabilization depends on political consensus

Barclays Capital indicated that Lebanon has been experiencing a combination of shocks, from the COVID-19 pandemic to the explosion at the Port of Beirut, that have exacerbated an already fragile economy, but it considered that political paralysis constitutes the country's main challenge. It speculated that social discontent, international pressure, and the economic downturn could lead to a political compromise and to the formation of a new Cabinet, but it expected the implementation of reforms to be more challenging. It added that negotiations with the International Monetary Fund are likely to remain protracted.

Depletion of reserves could have severe impact on Lebanese economy

Global investment bank Goldman Sachs indicated that Banque du Liban's (BdL) foreign currency reserves have been declining more significantly than expected, despite the narrowing of the current account deficit due to the decline in imports as a result of lower private consumption. It estimated that the trade deficit narrowed by \$6bn annually to \$9bn in the 12 months that ended in June 2020, while the current account deficit contracted by \$5.2bn year-on-year to \$7bn in the 12 months that ended in August 2020.

(II) TRADE & COMMERCE

Lebanon ranks 58 th globally, ninth among Arab countries on liner shipping connectivity in second quarter of 2020

Figures released by Banque du Liban show that the amount of letters of credit (LCs) opened to finance imports to Lebanon totaled \$293.5m in the first half of 2020, constituting a decrease of 90.8% from \$3.2bn in the first half of 2019. The significant decline in the amount of LCs in

the first half of the year is due to stricter requirements imposed by correspondent banks following the downgrade of Lebanon's sovereign ratings and to importers' increased challenges in meeting these requirements.

Industrial exports down 23% to \$1bn in first half of 2020

Figures released by the Ministry of Industry show that industrial exports totaled \$1bn in the first half of 2020, constituting a decline of 22.7% from \$1.3bn in the same period of 2019.

(III) Banking

World Bank cancels disbursement of Bisri Dam loan

The World Bank (WB) cancelled on September 5, 2020 the disbursement of \$244m under the loan agreement of the Bisri Dam project, due to the non-completion by the Lebanese government of several pre-requisites for the start of the dam's construction. It had partially suspended on June 26 the disbursement of the \$474m concessional loan under the project, and gave the government until July 22 to proceed on several requirements. Also, it had approved the Lebanese government's request to extend until September 4, 2020 the deadline to fulfill the requirements of the project's loan agreement. The requirements consisted of finalizing the Ecological Compensation Plan (ECP) in consultation with key stakeholders by September 4, as well as the Operation and Maintenance (O&M) arrangements by August 24, and of mobilizing the contractor at the worksite by September 4.

Banque du Liban credit lines benefit 29,000 recipients

Banque du Liban (BdL) indicated that it extended to banks and financial institutions \$400m in exceptional credit lines under Intermediate Circular 552 that it issued on April 22, 2020. It noted that it extended \$328m or 82% of the aggregate amount, in order for banks to provide exceptional loans denominated in US dollars, while the balance of \$72m, or 18% of the total, was earmarked for loans denominated in Lebanese pounds. It added that 29,000 entities, companies and individuals benefited from these credit faculties. Also, it noted that 74% of the exceptional credit lines went for the payment of monthly installments of existing loans of companies and individuals, 11% covered employees' salaries, 9% went for operating expenditures, while the balance of 6% covered production-related spending of enterprises.

LOM Bank's profits down 84% to \$39m in first half of 2020

BLOM Bank sal declared unaudited net profits of \$38.8m in the first half of 2020, constituting a decline of 83.7% from \$238.7m in the same period of 2020.

(IV) Finance

Finance Ministry signs contracts with three international firms to audit BdL

The Minister of Finance in the caretaker government signed contracts with three international professional services firms to audit Banque du Liban (BdL). The minister signed a \$2.25m contract with U.S.-based financial services firm Alvarez & Marsal LLC to carry out a forensic audit of BdL. According to a source from the ministry, Alvarez & Marsal will audit BdL in the last five years and will begin its task in the second week of September 2020. The company's scope of work consists of auditing BdL's financial engineering operations, computing BdL's foreign currency reserves and comparing them to published figures, and revaluing BdL's gold reserves, among other tasks. The firm is expected to provide a preliminary report of its findings in 10 weeks.

IMF reiterates readiness to engage with Lebanese authorities

The International Monetary Fund indicated that it stands ready to engage with a new Lebanese government once it is formed, as well as to redouble the Fund's efforts to help Lebanon overcome the prevailing social and economic crises. The Fund noted that it discussed technical issues with Lebanese authorities, and has offered technical assistance in areas that can help Lebanon face some of the new challenges that emerged in the aftermath of the explosion at the Port of Beirut on August 4. It reiterated the need to embark on comprehensive reforms to restore confidence and address challenges in many areas, in order to bring back stability and enhance investment prospects. In parallel, the IMF indicated that the accounting, financial, and forensic audits of Banque du Liban (BdL) will facilitate the assessment of BdL's assets and liabilities.

Finance Ministry signs three contracts to audit Banque du Liban

The Ministry of Finance in the caretaker government signed contracts with three international professional services firms to audit Banque du Liban (BdL). The minister signed a contract with U.S.-based financial services firm Alvarez & Marsal Middle East Limited (A&M) to carry out a forensic audit of BdL, while he signed two other contracts with international accounting and auditing

firm KPMG and management consulting firm Oliver Wyman in order to conduct an accounting and financial audit of BdL.

(V) Real Estate & Construction

Number of real estate transactions up 45% in first eight months of 2020

Figures released by the Ministry of Finance show that 45,047 real estate transactions took place in the first eight months of 2020, constituting an increase of 44.7% from 31,131 deals in the same period of 2019.

State-owned real estate portfolio valued at \$69bn

The Hayek Group, a real estate development company, suggested the establishment of a National Real Estate Fund (NRF) to help address Lebanon's prevailing economic and financial crisis. It noted that the NRF will include the state-owned portfolio of lands across the country. It indicated that the launch of the NRF necessitates the creation of a registry of state-owned real estate assets and the transfer of these assets to the NRF. First, it said that authorities need to create a central public registry of public real estate assets and to assign an indicative value to each of these assets. It added that this step will allow better strategic planning and management of the NRF, including potential yields and revenues from the fund. Second, it noted that authorities should outsource the development of the NRF portfolio to an experienced and politically independent board of directors and management team, in order to avoid conflict of interest and ensure good governance.

(VI) Transport, Port & Airport

Number of airport passengers down 75% in first eight months of 2020

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 1,557,273 passengers utilized the airport (arrivals, departures and transit) in the first eight months of 2020, constituting a decline of 75% from 6,222,002 passengers in the same period of 2019.

Moody's completes a periodic review of CMA CGM's ratings

Moody's Investors Service completed on August 28, 2020 a periodic review of the ratings of the Lebanese-owned and France-based container-shipping group CMA CGM. It indicated that the firm's 'B2' corporate family rating reflects its leading market position, as the company accounts for about 12% of the global

shipping market. It added that the rating is supported by the company's operational efficiency that helps it maintain a strong earnings before interest and taxes (EBIT) margin. In addition, it pointed out that more than 70% of the firm's fleet consists of chartered vessels, which also supports the rating.

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Revenues through Port of Beirut down 43% to \$62m in first half of 2020

Figures released by the Port of Beirut show that the port's revenues reached \$61.6m in the first half of 2020, constituting a decline of 43.1% from \$108.1m in the same period of 2019. The Beirut port processed 2.2 million tons of freight in the covered period, decreasing by 36.1% from 3.5 million tons in the first half of 2019.

Import activity of top five shippers and freight forwarders down 47% in first half of 2020

Figures released by the Port of Beirut show that overall import shipping operations by the top five shipping companies and freight forwarders through the port reached 75,450 20-foot equivalent units (TEUs) in the first half of 2020, constituting a decrease of 47.4% from 143,423 TEUs in the same period of 2019.

(VII) Tourism

New car sales down 73.5% in first eight months of 2020

Figures released by the Association of Automobile Importers (AAI) in Lebanon show that dealers sold 4,808 new passenger cars in the first eight months of 2020, constituting a drop of 73.5% from 18,165 cars sold in the same period of 2019.

(VIII) Budget and Taxes

Fiscal deficit equivalent to 32.5% of expenditures in first half of 2020

Figures released by the Ministry of Finance show that the fiscal deficit reached \$2.22bn in the first half of 2020 and narrowed by 8.1% from a deficit of \$2.42bn in the same period of 2019, based on the official exchange rate of the Lebanese pound. The deficit was equivalent to 32.5% of total budget and Treasury expenditures relative to 29.6% of spending in the same period last year. Government spending reached \$6.84bn in the first half of 2020 and decreased by 16.3% from the first half of 2019, while revenues stood at

\$4.61bn and regressed by 19.8% year-on-year. As such, the widening of the deficit was caused by a drop of \$1.34bn in spending due to lower debt servicing cost and Treasury transfers to Electricité du Liban (EdL), which was partly offset by a decline of \$1.14bn in revenues.

(IX) Energy and Electricity

Treasury transfers to Electricité du Liban down 34% to \$403m in first five months of 2020

Figures released by the Ministry of Finance show that Treasury transfers to Electricité du Liban (EdL) totaled \$402.7m in the first five months of 2020, constituting a drop of 33.5% from \$605.6m in the same period of 2019. Reimbursements for the purchase of natural gas, fuel and gas oil reached \$401.3m, or 99.7% of transfers, in the first five months of 2020, while EdL's debt servicing represented the balance of \$1.3m, or 0.3% of the total. The decline in transfers is mainly due to a decrease of \$203m in reimbursements for the purchase of natural gas, fuel and gas oil, which mostly consist of payments to the Kuwait Petroleum Corporation and to the Algerian energy conglomerate Sonatrach. Reimbursements regressed by about 33.6% from \$604.3m in the first five months of 2019, while debt servicing increased by 15.2% year-on-year.

4. LEBANON EXTERNAL

(I) United Nations - Lebanon

United Nations seeks \$345m to meet immediate needs of people affected by Beirut Port explosion

The United Nations' Office for the Coordination of Humanitarian Affairs (OCHA) in Lebanon indicated that the UN is seeking \$344.5m, through the Flash Appeal that it launched on August 14, in order to meet the immediate needs of persons affected by the explosion at the Port of Beirut for the next three months.

(II) Embassy of France in Lebanon - Lebanon

Roadmap for priority actions suggested

The Embassy of France in Lebanon distributed to political parties a roadmap that suggests the reforms and measures that the new government needs to implement in order to support the recovery of the Lebanese economy.

(II) Syria - Lebanon

Syrian affiliates of Lebanese banks post profits of \$2.5m in first half of 2020 when excluding foreign exchange gains on structural positions

Financial results issued by the affiliates of seven Lebanese banks operating in Syria show that their aggregate net profits reached SYP250.6bn in the first half of 2020 relative to net earnings of SYP6bn in the same period of 2019. The improvement in the banks' net earnings is mainly due to the depreciation of the Syrian pound from SYP436 against the US dollar to SYP1,256 per US dollar during the covered period, which resulted in unrealized foreign exchange gains on the banks' structural positions of SYP248.1bn in the first half of 2020 relative to gains of SYP32.8m in the same period of 2019. In US dollar terms, the net profits of the seven banks reached \$255.7m relative to net earnings of \$13.7m in the same period of 2019. The aggregate net income of the seven banks becomes SYP2.5bn, or \$2.5m, in the covered period when excluding foreign exchange gains on structural positions, relative to earnings of SYP5.9bn, or \$13.6m in the same period of 2019.

(III) Jordan and Iraq - Lebanon

Capital Bank of Jordan signs Letter of Intent to acquire Bank Audi's operations in Jordan and Iraq

Capital Bank of Jordan psc announced that it signed an exclusive non-binding Letter of Intent (LOI) to acquire the assets and liabilities of Bank Audi sal's units in Iraq and Jordan. It indicated that it has obtained initial approval for the acquisition of the bank's operations in the two countries from the Central Bank of Jordan and the Central Bank of Iraq.

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