

**Embassy of India
Beirut**

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Economic & Commercial Report - October, 2020

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

1. ECONOMIC INDICATORS OF LEBANON:

GDP	2019
Nominal GDP	US\$ 52.52 bn
GDP Growth Rate (%)	-6.9% (2019)
GDP (per head) PPP	US\$ 15,134 * https://knoema.com/atlas/Lebanon/GDP-per-capita-based-on-PPP

(Figures still not updated by Lebanese authorities)

	2019
International reserves (US\$ bn)	
Total international reserves	US\$ 52.00

(Figures according to <https://knoema.com/atlas/Lebanon/GDP-per-capita-based-on-PPP>)

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

HS code	Description	Import	Export
		Thousand \$	Thousand \$

1.	Live animals, animal products	6,527	179
2.	Vegetable products	19,131	56
3.	Animal or vegetable fats and oils and their cleava	163	0
4.	Prepared food stuffs; beverages, spirits and vinegar	5,348	18
5.	Mineral Products	264	0
6.	Products of the chemical or allied industries	22,402	104
7.	Plastics and articles thereof; rubber	7,907	35
8.	Raw hides and skins, leather, fur skins	366	38
9.	Wood and articles of wood; wood charcoal; cork	44	0
10.	Pulp of wood; paper and paperboard	897	273
11.	Textile and textile articles	7,045	2
12.	Footwear, umbrellas, artificial flowers	458	0
13.	Articles of stone, plaster, cement, glass	1,561	6
14.	Natural or Cultured pearls, precious or semi-precious	9,779	17
15.	Base metals and articles of base metal	1,786	5,811
16.	Machinery, electrical instruments	9,594	792
17.	Vehicles, aircraft, vessels, transport equipment	813	0
18.	Optical, photographic, medical, musical instruments	850	0
19.	Miscellaneous manufactured articles	630	57
20.	Works of art, collectors“ pieces and antiques	2	1
	Total (US\$ thousands)	95,565	7,389

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

Ranking	Description	Import
		Thousand \$
1.	Products of the chemical or allied industries	22,402
2.	Vegetable products	19,131
3.	Natural or Cultured pearls, precious or semi-precious	9,779
4.	Machinery, electrical instruments	9,594
5.	Plastics and articles thereof; rubber	7,907
6.	Textile and textile articles	7,045
7.	Live animals, animal products	6,527
8.	Prepared food stuffs; beverages, spirits and vinegar	5,348
9.	Base metals and articles of base metal	1,786
10.	Articles of stone, plaster, cement, glass	1,561

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

Ranking	Description	Export
		Thousand \$
1.	Base Metals and articles of base metals	5,811
2.	Machinery, electrical instruments	792
3.	Pulp of wood; paper and paperboard	273
4.	Live animals, animal products	179
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 August)	US\$ 7 Million	US\$ 96 Million

vi. **The principal export destinations of Lebanon**

Ranking	Name of the Country	Till end of August, 2020 Million US dollars
1	Switzerland	769
2	United Arab Emirates	314
3	Saudi Arabia	147
4	Iraq	112
5	Qatar	104
47	India	7

vii. **The principal import sources of Lebanon:**

Ranking	Name of the Country	Till end of August, 2020 Million US dollars
1	Greece	556
2	United States	505
3	Italy	474
4	Turkey	463
5	China	441
21	India	96

2. BILATERAL

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

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

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

First Lieutenant Charbel Badra training in “Long Navigation International Course” at the ND School, INS Venduruthy Navel Bas, Kochi scheduled from 1 October 2020 to 18 April 2021.

Trade Inquires during the month of October 2020:

From India: Thirty (30)

From Lebanon: One (1)

India Trade Portal during the month of October 2020:

Lebanese queries : One (1)

Tenders : Nil

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

3. INTERNAL

N/A

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

(I) ECONOMY

Lebanon's external debt at \$74bn at end-2019, accounts for 1% of external debt in emerging markets

Figures released by the World Bank show that the total external debt outstanding in Lebanon reached \$74bn at the end of 2019, constituting a decline of 7.2% from \$79.7bn in 2018 and a rise of 60.3% from \$46.1bn in 2009. Lebanon's total external debt accounted for 0.9% of the external debt in emerging markets (EMs) and for 21.8% of the external debt of the Middle East & North Africa (MENA) region. Lebanon's external debt grew at a

compound annual growth rate (CAGR) of 2.05% during the 2015-19 period and by 4.93% between 2009 and 2019.

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.

Economy to contract by 13% in 2021 without macroeconomic policy response

The World Bank indicated that the Lebanese economy is in a very difficult situation following a sudden stop in capital inflows that triggered a banking, debt and exchange rate crisis. It noted that the explosion at the Port of Beirut on August 4 severely damaged the surrounding residential and commercial areas, while the country went through the resignation of two governments in less than one year.

Economic activity to contract by 27% in 2020, outlook depends on formation of credible government and implementation of reforms

The Institute of International Finance projected Lebanon's real GDP to contract by 26.6% in 2020, following a previous forecast of a contraction of 24% in August 2020 and of 15% in May 2020. It attributed the significant downward revision since May to the August 4 explosion at the Port of Beirut, which took place against the backdrop of the country's worst economic and financial crisis since its independence in 1943. It also takes into account the delay in forming a new government, as well as the increase in the number of COVID-19 cases across the country and the related lockdown measures. It estimated that Lebanon's nominal GDP could shrink from \$51.3bn in 2019 to \$30.4bn in 2020, due to the large contraction in output and the significant depreciation of the Lebanese pound exchange rate on the parallel market.

(II) TRADE & COMMERCE

Trade deficit narrows by 59% annually to \$4.7bn in first eight months of 2020

Total imports reached \$6.9bn in the first eight months of 2020, constituting a decrease of 50% from \$13.8bn in the same period of 2019; while aggregate exports declined by 8.3% to \$2.3bn in the covered period.

Current account deficit narrows by 58% to \$1.2bn in first quarter of 2020 on lower trade deficit

Figures released by Banque du Liban (BdL) show that the current account deficit reached \$1.2bn in the first quarter of 2020, constituting a decline of 57.6% from a deficit of \$2.8bn in the first quarter of 2019. The current account balance consists of the trade balance, which is the exports and imports of merchandise, as well as the services balance that covers the export and import of transportation services, tourism, insurance and other services. The current account balance also includes remittance inflows, investment income and general government transfers.

(III) Banking

Banking Control Commission details mechanism for banks' recapitalization plan

The Banking Control Commission of Lebanon (BCCL) issued on October 22, 2020 memo 15/2020 about the banks' recapitalization plan. It said that banks need to specify their recapitalization needs in order to abide by the minimal capital ratios, including the capital conservation buffer, that Banque du Liban (BdL) set for banks earlier this year. It noted that each bank needs to reach the minimum Common Equity Tier One and Tier One ratios for each year between 2020 and 2024, and to achieve a Total Capital Ratio of 8% at the end of 2020 and 2021, of 8.75% at end-2022, of 9.5% at end-2023 and of 10.5% at the end of 2024.

Eighty seven percent of Treasury securities in Lebanese pounds have five-year maturities or longer

Figures released by the Association of Banks in Lebanon (ABL) show that the face value of outstanding Treasury securities denominated in Projected Maturities of Treasury Securities in LBP* (LBP billions) Lebanese pounds

reached LBP87,757bn, or the equivalent of \$58.2bn, at the end of September 2020.

Byblos Bank extends deadline for cash contributions to capital

Byblos Bank sal announced that it has extended until November 30, 2020 the period for the Bank's shareholders to participate in the cash contributions to capital (CCC). The Bank had previously invited common shareholders who are willing to participate in the CCC transaction to submit an application between September 21, 2020 and November 1, 2020.

(IV) Finance

Fiscal deficit equivalent to 28% of expenditures in first seven months of 2020

Figures released by the Ministry of Finance show that the fiscal deficit reached \$2.1bn in the first seven months of 2020 and narrowed by 13% from a deficit of \$2.4bn in the same period of 2019, based on the official exchange rate of the Lebanese pound. The deficit was equivalent to 27.6% of total budget and Treasury expenditures relative to 25.7% of spending in the same period last year. Government spending reached \$7.6bn in the first seven months of 2020 and decreased by 19% from the same period of 2019, while revenues stood at \$5.5bn and regressed by 21.2% year-on-year.

Stock market capitalization down 15% to \$6.4bn at end of October 2020

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 44,992,811 shares in the first 10 months of 2020, constituting a decline of 77.2% from 197,742,013 shares traded in the same period last year; while aggregate turnover amounted to \$201m, down by 77% from a turnover of \$873.4m in the first 10 months of 2019. The sharp decline in the volume and turnover during the first 10 months of 2020 came from a high base in the same period of 2019, which saw eight block trades in the shares of three listed companies.

Net foreign assets of financial sector down by \$7.5bn in first eight months of 2020

Figures issued by Banque du Liban (BdL) show that the net foreign assets of the financial sector, which are a proxy for Lebanon's balance of Change in Net Foreign Assets of Financial Sector in August of Each Year (US\$m) payments,

declined by \$7.5bn in the first eight months of 2020 compared to a decrease of \$5.9bn in the same period of 2019.

(V) Real Estate & Construction

Number of new construction permits down 6% in first nine months of 2020

The Orders of Engineers & Architects of Beirut and of Tripoli issued 8,368 new construction permits in the first nine months of 2020, constituting a decline of 6.2% from 8,925 permits in the same period of 2019. In comparison, new construction permits decreased by 13.8% year-on-year in the first nine months of 2019.

Number of real estate transactions up 49% in first nine months of 2020

Figures released by the Ministry of Finance show that 55,108 real estate transactions took place in the first nine months of 2020, constituting an increase of 49% from 36,952 deals in the same period of 2019. In comparison, there were 43,263 real estate transactions in the first nine months of 2018 and 51,993 real estate deals in the same period of 2017. The number of transactions reached 10,061 in September 2020, up from 7,438 in August and relative to 5,821 deals in September 2019.

Residential buildings represent 78% of surface area of new construction permits in 2019

Figures released by the Order of Engineers & Architects of Beirut show that the surface area of construction permits for new buildings totaled 3.33 million square meters (sqm) in 2019, constituting a decrease of 37.6% from 5.34 million sqm in 2018.

(VI) Transport, Port & Airport

Revenues through Port of Beirut down 46% to \$74m in first eight months of 2020

Figures released by the Port of Beirut show that the port's revenues reached \$74.1m in the first eight months of 2020, constituting a decline of 45.7% from \$136.5m in the same period of 2019. The Beirut port processed

2.9 million tons of freight in the covered period, and decreased by 38.3% from 4.7 million tons in the first eight months of 2019.

Import activity of top five shippers and freight forwarders down 49% in first eight months 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 99,453 20-foot equivalent units (TEUs) in the first eight months of 2020, constituting a decrease of 48.5% from 193,064 TEUs in the same period of 2019. The five shipping and freight-forwarding firms accounted for 77.2% of imports to the Lebanese market for local use and for 40.2% of the total import freight market, which includes transshipments to other ports, in the covered period.

Outlook on CMA CGM ratings revised to 'positive' on improved operating performance

Moody's Investors Service affirmed at 'B2' the corporate family rating of the Lebanese-owned and France-based container-shipping firm CMA CGM, as well as its probability of default rating at 'B2-PD', and its senior unsecured bond ratings at 'Caa1'. It also revised the outlook on all the ratings from 'negative' to 'positive'.

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

Figures released by the Beirut-Rafic Hariri International Airport (HIA) Number of Arriving Passengers show that 1,756,695 passengers utilized the airport (arrivals, departure and transit) in the first nine months of 2020.

(VII) Tourism

Tourist spending down 73%, number of refunds down 81% in first nine months of 2020

Figures issued by Global Blue, the value-added tax (VAT) refund operator for international shoppers, show that spending by visitors in Lebanon declined by 73% year-on-year in the first nine months of 2020.

New car sales down 74% in first nine months of 2020

Figures released by the Association of Automobile Importers (AAI) in Lebanon show that dealers sold 5,146 new passenger cars in the first nine months of 2020.

(IX) Energy and Electricity

Lebanon receives European support to draft energy laws

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.

Treasury transfers to Electricité du Liban down 40% to \$434m in first half of 2020

Figures released by the Ministry of Finance show that Treasury transfers to Electricité du Liban (EdL) totaled \$433.8m in the first half of 2020, constituting a drop of 39.5% from \$717.1m in the same period of 2019.

4. LEBANON EXTERNAL

(I) United Kingdom & United states - Lebanon

Cost of sending remittances from the United Kingdom and the United States decreases in third quarter of 2020

Figures issued by the World Bank show that the cost of sending \$500 in remittances from the United States to Lebanon reached 5.29% in the third quarter of 2020, constituting a slight decrease from 5.31% in the second quarter of 2020 and compared to 5.47% in the third quarter of 2019.

(II) European Union / EU - Lebanon

EU allocates €103m in financial support to vulnerable persons in Lebanon

The European Union (EU) announced that it will extend, in partnership with the World Food Programme (WFP), €103.2m in financial support to vulnerable households in Lebanon that have been affected by the multiple crises facing the country. The funding agreement, which the EU and the WFP signed in September 2020, is part of the EU-WFP's €151.2m joint assistance package to support vulnerable local households and Syrian refugees through the EU Regional Trust Fund in Response to the Syrian Crisis.

(II) **ESCWA - Lebanon**

International Chamber of Commerce and ESCWA launch Beirut-based entrepreneurship center

The International Chamber of Commerce (ICC) and the United Nations Economic and Social Commission for Western Asia (ESCWA) launched the Beirut-based ICC-ESCWA Centre of Entrepreneurship to enhance innovation at the entrepreneurial level and improve the business environment for small- and medium-sized enterprises (SMEs) in the Arab world.

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