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COUNTRY
REPORT



June 2018

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For further information

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1. General information

1.1 Geography

- Area: 10,450 km²
- Location: Middle East, bordering the Mediterranean Sea, between Israel and Syria
- Capital: Beirut
- Population of main cities (including suburbs): Beirut (1,916,100); Ra's Bayrut (1,251,739) ; Tripoli (229,398) ; Sidon (163,554) ; Tyre (135,204)

1.2 Population

- Total Population: 6,006,668
- Natural Increase: 2.6%
- Urban Population: 87.9%
- Medium Age: 27.0 Years
- Life Expectancy in Years : Men: 77.8 And Women: 81.3
- Ethnic Origins: About 95% Arab, about 4% Armenian and about 1% other. The country encompasses a great mix of cultural and ethnic groups and includes immigrants from other Arab countries (mainly Palestinians, Syrians, Iraqis and Egyptians) and from non-Arabic-speaking Muslim countries. A portion of the Christian population identifies itself as Phoenician.
- Religion: Muslims (Shiites and Sunni): 59.7%; Christians (Orthodox, Armenians, Gregorians): 39%; Other religions: 1.3%.

1.3 Language

- Official Language: Arabic
- Other Languages Spoken: English and French are spoken by a large part of the population.
- Business Language(s): While Arabic is Lebanon's official language, English and French are widely spoken. Most Lebanese speak at least two or three languages, and visitors find no problems communicating. Many establishments provide signs, menus, and information in both Arabic and English/French.

1.4 Government

- Republic based on confessionalism, parliamentary democracy. This means that each political position must be filled by a person of a particular denomination.
- Current Political Leaders: President: Michel Aoun (since 31 October 2016)
- Prime Minister: Saad Hariri (since 18 December 2016)
- Next Election Dates : General elections: 6 May 2018

1.5 Currency

- National Currency: Lebanese Pound (LBP)
- Exchange Rate on June 18, 2018: 1 LBP = 0.0006 EUR, 1 EUR = 1,746.6 LBP

2. Economy

2.1 General Overview

After reaching record growth levels between 2007 and 2010 (8% on average), driven by the post-civil war reconstruction program, Lebanese economic growth slowed down since 2011 due to internal political tensions and the conflict in Syria.

The economic activity is yet to recover as GDP growth stood at 2% in 2017 (1.5% according to the IMF) and is not expected to exceed 2.2% in 2018 according to the World Bank (2.0% according to the IMF). In fact, this rate marks a downwards revision from the latest review of the Washington-based institution (2.5%).

The election of Michel Aoun as President of Lebanon initiated a period of relative political stability. Nonetheless, this stability did not last for long as Prime Minister Saad Hariri announced his sudden resignation during a trip to Saudi Arabia in November 2017. This led to a diplomatic row with Saudi Arabia, which Lebanon accuses of pressuring Hariri to resign and causing further instability. Following Aoun's request, the resignation was suspended and Hariri rescinded his decision in December 2017.

While the country is reported to have emerged from this political crisis, macroeconomic vulnerabilities have increased and the dependence on depositor confidence has deepened. Public debt climbed by 6.19% to USD 80 billion at the end of 2017 (above 150% of GDP) and is expected to decline only slightly to 149% by the end of 2018.

On the other hand, public debt may also increase to 180% of GDP by 2023 if the country fails to bring its current account deficit under 10% according to IMF forecasts.

The 2018 Budget Law, aims at narrowing budget deficit by lowering public expenditure by 20% and focusing on exports. Furthermore, early 2018 the government hired an international consulting firm to restructure its economy.

The country faces many social issues in addition to macroeconomic challenges. The massive influx of Syrian refugees (30% of the country's population as Lebanon today hosts the highest number of refugees per capita in the world) has shaken the country's demographic balance, labor market, and is putting pressure on the costs of rent, infrastructure and supply of public services (water and electricity).

Unemployment has skyrocketed following the inflow of Syrian refugees, which are competing with Lebanese workers in the informal sector and could hit over a quarter of the workforce. Over 70% of refugees live under the poverty line. The country faces significant social inequalities.

The Lebanese economy is highly dollarized and essentially service-oriented. Tourism, real estate, and construction are the main supply-side drivers of growth. It has significantly increased labor supply (+50% between 2011 and 2014 according to the IMF) and strained Lebanese public services.

Yet, Lebanon enjoys financial stability due to important flows of remittances from the large diaspora (USD7.2bn in 2015, 14% of GDP, and USD6.6bn in 2016). Even though those flows strengthen the deposits of private banks that hold assets worth over 350% of GDP, the banking sector presents vulnerabilities. In fact, the non-performing loans to total loans ratio stands at 10.4% according to the IMF and has more than doubled in three years.

The World Economic Forum's global competitiveness index underlines the lack of trust of Lebanese people in their politicians (Lebanon ranks 125th out of 144 countries) and persistent transparency issues (Lebanon ranks 135th).

Main Indicators	2015	2016	2017	2018 (e)	2019 (e)
GDP (billions USD)	49.46e	50.46e	52.70e	55.02	57.37
GDP (Constant Prices, Annual % Change)	0.8e	1.0e	1.5e	2.0	2.5
GDP per Capita (USD)	11,178e	11,295e	11,684e	12,082	12,478
General Government Balance (in % of GDP)	-12.8	-12.2e	-12.1e	-12.4	-13.1
General Government Gross Debt (in % of GDP)	142.178	148.722e	152.288e	156.143	160.758
Inflation Rate (%)	-3.7	-0.8	3.1	2.5	2.0

Table 1: Main Economic Indicators. Source: IMF – World Economic Outlook Database, 2018

Strengths

- Regional support from the GCC states
- There are more Lebanese domiciled overseas than in the country itself and this large diaspora provides a major source of funding
- Lebanese debt remains financially marketable and the country has been able to raise international financial support in need
- Ownership of public debt is largely domestic, or with the diaspora
- Educated workforce
- Strong FX reserves and import cover

Weaknesses

- Tensions between the religious factions spill over into the political arena and into periodic outbreaks of violence

- Regional factors, including events in Syria and Iraq and tensions arising directly and indirectly from Iranian influence
- Large fiscal deficits and high public debt (among the highest in the world when expressed as a percentage of GDP)
- Very large current account deficits
- A fixed exchange rate (the LBP is pegged to the USD) prevents economic management through that mechanism
- Relatively poor data provision

2.2 Structure of the Economy

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (<i>in % of Total Employment</i>)	8.2	22.4	69.4
Value Added (<i>in % of GDP</i>)	3.8	16.7	79.5
Value Added (<i>Annual % Change</i>)	1.5	-2.8	6.1

Table 2: Economic Activity by Sector Source: World Bank, 2016

2.3 Investment Environment

Lebanon has been traditionally open to foreign direct investment. According to the 2017 World Investment Report published by the UNCTAD, Lebanon is the fourth largest FDI recipient in West Asia, after Turkey, the United Arab Emirates and Saudi Arabia.

FDI inflows to Lebanon rose until 2010 as the relatively healthy Lebanese banks had avoided the crisis and benefited from an increase in their deposits, acting as a kind of refuge.

Other investment is directed primarily to the telecommunications sector, building infrastructure (mostly through public/private partnerships), tourism and construction.

However, the unstable situation in Syria and the economic crisis in Europe weakened this dynamism. After hitting a ten-year low in 2016 (USD 2.3 billion), FDI inflows recovered slightly in 2016 to USD 2.56 billion (9% y-o-y increase).

FDI inflows accounted for 4.94% of GDP in 2016, the highest rate among MENA countries. FDI inflows dropped slightly in the first half of 2017 compared to the same period in 2016 from USD 1.27 billion to USD 1.17 billion.

Lebanon continues to suffer from the economic slowdown of the Gulf Cooperation Council as their share is now the third largest, largely behind European and North American countries. The country is ranked 133rd out of 190 economies by the World

Bank in its Doing Business 2018 report (one of the lowest rankings in the Middle East). However, the country has many assets: a historically liberal and diversified economy, an advantageous tax policy and a solid banking system.

Foreign Direct Investment	2014	2015	2016
FDI Inward Flow (million USD)	2,907	2,353	2,564
FDI Stock (million USD)	56,102	58,455	61,019
Number of Greenfield Investments***	10	7	10
FDI Inwards (in % of GFCF****)	24.4	21.0	22.1
FDI Stock (in % of GDP)	112.5	115.1	117.4

Table 3: Foreign Direct Investment. Source: UNCTAD, 2017

2.4 Taxation

VAT (Value-Added Tax).

Tax Rate 11%

Export of goods and services and export-related services, international transport, and some of the intermediate operations are zero-rated.

Banking, financial services, and insurance operations are exempt from VAT.

Other Consumption Taxes

The Built property tax (BPT) is an annual progressive tax, ranging between 4% and 14%, on built property.

Estate and gift tax rates vary from 3% to 45%, depending on the amount received and the affinity to the deceased or donor after deducting special exemptions applicable to estate beneficiaries. These tax rates apply cumulatively to all gifts and inheritances made by a specific donor to a specific recipient. Please consult this guide for further information on tax rate brackets.

Corporate Taxes

Company Tax 15% on income from profits

Tax Rate For Foreign Companies: Foreign companies are liable to the same income tax as Lebanese companies in respect of their profits realized in Lebanon.

Capital Gains

Taxation Gains on the sale of fixed assets are principally taxed at a rate of 10%. However, gains, or a proportionate part thereof, are exempt of tax where the proceeds are invested in the construction of flats for company staff.

Employers are responsible for withholding and declaring payroll taxes on behalf of their employees. Payroll tax is levied at progressive rates of 2% to 20%.

Social security contributions are the following: borne by the employer (7% for the maternity and sickness benefit schemes, on a maximum of LBP 2.5 million per month, and 6% for the family benefit schemes, on a maximum of LBP 1.5 million per month, in addition to 8.5% of total annual earnings for the end of service indemnity with no ceiling); borne by the employee (2% for the medical scheme, on a maximum of LBP 2.5 million per month).

A built property tax is levied on rental income from Lebanese real property, at rates ranging between 4% and 14%. When transferring ownership of real estate, registration fees of approximately 6% are applicable.

3. Consumer Behavior

Purchasing in Lebanon is marked by a lack of trust between buyers and sellers owing to high price differences among retailers, prevalence of counterfeit products and the relative weakness of the Consumer Protection Directorate.

Marred by political instabilities, the refugee crisis and the economic downturn, Lebanese consumers have little confidence in their economy.

With a median age of 28.52 years and a GDP per capita of USD 8,257), the Lebanese consumer is young and less wealthy than most nations in the Gulf region.

Despite a considerable increase in credit card use, Lebanon is still a cash-based society.

Lebanese consumers show less interest in e-commerce than most other countries across the MENA region, partly due to the lack of secure online payment methods. In fact, according to a recent McKinsey survey, Lebanon lags behind in capturing its digital potential.

4. Trade Relations

4.1 Imports-Exports

Lebanon is a country traditionally open to trade. Its efforts are concentrated, from this point of view, on three areas: the European Union, the United States and the other Arab countries.

It has signed a framework agreement with the United States to favor trade and investment between the two countries.

It has been trying for many years to join the World Trade Organization and since 1999 has had observer status.

Its relations with the European Union are privileged; there is an association agreement between the two entities, also called Euro-Mediterranean partnership, which provides especially for the creation of a free trade area between Lebanon (as part of the agreement) and the European Union by 2014.

Lebanon is also part of the Greater Arab Free Trade Area (GAFTA), a pact of the Arab League entered into force in January 2005 which aims to form an Arabic free trade area. It has signed numerous bilateral free trade agreements with Syria, Egypt, the United Arab Emirates, Kuwait and Iraq notably.

Its three main export partners are the UAE, South Africa, Iraq and Syria. Lebanon mainly exports minerals (gold), oil products, pharmaceutical products, textiles, tobacco, pearls & precious stones, electric & electronic equipment, salt, sulphur and machinery.

Its main import partners are the EU (mainly Italy, France, Germany and Greece), China and the US. The country mainly imports mineral fuels, oil, vehicles, machinery, pearls & precious stones, electric and electronic equipment.

The trade balance is structurally in deficit, despite a surplus in the balance of services. Due to the war in Syria, which has had a negative impact on Lebanese exports and has raised transport costs and insurance expenses, the deficit has been deepening.

Trade balance continued to worsen in 2017 as the deficit rose to USD 20.3 billion (29% y-o-y increase). The increase in the deficit was largely caused by the drastic increase in fuel imports (99%) while total imports rose by 23.7% to USD 23.1 billion.

Exports, on the other hand, fell by 4.5% to USD 2.8 billion. According to preliminary findings of Lebanese customs, the deficit continued to deepen in the first month of 2018 (3.5% y-o-y increase).

Foreign Trade Indicators	2012	2013	2014	2015	2016
Imports of Goods (million USD)	21,945	22,024	21,135	18,438	18,955
Exports of Goods (million USD)	5,615	5,170	4,548	3,982	3,930
Imports of Services (million USD)	11,425	12,828	12,501	n/a	n/a
Exports of Services (million USD)	14,484	15,051	13,725	n/a	n/a
Imports of Goods and	4.3	4.5	-0.4	6.9	0.2

Services (Annual % Change)					
Exports of Goods and Services (Annual % Change)	-1.9	2.4	-9.5	7.2	-5.0
Trade Balance (million USD)	-14,831	-15,173	-15,063	-13,159	-13,637
Foreign Trade (in % of GDP)	94.8	90.3	81.5	74.1	72.6
Imports of Goods and Services (in % of GDP)	60.7	58.5	53.9	47.2	47.1
Exports of Goods and Services (in % of GDP)	34.1	31.8	27.6	26.9	25.5

Table 4: Foreign Trade-Lebanon.
Source: WTO – World Trade Organization, World Bank– 2016

Main Customers (% of Exports)	2016
South Africa	21.1%
Saudi Arabia	9.0%
United Arab Emirates	8.0%
Syria	6.7%
Iraq	5.4%
Jordan	3.3%
Switzerland	3.2%
Qatar	2.5%
Kuwait	2.5%
Turkey	2.4%

Table 5: Top 10 Export Partners. Source: UN Comtrade

Main Suppliers (% of Imports)	2016
China	11.2%
Italy	7.5%
United States	6.3%

Germany	6.2%
Greece	5.7%
Egypt	4.1%
Russia	3.8%
France	3.8%
Turkey	3.6%
Netherlands	3.5%

Table 6: Top 10 Import Partners. Source: UN Comtrade

3.0 bn USD of products exported in 2016	
Gold, incl. gold plated with platinum, unwrought...	23.6%
Electric generating sets and rotary converters	2.8%
Waste and scrap, of copper (excl. ingots or other...	2.3%
Printed books, brochures and similar printed...	2.0%
Cane or beet sugar and chemically pure sucrose, in...	2.0%
Diamonds, whether or not worked, but not mounted...	1.8%
Articles of jewelry and parts thereof, of...	1.7%
Ferrous waste and scrap; remelting scrap ingots of...	1.6%

Food preparations, n.e.s.	1.5%
Medicaments consisting of mixed or unmixed...	1.5%

Table 7: Top 10 Import Goods. Source: UN Comtrade

18.7 bn USD of products imported in 2016	
Petroleum oils and oils obtained from bituminous...	18.7%
Motor cars and other motor vehicles principally...	6.6%
Medicaments consisting of mixed or unmixed...	5.4%
Gold, incl. gold plated with platinum, unwrought...	5.3%
Live bovine animals	1.6%
Other bars and rods of alloy steel other than...	1.4%
Parts and accessories for tractors, motor vehicles...	1.3%
Human blood; animal blood prepared for therapeutic...	1.0%
Cane or beet sugar and chemically pure	0.9%

sucrose, in...	
Glazed ceramic flags and paving, hearth or wall...	0.8%

Table 8: Top 10 Import Goods. Source: UN Comtrade

4.2 Tariffs-Customs

More than 83 percent of imported goods are subject to duties equal to or below five percent. Customs duties vary depending on the nature of goods and their origin. Surcharges may be applied on certain products such as textiles, alcoholic beverages, motor vehicles etc. These tariffs are set by the Lebanese customs.

4.3 Greek-Lebanese Trade Relations

Greece has been maintaining a trade surplus with Lebanon. Greece is the 5th supplier of Lebanon.

In the recent years, after the beginning of the Syrian crisis, Lebanon has been the gateway to the Syrian market as well. Syrian Imports and exports have been going through Lebanon. Therefore, increases in both imports and exports in the past few years have not been accurately reflecting changes in the Lebanese market alone.

IMPORTS FROM LEBANON	2015	2016	2017
FOOD & LIVE ANIMALS	794.051	450.793	278.002
BEVERAGES & TOBACCO	131.627	2.740.024	7.189.948
CRUDE MATERIALS, INEDIBLE	15.712.326	15.666.442	21.712.539
MINERAL FUELS, LUBRICANTS	11.490.289	:	110
ANIMAL & VEGETABLE OILS, FATS	:	:	:
CHEMICALS & RELATED PRODUCTS	4.256.863	3.365.764	1.472.468
MANUFACTURED GOODS	862.343	430.582	701.517
MACHINERY & TRANSPORT EQUIPMENT	146.610	211.606	286.518
MISCELLANEOUS MANUFACTURED ARTICLES	381.695	860.948	891.472
OTHER COMMODITIES	321.323	687.365	:
TOTAL	34.097.127	24.413.524	32.532.574

Table 9: Greek Imports from Lebanon. Source: Eurostat

EXPORTS TO LEBANON	2014	2015	2016
FOOD & LIVE ANIMALS	15.852.221	16.017.046	9.388.243
BEVERAGES & TOBACCO	2.504.772	305.645	2.107.739
CRUDE MATERIALS, INEDIBLE	3.643.250	3.110.847	4.690.178
MINERAL FUELS, LUBRICANTS	982.270.687	1.161.007.133	710.532.614
ANIMAL & VEGETABLE OILS, FATS	:	:	186.151
CHEMICALS & RELATED PRODUCTS	17.576.434	20.705.613	16.548.029
MANUFACTURED GOODS	10.589.920	32.152.295	11.344.672
MACHINERY & TRANSPORT EQUIPMENT	8.967.258	8.407.479	5.265.310
MISCELLANEOUS MANUFACTURED ARTICLES	6.455.399	7.025.941	5.749.165
OTHER COMMODITIES	1.065.587	1.567.164	1.206.007
TOTAL	767.018.108	1.048.925.528	1.250.299.163

Table 10: Greek Exports to Lebanon. Source: Eurostat

5. Business Culture and Communication

5.1 Dress Code

Lebanese are well-known for their elegance - even men are well-groomed and well-dressed. They care about their appearance and the impression they make. Suits and ties for men, and dresses or suits for women are normal in the workplace.

5.1 Verbal and non-verbal Communication

The communication style usually depends how well people know each other, but in general people tend to be more indirect than direct.

Direct eye contact is acceptable to a degree between sexes. It becomes less so – especially if it's direct and prolonged – between elders/kids and boss/employee.

Verbal communication varies depending on where you are in Lebanon. People living in the same area typically understand their own ways of communication. As long as you communicate in a polite way, it really doesn't matter how you get your message across.

There are many non-verbal communication gestures that people use in Lebanon. They are usually well understood by all. Most of them are used when greeting another person, thanking them, or used in the place of the question "what?" There

are also gestures for saying “yes” or “no”. All gestures are mostly head and hand motions.

5.2 Miscellaneous

The ice breaker for any business deal is done socially. Business is mixed with pleasure. Lebanese are known for the love of nightlife. They might invite you for dinner at their house or at a restaurant just to discuss a deal. Socializing might open you up to great business leads. On the other hand, business is also conducted on company grounds in a very formal manner.

In the current political situation it is better to steer clear of talking or enquiring about political/religious subjects.

6. Useful Contacts

6.1 Embassy of the Hellenic Republic in Beirut

Address: Nouvelle Naccache, Rue des Ambassades, Immeuble Boukhater Beyrouth - Liban, P.O.Box 70-319 Antelias
Tel.: (009614) 521700, 418772
Fax: 418774
E-mail: gremb.bei@mfa.gr
Website: www.mfa.gr/beirut

Commercial Section

Address: Nouvelle Naccache, Rue des Ambassades, Immeuble Boukhater Beyrouth - Liban, P.O.Box 70-319 Antelias
Tel.: (009614) 521701
Fax: (009614) 418774
E-mail: ecocom-beirut@mfa.gr
Website: <http://agora.mfa.gr/en/offices-of-economic-and-commercial-affairs>
Head: Paraskevi Tasakou

Consular Office

Address: Nouvelle Naccache, Rue des Ambassades, Immeuble Boukhater Beyrouth - Liban, P.O.Box 70-319 Antelias
Tel.: (009614) 403498, 524378
Fax: 418774
E-mail: grcon.bei@mfa.gr
Website: www.mfa.gr/beirut
Head of Consular Section: Leousis Athanasios

6.2 Embassy of Lebanon in Athens

Address: 290, Kifissias Ave. & 2, Paritsi Str., 154 51 Neo Psychiko, Athens
Tel: (+30) 210. 675.58.73 / 4
Fax :(+30) 210.675.56.12
E-mail: lebcons.ath@gmail.com, athens.leb@gmail.com
Website: www.athens.mfa.gov.lb
Head of Mission: Mrs. Mirna Khawly, Chargé d'Affaires a.i.

7. Sources

International Organizations

- OECD: Global Economic Outlook, Economic Surveys
- World Economic Forum: Global Competitiveness Reports
- IMF: Country Information
- International Trade Center
- UNCTAD
- The World Bank
- World Trade Organization: Trade Policy Reviews
- European Commission: Market Access Database, Eurostat
- Fitch Group: BMI Research
- The Economist Intelligence Unit
- Global Affairs Canada: Country Insights
- Euler Hermes: Economic Research, Country Reports

Financial Institutions

- Eurobank: Export Gate
- Rabobank: RaboReseach
- Banco Santander: Santander Trade

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