IDAL
INVEST IN LEBANON

INVESTMENT DEVELOPMENT AUTHORITY OF LEBANON
Presidency of the Council of Ministers

ICT Sector Statistics

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ICT SECTOR STATISTICS

The statistics and analysis presented below are generated from a database of ICT companies compiled by IDAL from various sources including: Lebanon's Chambers of Commerce, Association of the Lebanese Software Industrialists (ALSI), Professional Computer Association (PCA), Berytech, ZAWYA and other online databases. The database includes the information of 202 companies engaged in software production and services. This is a preliminary analysis used only to assess general market trends. The companies' database is not exhaustive but represents a close approximation of the size and activity of the sector.

SECTOR COMPOSITION

The Lebanese Information Technology (ICT)[1] sector is a fast growing sector with an estimated market size of USD 436.2 million in 2016 and is projected to reach USD 543.5 million by 2019[2]. The market has been growing at a compounded annual growth rate (CAGR) of 7% over the period 2014 – 2016 and is expected to grow at a CAGR of 9.7% from 2016 to 2019. The ICT sector contributed to 3% of Lebanon's GDP[3] and its impact on GDP, whether direct or indirect, is forecasted to be greater than USD 6 Billion by 2017[4].

The overall IT sector, which consists of more than 800 IT companies, comprises all activities related to software development, hardware & IT services including the production of these products and services as well as the related trade and retail activities. This analysis focuses only on companies engaged in the production and development of software products and services which are significantly increasing in number in Lebanon. The profile of the local IT sector is actually shifting from a majority of retail and wholesale activities to innovation and content generation.

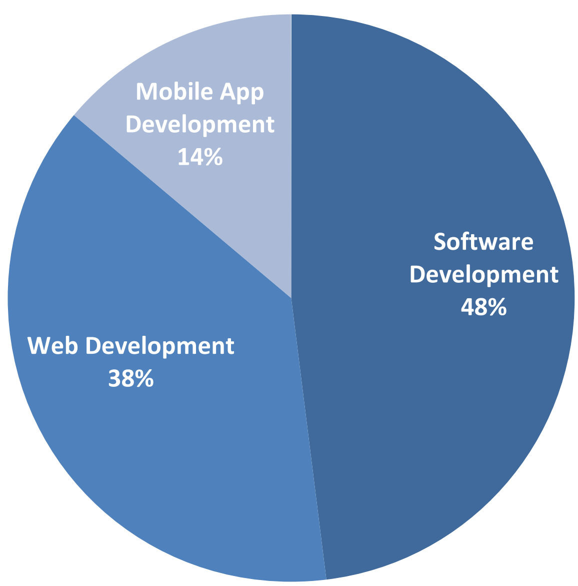
[2] BMI, 2016
[3] Lebanese Central Administration of Statistics (CAS), 2014
[4] Booz & Company analysis, Ministry of Telecommunications, Progress Report 2013

The Lebanese Software Services industry includes around 202 companies engaged in the creation and development of software products, services and applications. It is mostly dominated by small and medium size businesses and spans across an array of activities that are currently growing on the international arena. They operate across three major activities:

- Software Development for vertical industries mainly healthcare, education and banking sectors,
- Web Solutions companies mainly involved in web hosting, web design and development as well as e-services,
- Mobile Services and Applications

Companies that develop software products, mainly application software, account for 48.0% of the total number of IT companies. Web solutions and mobile services and applications, account for 38.1% and 13.9% of the total number respectively.

Distribution of IT Companies by Activity (%) (2016)



Source: IDAL's Computation, 2016

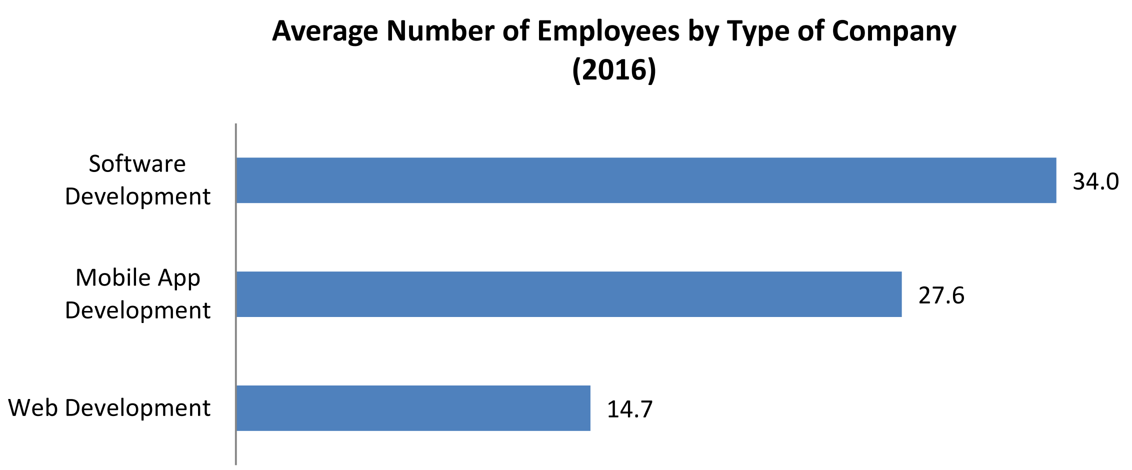
Activity	No. of companies
Software Development	97
Web Solutions	77
Mobile Services and Applications	28
Total	**202**

Source: IDAL's computation, 2016

SECTOR WORKFORCE

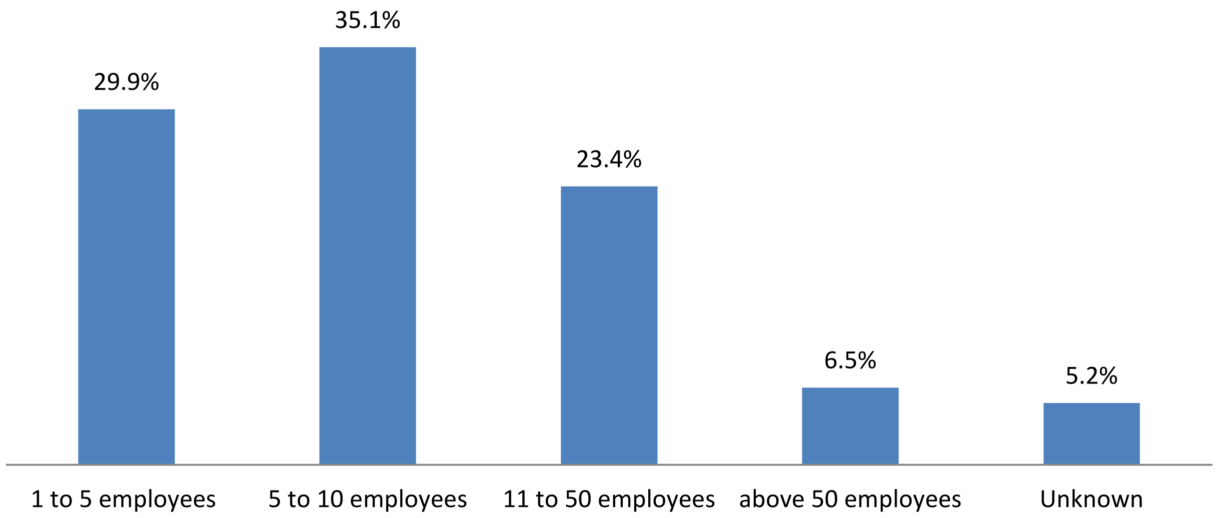
The ICT sector (excluding distribution and sales activities) employs around 5000 highly-skilled individuals. The sector is dominated by small to medium sized companies with the average number of employees per company equal to 25.

IT companies engaged in Software Development are the largest in size, with an average number of employees equal to 34. Around 40% of software products companies have between 11 to 50 employees with the three largest IT companies in Lebanon employing more than 200 people. Mobile Services and Applications companies have around 27 employees on average. Around 29% of them employ between 11 to 50 employees. Web solutions companies are smaller and have 14 employees on average, with around 35% of them employing between 5 to 10 employees.



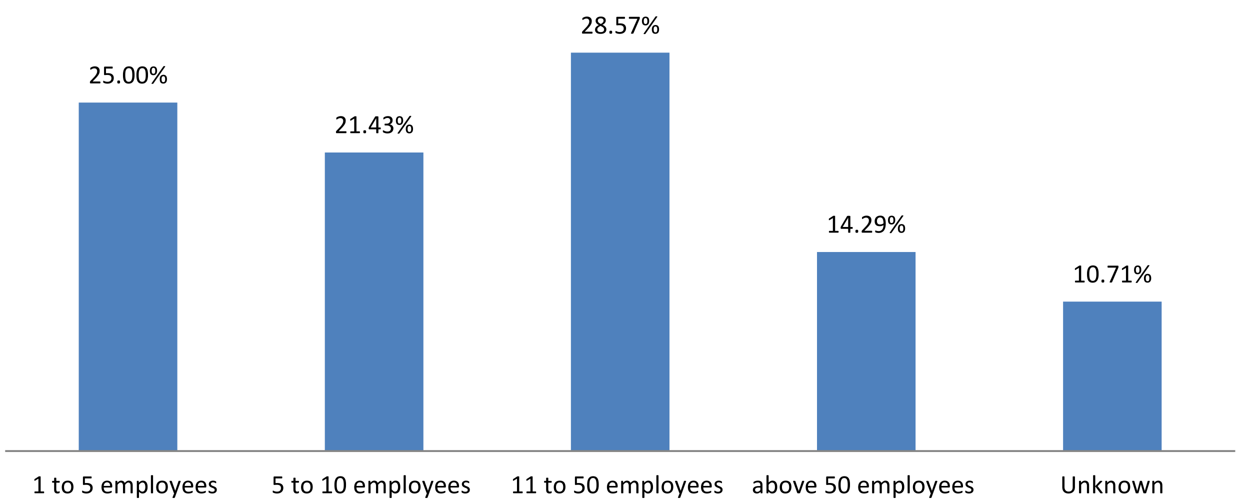
Source: IDAL's computation, 2016

Distribution of Web Development Companies by Number of Employees (%) (2016)



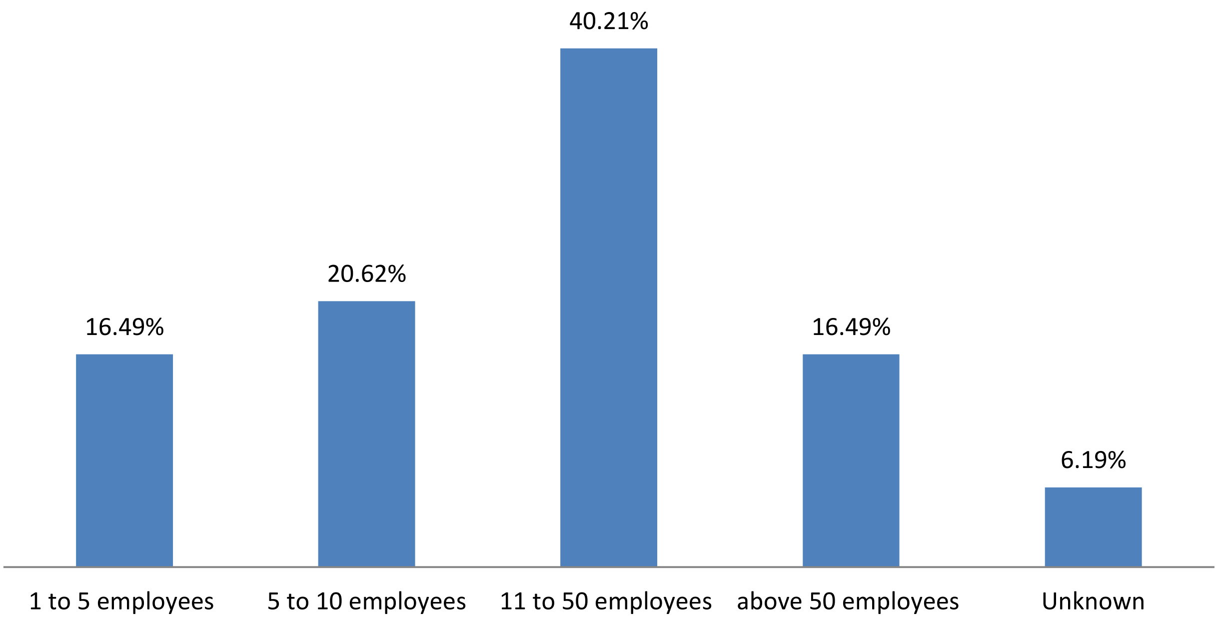
Source: IDAL's computation, 2016

Distribution of Mobile App Development Companies by Number of Employees (%) (2016)



Source: IDAL's computation, 2016

Distribution of Software Development Companies by Number of Employees (%) (2016)



Source: IDAL's computation, 2016

Although high levels of entrepreneurial activities characterize the Lebanese ICT sector, the maturity and growth of a number of medium sized companies is becoming noteworthy particularly in Software Development and Mobile Services and Applications.

EXPORT ACTIVITY

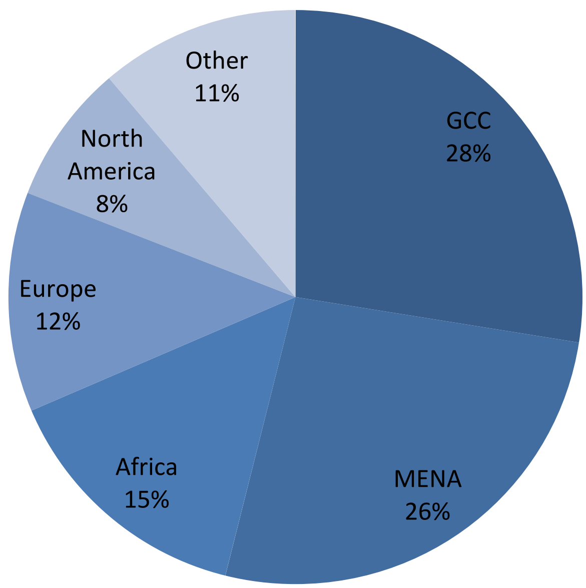
The majority of Lebanese IT companies are export oriented, with at least 78% of total firms selling their products to one or more foreign markets. Software Development companies are the major exporters, with 84% of these companies exporting their products, compared with 75% of Web Development companies and 68% of Mobile Application Development companies. These numbers confirm Lebanon's capacity to serve international markets from the local base and the high levels of integration and innovation that make Lebanese IT produces on the top of traded products.

28% of Software products companies export to the GCC region, followed by 26% for the MENA region, 15% for Africa, 12% for Europe, 8% for North America, and 11% to other regions.

Web solutions companies export mostly to the GCC region (33%), followed by Europe (20%), MENA (16%), North America (15%), Africa (8%) and to other regions (8%).

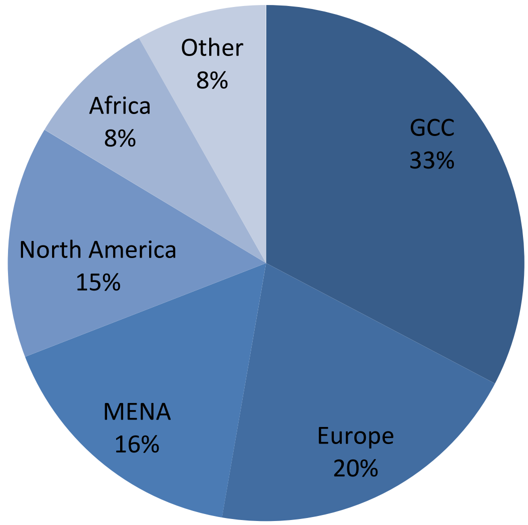
Mobile applications and services companies export mainly to the MENA region (32%), followed by Europe (18%), Africa (16%), GCC (16%), North America (11%), and to other regions (8%).

Export Regions for Software Development Companies (%) (2016)



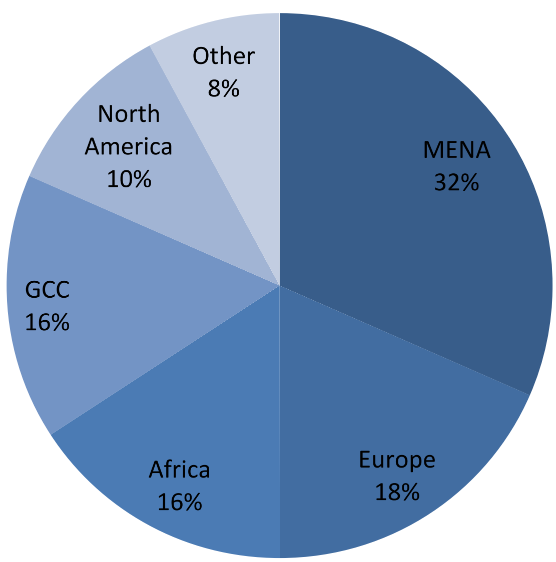
Source: IDAL's computation, 2016

Export Regions for Web Development Companies (%) (2016)



Source: IDAL's computation, 2016

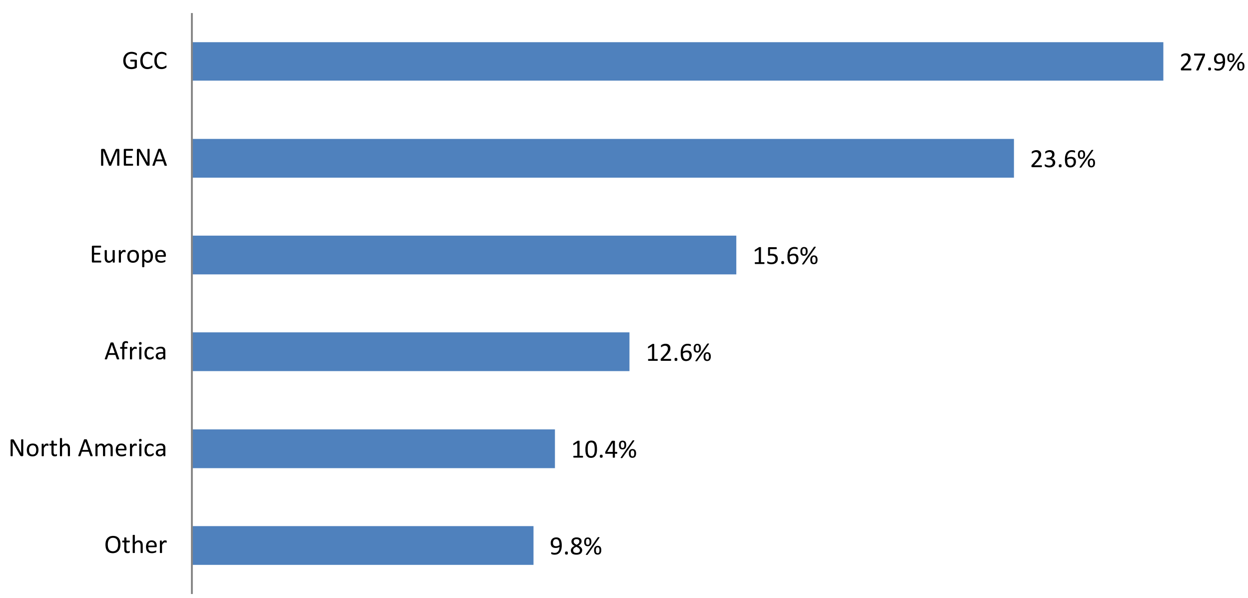
Export Regions for Mobile App Development Companies (%) (2016)



Source: IDAL's computation, 2016

Overall, the main export destination of Lebanese ICT products and services is the GCC region, with almost 30% of ICT companies exporting their products to the GCC markets. The GCC is closely followed by the MENA region which ranks second with around 23.6% of the total Lebanese production sold in the MENA Markets. This is explained by the strong cultural and lingual affinities that Lebanon shares with the region and Lebanon's ability to adapt new technologies to the local needs and cultures. Europe ranks third, with around 15.6% of Lebanese ICT products exported to the European markets. Africa and North America rank fourth and fifth with around 12.6% and 10.4% exported to these markets respectively. An interest in African markets is now increasing among Lebanese IT firms to explore the potential and wealth of opportunities of emerging African markets.

Top Export Markets for IT Companies (%) (2016)



Source: IDAL's computation, 2016

The Lebanese ICT sector relies heavily on revenues resulting from export activities in the various subsectors of the industry. For most of the firms, the level of export orientation is highly proportional to their size. In fact, companies with the highest export focus are the ones with the largest number of employees. The key success factor behind the expansion of the local market in the global market share remains the level of quality and innovation characterizing Lebanese products and services.

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