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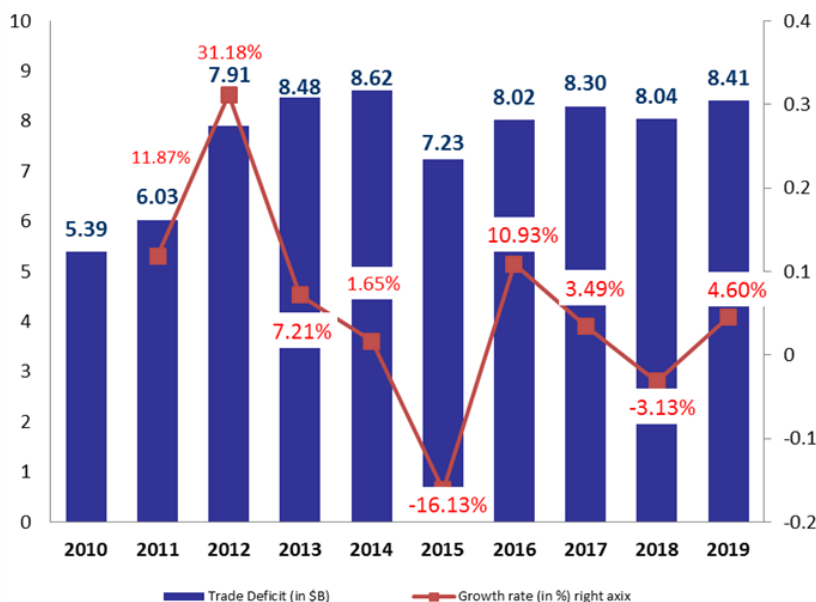
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Lebanon trade balance deteriorated in the first half of 2019 due mainly to the large increase in oil imports. Lebanon's trade deficit widened in the first 6 months of the year to reach \$8.41B, up by 4.58% compared to the same period in 2018. Regardless of the promising progress in exports, which grew by a yearly 12.38% to \$1.73B, the wider deficit came as a result of a 5.83% yearly increase in the value of imports to \$10.14B noting that " Mineral products " and "Vegetable products" are the only 2 categories to witness an increase in its imported value. Worth mentioning, that the trade deficit has increased in absolute terms, yet the exports to imports ratio stood at 17.06% in H1 2019, compared to 16.07% in the previous year, mainly as a result of exports increasing at a faster pace than imports.

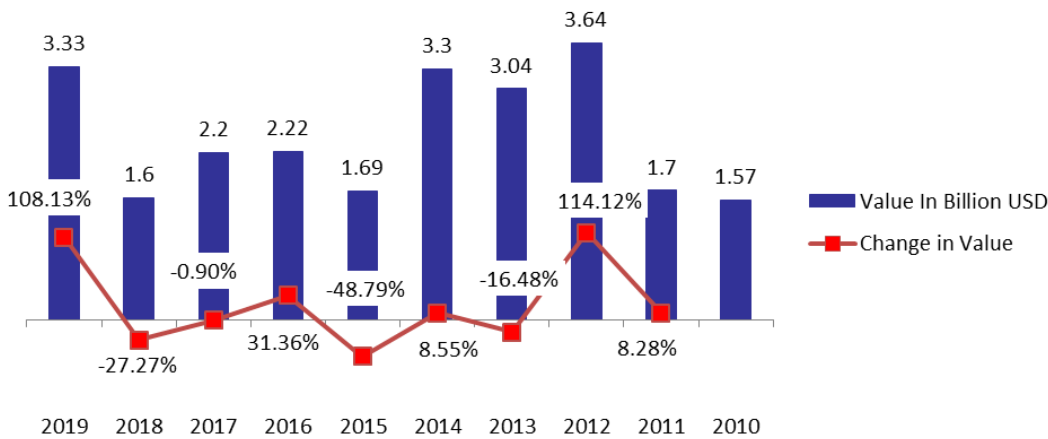
Yearly Evolution of the Trade Deficit



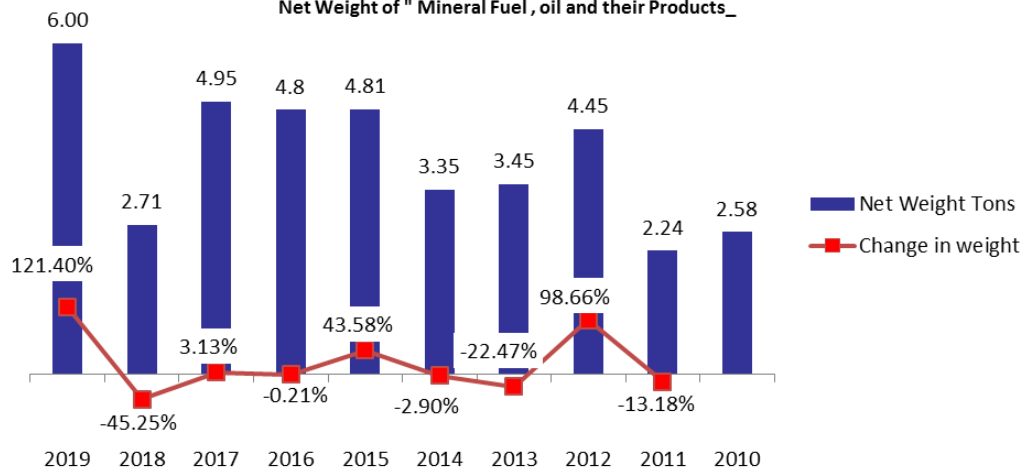
Oil imports more than doubled during H1 2019 as a result of its reselling to Syria. Mineral products continued on leading the list of the most imported products (grasping 33.24% of the total) as it remains on being a vital necessity of households as well as manufacturing firms. Its value more than doubled to settle at \$3.37B in H1 2019 compared to 1.64B in the same period last year. In details, the value of "mineral fuels, oils and their products" (98.81% of total mineral products) surged to 3.33B by June 2019 compared to 1.60B by June 2018. In fact, the net weight of imported "mineral fuels, oils and their products" witnessed a yearly increase from 2,707,439 tons by June 2018 to reach 6,008,753 tons by June 2019 the highest volume in more than 10years. The increase in volume is mainly due to

the smuggling to Syria amid the rationing of oil in the country, as the Syrian Government is trying to limit capital outflows from the country. Lebanon's main suppliers of mineral products in H1 2019 were Greece (18.86%), Russia (18.23%), and US (13.71%).

Value of " Mineral Fuel, oil and their products"



Net Weight of " Mineral Fuel , oil and their Products_



"Products of the chemical or allied industries "(10.15% of imported products) came in the second place. The value of these dropped by 9.47% year-on-year (y-o-y) to stand at \$1.02B by H1 2019 noting that its volume decreased by 6.49% to 231,921 tons in H1 2019. In details, "Pharmaceutical products" (60.69% of total imported chemicals) drove the slump in chemicals, decreasing by an annual 8.27% to \$624.84M while their volume increased by 5.45% y-o-y to settle at 5,982tons by June 2019. Worth mentioning that the Lebanese Government has set different initiatives to support the pharmaceutical industry. In February 2019, Lebanon's Health Ministry has reduced the price of more than 300 medicines by an average of 21.2%.In its turn, the "Essential oils; perfumery, cosmetic" sub component (constituting 11.60%) recorded also a slump by 7.81% y-o-y to \$119.43M in June 2019. Germany, France and USA were respectively the largest suppliers of chemical products to Lebanon, grasping shares of 14.82%, 11.32%, and 9.12%, respectively.

"Machinery and electric instruments" ranked third with a stake of 8.99% of total imports and witnessed an important yearly retreat by 14.87% to \$911.75M by June 2019, noting that its volume declined by 26.44% to 93,439 tons in H1 2019. This section is mainly divided into 2 main components: "Nuclear reactors, boilers, machinery", and "Electrical machinery and equipment". The "Nuclear reactors, boilers, machinery" component recorded a 25.93% y-o-y decrease to \$500.97M in H1 2019 while the "Electrical machinery and equipment" component increased by 4.12% to reach \$410.32M by June 2019. 35.50% of machinery was imported from China, followed by 8.47% from Italy, and 6.32% from Germany.

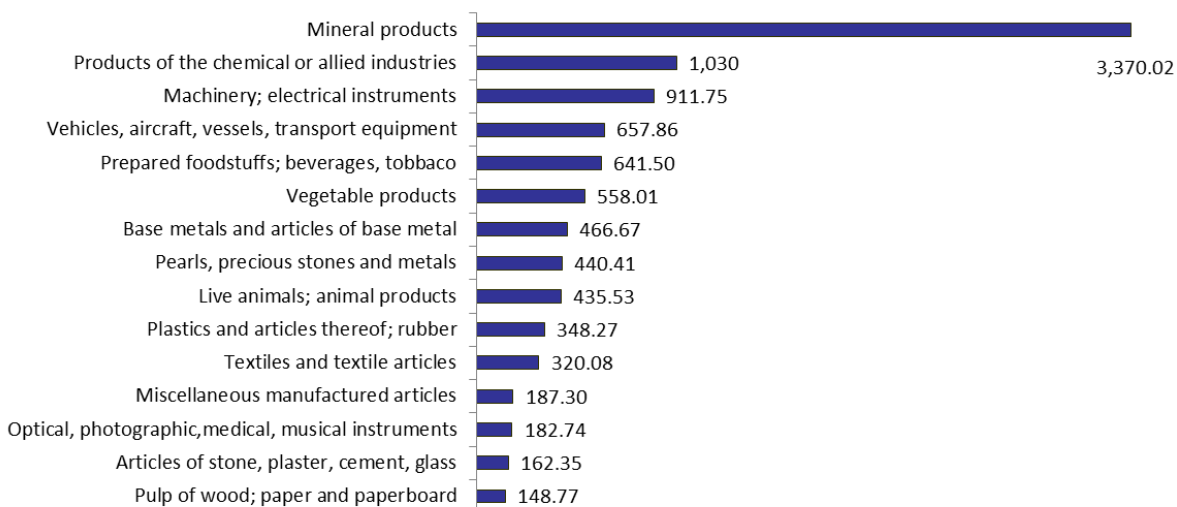
"Vehicles, aircraft, vessels, transport equipment" are considered to be cyclical industries and sensitive to business cycles, their revenues are therefore lower in periods of economic downturn and contraction. Given, the difficult economic situation in Lebanon, "Transport vehicles and equipment" representing 6.49% of imports, dropped by 21.81% in the first half of the year to \$657.86M. Likewise, their volume slumped by 23.32% y-o-y to 85,445tons in H1 2019. In terms of the top importers, 19.57% of vehicles values are imported from United States, 18.87% from Germany, and 14.82% from Japan.

"Prepared foodstuffs, beverages, and tobacco" ranked fifth, taking up to 6.33% of the total imported value, in H1 2019. Both their value and volume decreased by 6.65% and 26.40% to \$641.50M and 373,417tons, respectively, by June 2019. "Preparations of cereals, flour, starch or milk" witnessed an uptick by 0.19% to stand at \$147.27M in H1 2019 while "Miscellaneous edible preparations" recorded a downtick by 0.17% to \$120.18M. 8.15% are imported from France, 7.33% from Germany, and 6.52% from Turkey.

As for "Vegetable products" (representing 5.50% of total imports). Both their value and volume rose by 7.04% and 13.60% to \$558M and 1,057,525tons, respectively, by June 2019. The increase in this category can be linked to the significant growth in the tourism and hotels sectors which can lead to the increase in need of food and beverages.

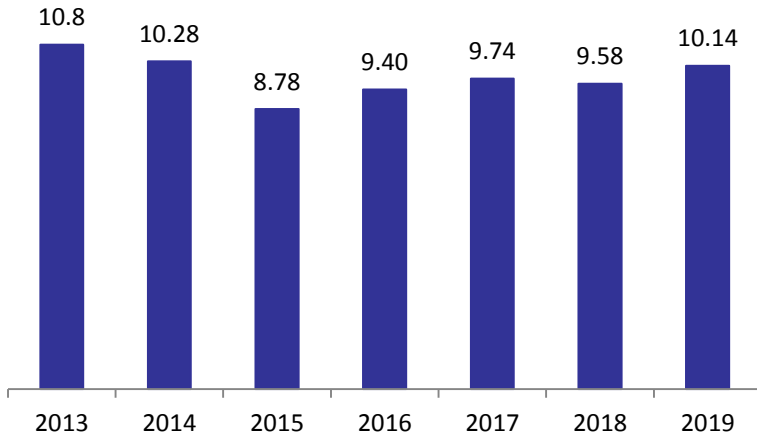
In term of Customs' offices, Port Of Beirut grasped the highest share of total import activity representing 74.99% of the total. The import activity in Rafic Hariri Airport and Tripoli office followed representing 17.53% and 5.35% of the total respectively.

Top Imports in H1 2019 (\$M)



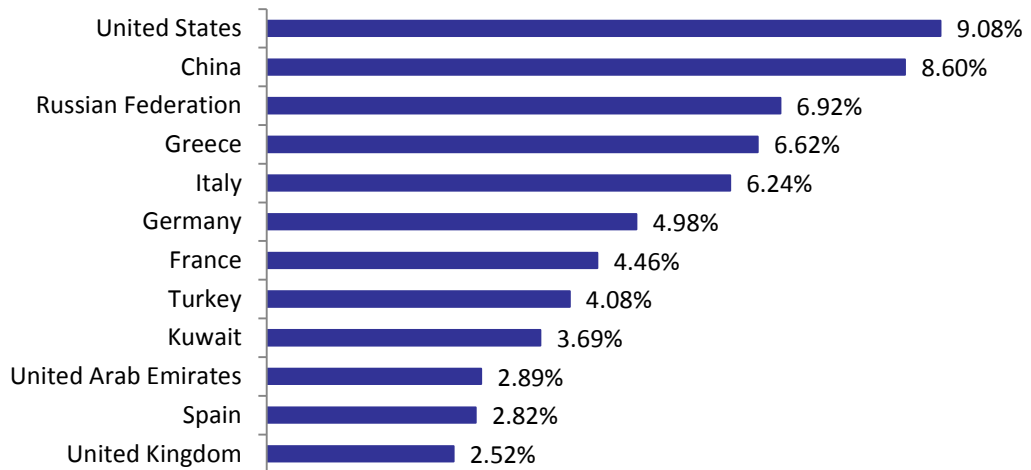
Source :Lebanese Customs

Value of Imports in H1 2019 (\$B)



Source :Lebanese Customs

Trop Importing Countries in H1 2019



As for exports, “Pearls, precious stones and metals” grasped the largest share of exports (32.88% of the total) during H1 2019. The value of “Pearls, precious stones and metals” exports’ rose yearly by 43.88% to \$568.92M by June 2019, while their volume dropped by a 14.71% to 29 tons by June 2019 noting that the price of gold surged by 9.91% and stood at \$1,409.55 per ounce in the first half of the year. In details, “Diamonds” exports have gained important share this year as they now account for 42.81% of the exported “Pearls and precious stones”, and the export of this component increased from \$117.92M in H1 2018 to \$188.53M in H1 2019. Moreover, the value of “Gold (including gold plated with platinum)” (representing 41.84% of this category) dropped by 24.13% to \$184.28M, mainly on the back of slightly lower exported volume. Lebanon’s main exporting markets are Switzerland (57.53%), the United Arab Emirates (24.93%) and South Africa (11.64%).

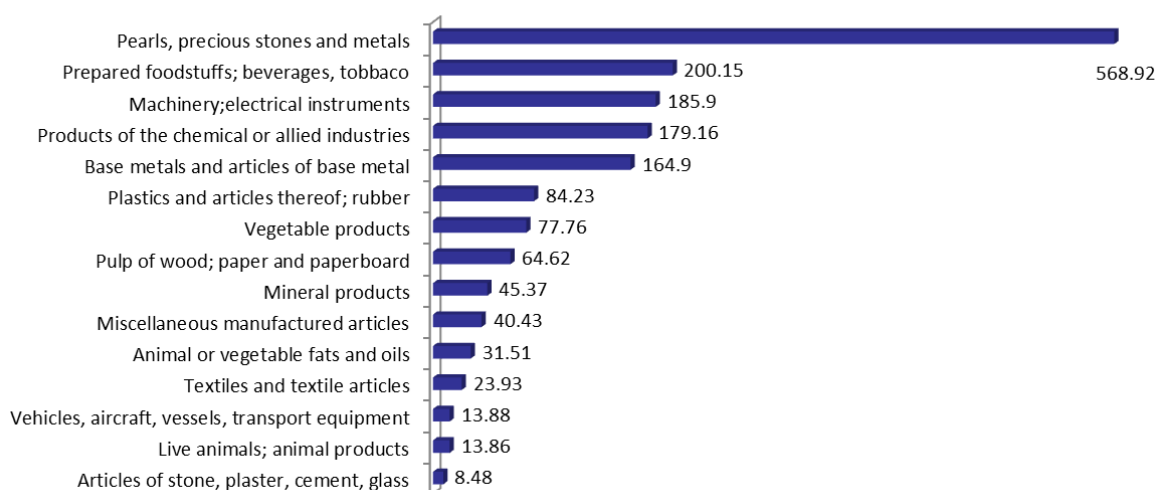
“Prepared foodstuffs, beverages and tobacco” came second, constituting 11.57% of the exported goods. Its value and volume witnessed a yearly drop of 3.96% and 13.97% to \$200.15M and 94.32 tons by June 2019. In details, the value of “Prepared vegetables, fruits and nuts” (constituting 30.88% of prepared foodstuffs) increased by 12.88% to \$61.66M in H1 2019, while the value of “Beverages, spirits and vinegar” (constituting 15.81% of prepared foodstuffs respectively) went down by 1.71% to reach 31.58M in the first half of 2019. In terms of its export markets, Lebanon exported 15.53% of Foodstuffs to Saudi Arabia, 7.65% to Qatar, and 6.94% to the US.

In their turn, “Machinery; electrical instruments” (10.74% of total exports) ranked as third most exported product, increasing from \$151.20M in H1 2018 to \$185.90M in H1 2019. “Nuclear reactors, boilers, machinery”, the main sub-component with a share of 55.78%, drove the rise in this component as it surged in value from \$67.04M by June 2018 to \$103.69M by June 2019. “Electrical machinery and equipment” (with a stake of 44.22%) was the second largest component of Machinery; electrical instruments and recorded a 2.35% downtick in value to \$82.20M. Lebanon therefore exported 12.11% to Iraq, 7.32% to Syria, and 6.73% to Georgia.

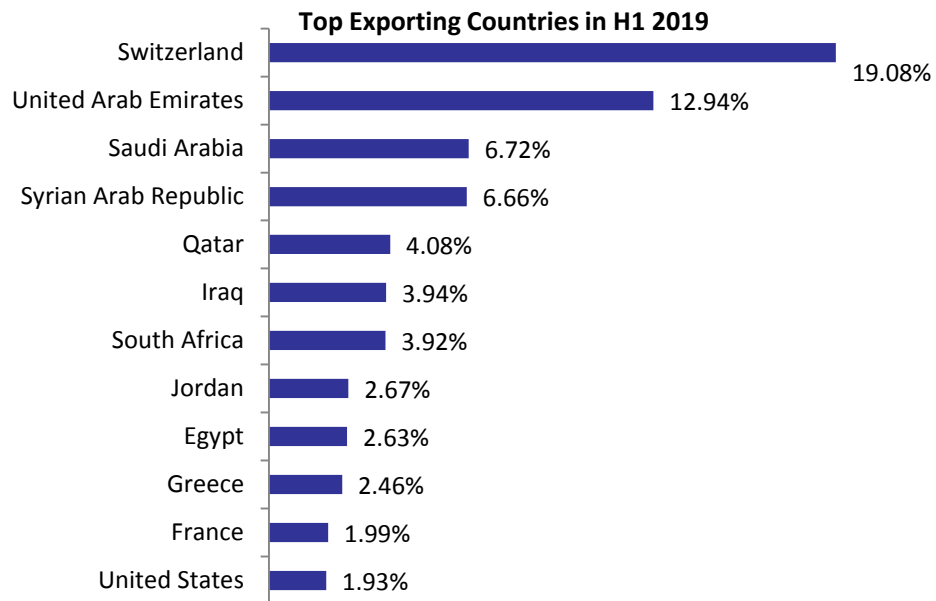
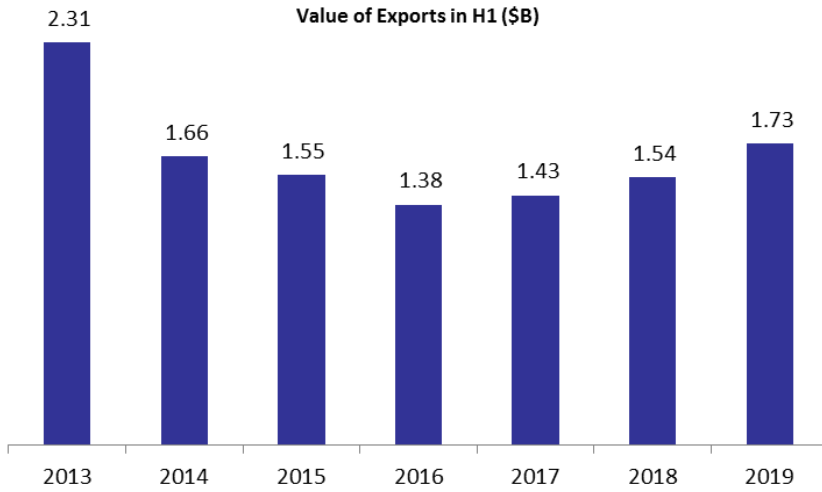
“Products of the chemicals or allied industries” followed in the most exported goods, with a share of 10.35%. In fact, exports rose in term of value by a yearly 1.40% to stand at \$179.16M in the first half of 2019. This can be mainly linked to the increases of the exports’ value of “Essential oils and resinoids; perfumery, cosmetic” (34.75% of chemical products’ exports) and “fertilizers” (12.05% of chemical products’ exports) from \$58.80M and \$20.21M to \$62.26M and \$21.36M. The main importing countries were UAE with 14.70%, followed by Iraq (11.89%), and France with 10.46%.

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Top Exports in H1 2019 (\$M)



Source :Lebanese Customs



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Worth mentioning that if we suppose that Lebanon imported the same volume of oil as 2018 taking into consideration the trend in global oil price, the trade deficit would have narrowed in the first 6 months of the year to reach \$6.56B, **down by 18.34%** compared to the same period in 2018. In details, the average oil price of H1 2019 was \$66.17 per barrel down by 7.01% compared to the same period last year. If we take the value of imported oil in H1 2018 (\$1.64B) and decrease it by 7% for H1 2019, the total value of imports for H1 2019 will therefore be \$8.29B instead of \$10.14B.

Since 2011 the overall trade in Lebanon has been experiencing a worsening deficit due mainly to the Syrian war as major exports' trade routes have been closed. Despite the improvement in exports, the trade activity remained weak in H1 2019 noting that the increase in imports was mainly attributed to the oil and fuel imports.

On July 19, 2019 Lebanon's parliament passed a "reforming" 2019 state budget and approved new taxes and fees in an attempt to increase public revenues and reduce therefore the budget deficit. In details, the parliament imposed a 3% duty on all imports that are subject to the value-added tax, except for fuel, raw material and industrial equipment. Moreover, the Ministry of Industry launched a 'nationwide campaign to support the Lebanese industry' in order to increase the Lebanese production, secure the domestic need and improve the exports.

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