



ONLINE ECONOMIC AND POLITICAL BRIEFINGS

Economic and Political Intelligence From the Source

www.oxfordbusinessgroup.com

LATEST BRIEFING

Lebanon: Help for Tourism Sector

28 August 2007

Earlier this month the government announced measures designed to support the ailing tourism sector, which continues to bear the economic brunt of the war with Israel last summer and the political turmoil that followed.

The government said it will lower electricity tariffs for hotels and other tourism-based companies until May 2008, slashing prices from LL80 (\$0.054) to LL50 (\$0.034) for 1 Kilowatt per hour in the evening and from LL320 (\$0.22) to LL160 (\$0.11) in peak hours. This measure, undertaken in coordination with the energy and water ministry, is aimed to benefit hotels, residential tourist complexes and beach resorts, still trying to recover from the effects of last year's unrest.

In addition, the government said it would subsidise 4% of bank loans to all tourism sector businesses.

The president of the Hotel Owners' Syndicate, Pierre Ashkar, told local media, "We suffered lots of losses over the past year and we hoped the government would come up with more initiative to allow this sector to recover some of the losses."

According to the tourism ministry, the losses amount to \$2.2bn for 2006 alone. According to the World Bank, Lebanon's GDP in 2005 was \$21.9bn.

Jean Beyrouthy, president of the Syndicate of Touristic Balnéaire Establishments and general secretary of the Federation of Touristic Syndicates, also expressed disappointment over the measures. He told OBG that despite what the government has announced, nothing has actually been done yet. He called the announcement promotion tactics on the government's part. He added that even if it were to happen, "it's just the beginning and [it is] not enough."

Beyrouthy said that since last summer, the tourism sector's problems have been getting worse and it is currently going through a "very bad period" due to the political situation and fighting in the Nahr el Bared camp between the army and Islamic radicals.

"If the government doesn't do anything to help those in the tourism sector pay their debts, many people will go bankrupt," he told OBG.

Government figures show that in the first seven months of 2007, there were 539,027 tourists visiting Lebanon, representing a year-on-year decrease of 27%.

In the latest HotelBenchmark survey on the Middle East released by Deloitte this month, Beirut reported revenue per available room (revPAR) decline of almost 54% to \$39 in the first half of this year.

According to the local press, cumulative losses of Lebanon's 350 hotels in the second half of 2006 amounted to \$282m. Occupancy rates in Beirut fell from about 90% to as low as 10% and between zero and 5% in other parts of the country. Things don't look better for 2007. In January, visitor arrivals were 38.6% lower than for the same month a year ago and 20% lower than in December 2006.

Last month, a total of 126,986 tourists entered the country, a 17% improvement on figures for July 2006, although the latter was the month in which the Beirut airport was bombed, preventing incoming and outgoing flights.

On the bright side, July's figures represented an increase of 83% on June's figures, indicating that the lull in bombings has encouraged a late tourism revival.

Beyrouthy told OBG that since the parliamentary by-election took place late July, the tourism sector has seen some increase in occupancy, "although this is still not to be compared to the occupancy levels of 2004 and 2005". According to Beyrouthy, the hotel occupancy rate for Beirut and Mount Lebanon in August will be a maximum of 45% to 47%.

Beyrouthy, who owns a Bel Azur hotel and beach resort, said the hotel was faring better than many others. As a seaside resort it has been able to attract business through its range of activities such as diving and jet-skiing. The hotel is currently enjoying a 75% occupancy rate "but at the beginning of September, the tourist season will end," said Beyrouthy.

Many projects under construction in the hotel sector are having their launch dates postponed, Christian Fernaine, managing partner of Ulysses Management & Consulting, told OBG. The Beirut Waterfront Development, a residential, commercial and recreational project, has pushed back its opening from March 2009 to 2010 while the Hilton, which was due to open on July 1 this year, postponed its opening to some time next year.

Still, investments in the country continue to take place. Two months ago, construction began on a Kuwaiti-financed project near Bhamdoun, a popular summer mountain retreat of visiting Arab tourists. The project will include a hotel, apartment building and villas. Kuwaiti investors were also behind the purchase of Beirut's Riviera Hotel at the end of June. According to locally based Byblos Bank's latest economic report, the Kuwait Company for Process Plant Construction and Contracting will invest \$22.4m in two new hotels in Lebanon - the \$6.4m Star Tower Hotel and the \$16m Sify Crow Hotel.

Any real revival of the tourism sector will not begin until the end of 2008, said Fernaine. He said it takes time to restore tourists' confidence and for them to believe in the country again.

"There are expectations 2009 will be similar to 2004, in terms of arrivals and hotel occupancy," he said.

RECENT BRIEFINGS



Malaysia: Opening the Doors

28.08.2007

Malaysia has announced it will ease rules to allow non-Islamic commercial and investment banks to offer Islamic banking in foreign currencies. (...more)

Bulgaria: Diversifying Gas Supply

27.08.2007

State-owned Bulgarian gas transmission and supply company Bulgargaz Holding is looking to increase its role as a regional player through a stock offering and partnerships with major European energy firms. (...more)

Egypt: Phasing Out Energy Subsidies

27.08.2007

On August 14, the Egyptian government announced that gas and electricity subsidies currently granted to energy intensive industries would be phased out over three years to cut inefficiencies in the market and help reduce the budget deficit. (...more)

LATEST PUBLICATIONS



The Report: Abu Dhabi 2007

Abu Dhabi is the largest of the seven emirates that comprise the United Arab Emirates (UAE), and its principal city, also called Abu Dhabi, is capital of the country. Six emirates - Abu Dhabi, Ajman, Dubai, Fujairah, Sharjah and Umm Al Quwain - banded together following British withdrawal from the region in 1971, with Ras Al Khaimah joining in 1972. Oil was first discovered in Abu Dhabi in 1958 and in the five decades since then, revenues from oil and gas have transformed the emirate into one of the world's richest locations. Indeed the UAE sits upon 9% of the world's proven oil reserves and 5% of the planet's natural gas reserves, with Abu Dhabi enjoying the lion's share of this - 95% of oil and 92% of gas. Abu Dhabi is the largest of the seven emirates, with 2005 census figures putting the population at almost 1.3m out of a total UAE population of around 3.8m.

Click for more info

CONTACT US

General Enquiries mail@oxfordbusinessgroup.com Editorial Enquiries cmartin@oxfordbusinessgroup.com



