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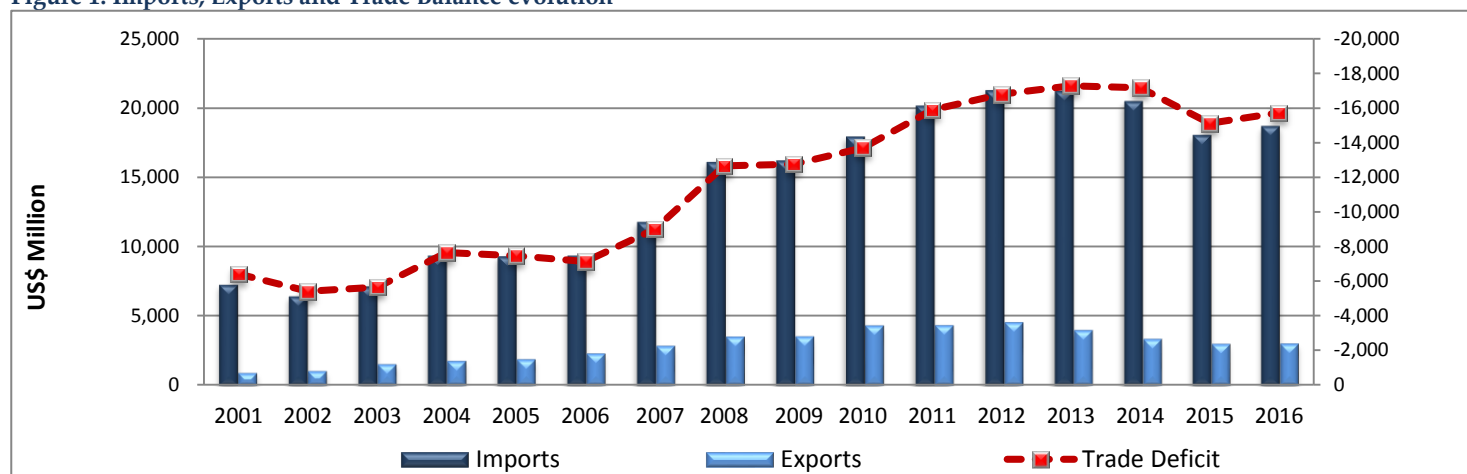
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Introduction

Year 2016 recorded a **trade deficit** of US\$ 15,729 million, 4 percent higher than the deficit of US\$ 15,116 million registered a year earlier, according to the figures released by the Ministry of Finance, Customs Directorate. The US\$ 612 million deterioration in the trade deficit is rooted in a US\$ 637 million increase in imports slightly offset by a US\$ 24 million improvement in exports during the period under consideration.

It is worth mentioning that the export - import coverage ratio¹ plunged down from 16.3 percent in 2015 to 15.9 percent in 2016.

Figure 1: Imports, Exports and Trade Balance evolution



Source: Directorate General of Customs, Ministry of Finance

Imports

Total **imports** amounted to US\$ 18,705 million in 2016, registering a 4 percent increase in value when compared to the previous year. This hike was more pronounced in volume terms reaching 11 percent. This year-on-year change is a result of positive evolutions in several import categories, coupled with the fluctuation of some imports prices.

1. Fuel Imports

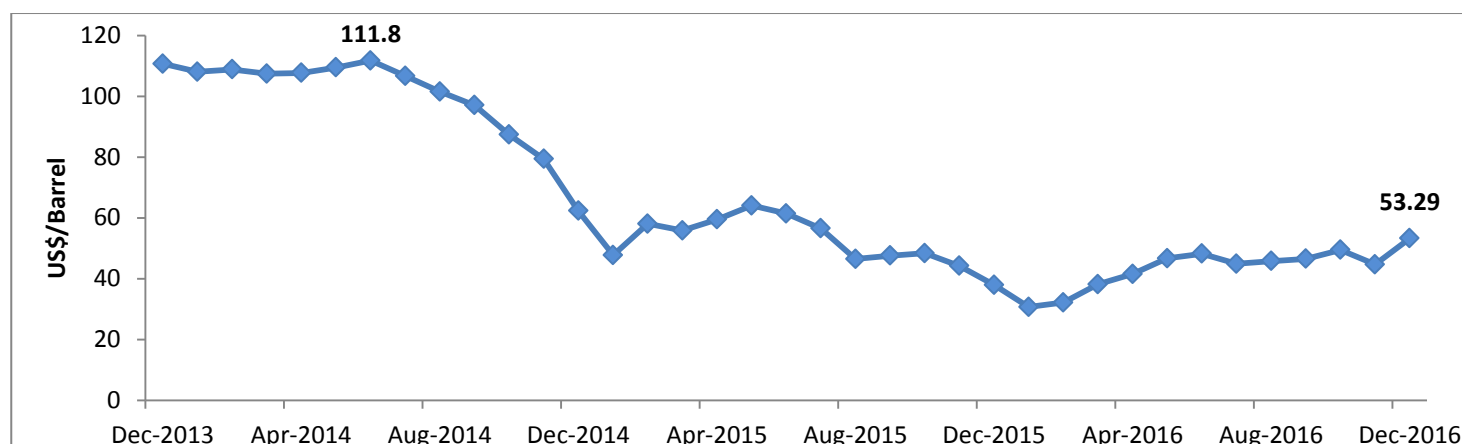
Imports of "**Mineral fuel and oil**" increased by 11 percent (US\$ 359 million) compared to the previous year; while in terms of volume it increased by 28 percent. This rise is mainly induced by higher **EDL registered** fuel imports as shown in Table 8. Non-EDL fuel imports registered a year-on-year decrease of 16 percent reaching US\$ 2,331 million by the end of 2016, compared to US\$ 2,769 million during the year 2015. However, these imports increased by 3 percent in volume terms, owing to lower international oil prices that started to diminish since June 2014 and registered a yearly average of US\$ 52.35 in 2015 declining to US\$ 43.55 in 2016.

¹ The export import coverage ratio is total exports over total imports in a specific year.

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Figure 2: Monthly Europe Brent Monthly Spot price FOB 2014-2016



Source: Brent Europe Price

2. Natural Stones Imports

Imports of “Unwrought & semi-manufactured gold, diamonds, precious stones & metals” witnessed a remarkable year-on-year increase of 53 percent (US\$ 433 million) in terms of value during 2016, along with a 13 percent rise in terms of volume. The major increase was in “Gold (including gold plated with platinum)” which increased by 101 percent². In contrast, imports of “Diamonds, whether or not worked, but not mounted or set” witnessed a decrease by 32 percent (as shown in Table 1).

Table 1: Imports break down of Natural and precious stones (US\$ Million)

Description	Jan-Dec 2015	Jan-Dec 2016	Value Change	% Change
Diamonds, whether or not worked, but not mounted or set	218	148	-70	-32%
Precious stones (other than diamonds) and semi-precious stones	28	23	-5	-18%
Gold (including gold plated with platinum)	496	995	499	101%
Articles of jewelry and parts thereof	58	67	9	16%
Imitation jewelry	14	15	1	7%

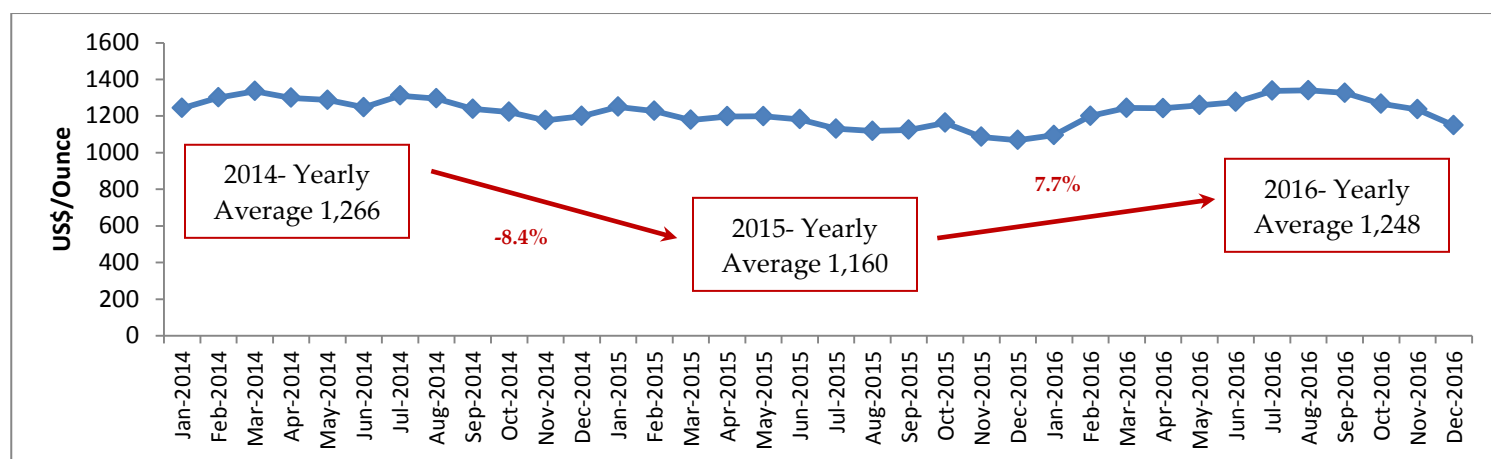
Source: Directorate General of Customs, Ministry of Finance

² This increase in value is rooted in higher imports in volume terms (26,959 Kgs in 2016 compared to 14,460 Kgs in 2015), as well as the higher gold prices with a yearly average of US\$ 1,248 per Ounce during 2016 against US\$ 1,160 in 2015.

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Figure 3: Monthly International Gold Prices per Ounce (2014-2016)



Source: http://ycharts.com/indicators/gold_price

3. Other Imports

Excluding "Mineral fuel and oil" and "Unwrought gold, un-mounted diamond & precious stones", imports decreased by 1 percent (US\$ 155 million) during 2016 compared to 2015. This contraction resulted from fluctuations in several sub-categories of imports (Table 10) mainly the following:

3.1. Aircraft engines, boilers, machinery and mechanical appliances which plunged down by 6 percent (US\$ 73 million), while in volume terms it increased by 6 percent. In details, this drop is mainly due to a decrease in imports from United Kingdom by 58 percent (US\$ 60 million) - mainly aircraft engines and parts of engines - followed by a 24 percent (US\$ 27 million) decline in imports from the United States. These decreases were partly counterbalanced by an increase of imports from the China by 2 percent (US\$ 7 million) (Table 2). As for the top imports partners, China remained at the top in 2016 with a share of 27 percent followed by Italy with a share of 13 percent from total imports of Aircraft engines.

Table 2: Main imports of Aircraft engines by country of origin (US\$ Million)

Description	Jan-Dec 2015	Jan-Dec 2016	Value Change	% Change	Share in total imports of Aircraft engines - 2016
China	295	301	7	2%	27%
Italy	133	140	6	5%	13%
Germany	119	111	-8	-7%	10%
United States	113	86	-27	-24%	8%
Thailand	54	51	-2	-4%	5%

Source: Directorate General of Customs, Ministry of Finance

3.2. Electrical machinery and equipment which registered a year-on-year drop of 5 percent (US\$ 41 million) in value. Imports from China – the biggest import partner in this category with a share of 36 percent of total Electrical imports –witnessed a rise by 7 percent (US\$ 19 million) during the aforementioned period (Table 3). In parallel, imports from France jumped remarkably by 116 percent (US\$ 31 million). In contrast, the decrease in imports from Germany by 65 percent (US\$ 65 million) overwhelmed the above mentioned increases.

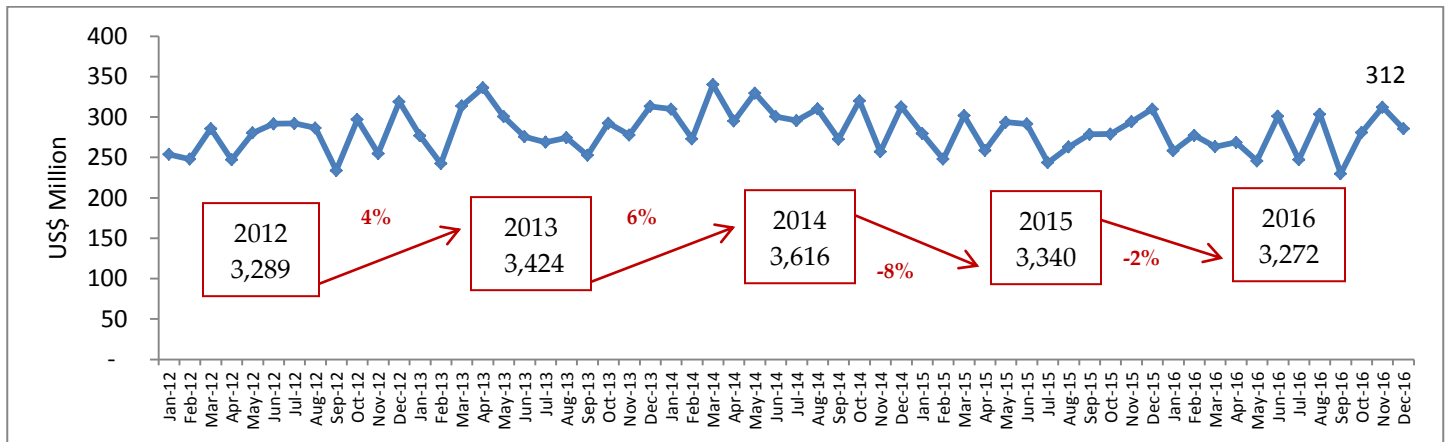
Table 3: Main imports of Electrical machinery and equipment by country of origin (Millions US\$)

Description	Jan-Dec 2015	Jan-Dec 2016	Value Change	% Change	Share in total imports of Electrics - 2016
China	258	277	19	7%	36%
United Kingdom	67	62	-5	-7%	8%
France	26	57	31	116%	7%
Italy	49	51	3	6%	7%
Germany	101	35	-65	-65%	4%

Source: Directorate General of Customs, Ministry of Finance

3.3. Imports of food and related derivatives³ witnessed a decrease of 2 percent in 2016 compared to 2015, most notably in “Live animals” (13 percent) and “Cereals” (9 percent). It is worth mentioning that these imports represent a total of 17.5 percent of Lebanon’s total imports during 2016, and that the highest peak was registered in November 2016 amounting to US\$ 312 million (Figure 4).

Figure 4: Monthly imports of Food 2012-2016



Source: Directorate General of Customs, Ministry of Finance

³ Imports of food include the following categories as per the customs’ classification: “live animals; animal products” (HS 1-5), “vegetable products” (HS 6-14), “animal vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes” (HS 15) and “Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes” (HS 16-24).

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On the other hand, several other categories witnessed increases mainly:

3.4. Imports of Pharmaceutical products which increased in value terms by 8 percent (US\$ 89 million). In details, imports from Eurozone were the main contributor to this increase with higher imports from Germany by 11 percent (US\$ 18 million), along with a huge hike from Ireland by 61 percent (US\$ 31 million) followed by Spain by 19 percent (US\$ 7 million). It is noteworthy to mention that more than 51 percent of total imported pharmaceutical products originated from the Eurozone during 2016 slightly higher than the 50 percent figure registered in 2015 as shown in Table 4 below. Germany and the United States of America are the top import partners in this category with respective shares of 16 percent and 11 percent from total imports of Pharmaceutical Products.

Table 4: Imports of Pharmaceutical products from the Eurozone (US\$ Million)

Description	Jan-Dec 2015	Jan-Dec 2016	Value Change	% Change
Germany	172	190	18	11%
France	136	130	-6	-4%
Italy	87	83	-4	-5%
Ireland	51	83	31	61%
Spain	33	40	7	19%
Belgium	26	32	6	22%
Austria	21	22	2	8%
Netherlands	13	15	2	13%
Greece	5	9	4	75%
Portugal	7	9	2	23%
Cyprus	7	6	-1	-15%
Finland	2	2	0	14%
Slovenia	3	5	2	57%
Malta	-	-	-	-
Slovakia	-	-	-	-
Estonia	-	-	-	-
Luxembourg	-	-	-	-
Total imports from the Eurozone	563	625	62	11%
Share of total Imports of Pharmaceutical products	50%	51%		

Source: Directorate General of Customs, Ministry of Finance

3.5. Vehicles and accessories, cranes & Lorries which rose up by 5 percent (US\$ 86 million) during the period under consideration amounting to US\$ 1,732 million by the end of 2016, with an increase of 12 percent in volume terms. Imports from Germany increased by 1 percent compared to the previous year, remaining the top import partner in this category with a share of 26 percent of total imports of vehicles, followed by the United States of which imports increased remarkably by US\$ 45 million (16 percent). It is worth mentioning that imports from China and Russian Federation increased by US\$ 28 million and US\$ 15 million respectively while imports from Korea decreased by US\$ 23 million. The year-on-year change in these imports from the top partners is detailed in Table 5 below.

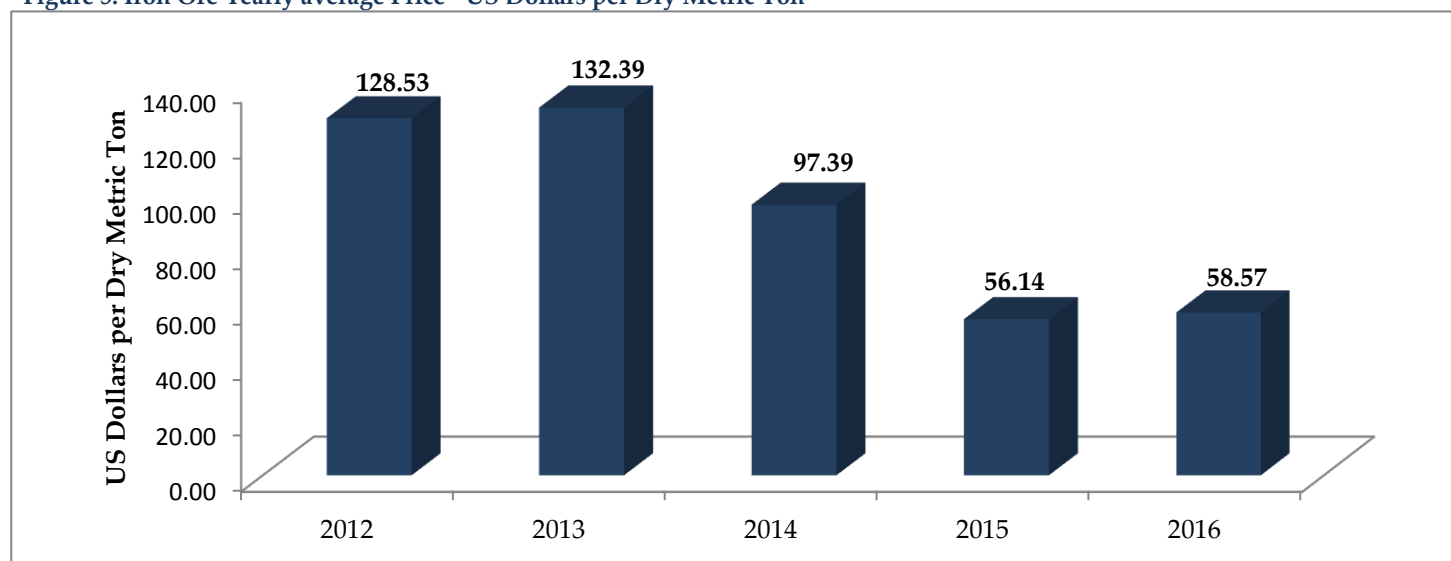
Table 5: Main imports of Vehicles and accessories by country of origin (US\$ Million)

Description	Jan-Dec 2015	Jan-Dec 2016	Value Change	% Change	Share in total imports of Vehicles - 2016
Germany	443	448	5	1%	26%
United States	273	318	45	16%	18%
Japan	283	283	0	0%	16%
United Kingdom	122	125	4	3%	7%
Korea, Republic of	121	97	-23	-19%	6%

Source: Directorate General of Customs, Ministry of Finance

3.6. Lastly, imports of **Iron and steel** improved by 9 percent (US\$ 50 million) in value, with an increase of 33 percent in volume, mainly due to higher imports from the Russian Federation and South Korea by 204 percent (US\$ 34 million) and 129 percent (US\$ 11 million) respectively (Table 6).

Figure 5: Iron Ore Yearly average Price - US Dollars per Dry Metric Ton⁴



Source: IMF Primary Commodity Prices(<http://www.imf.org/external/np/res/commod/index.aspx>)

⁴ Please note that the figures may differ from those published in December trade report 2015 because the numbers are constantly being revised by the IMF.

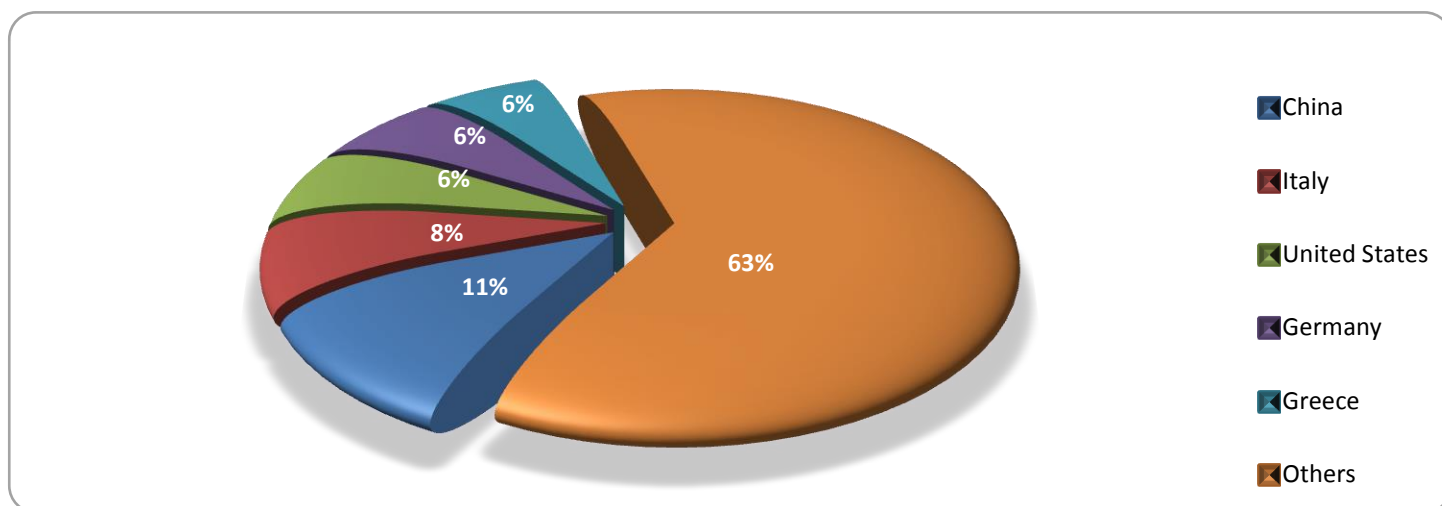
Table 6: Main imports of Iron and Steel by country of origin (US\$ Million)

Description	Jan-Dec 2015	Jan-Dec 2016	Value Change	% Change	Share in total imports of Iron & Steel/2016
China	295	293	-2	-1%	50%
Ukraine	106	114	9	8%	20%
Russian Federation	16	50	34	204%	9%
Turkey	33	39	6	20%	7%
South Korea	9	20	11	129%	3%

Source: Directorate General of Customs, Ministry of Finance

As for the **breakdown of Lebanese imports by country of origin**, China remains at the top of the list during 2016 with a share of 11 percent of the total imports. Italy and United States followed with shares of 8 percent and 6 percent respectively (Figure 6).

Figure 6: Top Import Partners 2016



Source: Directorate General of Customs, Ministry of Finance

Exports

Total **Exports** amounted to US\$ 2,977 million during 2016, with a slight year-on-year increase of 1 percent (US\$ 24 million) in value compared to a 15 percent decrease in volume. This contradiction is mainly due to increases in gold exports, the top export subcategory as shown in Table 11 which increased in value terms but decreased in volume terms. In details, the improvement was registered in mainly:

1. Natural Stones Exports

Exports of "**Unwrought gold, un-mounted diamond & precious stones**" which witnessed a huge hike of 91 percent (US\$ 394 million) in terms of value compared to 2015⁵ (as shown in Table 8). This was not reflected in volume terms which dropped by 15 percent and which can be explained by the increase of international gold prices from US\$ 1,160 per ounce in 2015 to US\$ 1,248 per ounce in 2016. In details, Gold (including gold plated with platinum) exports rose significantly by 196 percent (US\$ 465 million) as shown in Table 7 below.

Table 7: Exports of Natural and precious stones – main items (US\$ Million)

Description	Jan-Dec 2015	Jan-Dec 2016	Value Change	% Change
Diamonds, whether or not worked, but not mounted or set.	111	52	-59	-53%
Precious stones (other than diamonds) and semi-precious stones.	22	19	-3	-14%
Gold (including gold plated with platinum).	237	702	465	196%
Articles of jewelry and parts.	54	49	-5	-9%

Source: Directorate General of Customs, Ministry of Finance

2. Other Exports

Excluding "natural stones", exports decreased by 15 percent (US\$ 370 million) during 2016 compared to 2015. This resulted mainly from the following changes (Table 11):

- 2.1. Exports of "**Electric machinery and equipment**" dropped year-on-year by 21 percent (US\$ 43 million) partly due to the 66 percent (US\$ 21 million) decline in exports to Saudi Arabia and to the 22 percent (US\$ 5 million) decline in exports to Iraq. It is worth mentioning that exports to Kuwait increased from US\$ 2 million in 2015 to US\$ 11 million in 2016.
- 2.2. Other decreases were witnessed in exports of "**Aircraft Engines and boilers**" and "**Processed and refined Copper**" which dropped by 18 percent (US\$ 37 million) and 30 percent (US\$ 31 million) respectively. The decline in the first category is partly rooted to lower exports to Iraq by 34 percent (US\$ 7 million) and Egypt by 41 percent (US\$ 6 million), while the latter is due to lower exports to United Arab Emirates and South Korea by 98 percent (US\$ 22 million) and 45 percent (US\$ 22 million) respectively partly counterbalanced by an increase of US\$ 9 million in exports to Japan.

⁵ This hike in gold exports is rooted in higher exports mainly to South Africa and Switzerland by US\$ 434 million (226 percent) and US\$ 29 million (54 percent) respectively, partly counterbalanced by the drop in exports to United Arab Emirates by US\$ 49 million (45 percent).

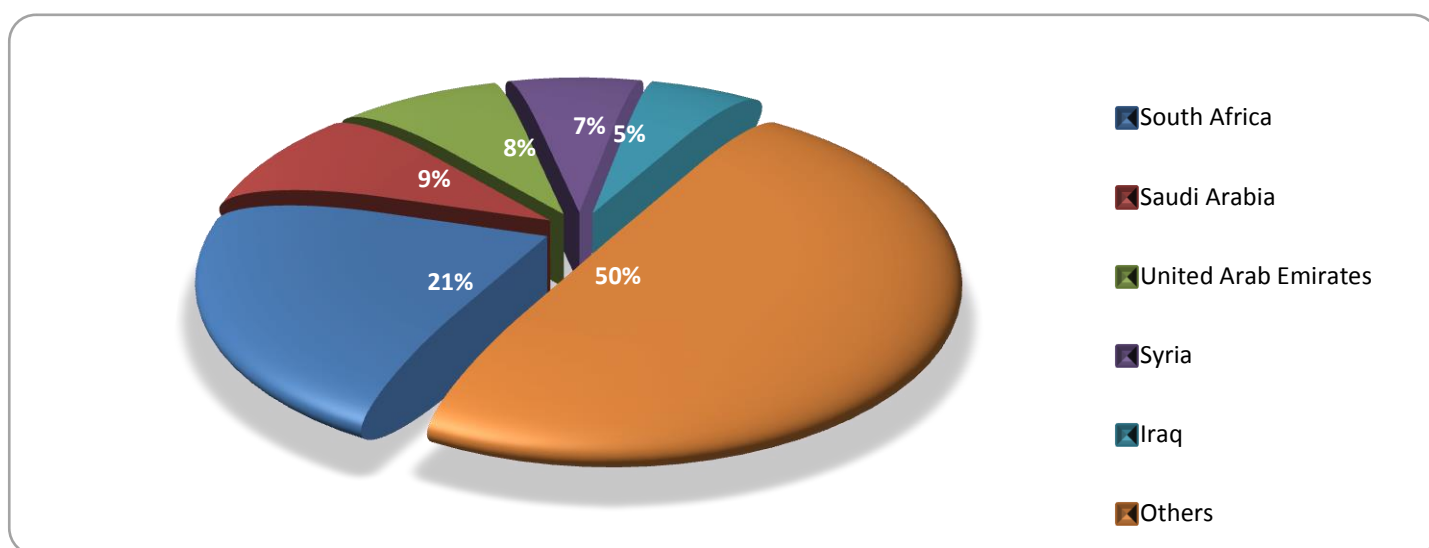
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2.3. In contrast, exports of “**Miscellaneous edible preparations**” and “**Edible fruits and nuts** ” climbed up by 23 percent (US\$ 16 million)⁶ and 22 percent (US\$ 13 million)⁷ respectively.

From a **regional perspective**, exports to Arab countries continued to decrease during year 2016 compared to 2015, registering a significant drop of 19 percent (US\$ 299 million) mainly attributed to lower exports to Saudi Arabia, United Arab Emirates and Iraq by 25 percent (US\$ 90 million), 24 percent (US\$ 74 million) and 28 percent (US\$ 63 million) respectively.

Lastly, **the breakdown of Lebanese exports by major destination** shows that South Africa was at the top of the list during year 2016 with a share of 21 percent of total exports. Saudi Arabia ranked second with a share of 9 percent, while United Arab Emirates and Syria followed with respective shares of 8 percent and 7 percent of total exports (Figure 7).

Figure 7: Top Export Partners 2016



Source: Directorate General of Customs, Ministry of Finance

⁶ The increase was mainly in exports to Syria by US\$ 17 million.

⁷ Driven by the increase in exports to Syria by US\$ 7 million.

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Table 8: Trade activity by value

(US\$ millions)	2015	2016	% Change	2012	2013	2014	2015	2016	% Change
	Dec	Dec	Dec 2016/2015	Jan- Dec	Jan- Dec	Jan- Dec	Jan- Dec	Jan- Dec	Jan- Dec 2016/2015
Imports	1,841	1,536	-17%	21,280	21,228	20,494	18,069	18,705	4%
<i>of which mineral fuel & oil</i>	587	245	-58%	5,892	5,000	4,747	3,320	3,678	11%
-EDL registered fuel imports	398	0	NA	1,594	940	834	550	1,348	145%
-Non EDL fuel imports	189	245	30%	4,299	4,060	3,913	2,769	2,331	-16%
<i>of which Unwrought & semi-manufactured gold, diamonds, precious stones & metals</i>	84	119	41%	1,585	1,136	976	822	1,255	53%
Exports	236	244	3%	4,483	3,936	3,313	2,952	2,977	1%
<i>of which Unwrought gold, un-mounted diamond, & precious metals</i>	27	48	78%	1,724	770	542	434	828	91%
Trade Balance	-1,605	-1,292	-19%	-16,797	-17,293	-17,181	-15,116	-15,729	4%

Source: Directorate General of Customs, Ministry of Finance

Table 9: Trade activity by Volume

(millions of Kgs)	2015	2016	% Change	2012	2013	2014	2015	2016	% Change
	Dec	Dec	Dec 2016/2015	Jan- Dec	Jan- Dec	Jan- Dec	Jan- Dec	Jan- Dec	Jan- Dec 2016/2015
Imports	1,722	1,249	-27%	15,623	15,868	15,452	15,699	17,372	11%
<i>of which mineral and fuel oil</i>	911	499	-45%	6,583	5,552	5,670	5,994	7,678	28%
-EDL registered fuel imports	439	0	NA	1,820	971	880	616	2,131	246%
-Non EDL fuel imports	472	499	6%	4,764	4,581	4,790	5,378	5,547	3%
<i>of which Unwrought & semi-manufactured gold, diamonds, precious stones & metals (Kgs)</i>	88,066	108,769	24%	1,126,899	1,198,971	1,282,673	1,022,352	1,158,730	13%
Exports	145	160	11%	2,602	2,776	2,236	1,941	1,659	-15%
<i>of which Unwrought & semi-manufactured gold, diamonds, precious stones & metals (Kgs)</i>	5,965	4,576	-23%	120,770	60,485	85,427	71,025	60,557	-15%
Trade Balance	-1,578	-1,089	-31%	-13,021	-13,091	-13,216	-13,759	-15,714	14%

Source: Directorate General of Customs, Ministry of Finance

Table 10: IMPORT Distribution by Product (in US\$ million)

Rank	Product	Jan-Dec 2015	% Share	Jan-Dec 2016	% Share	Value Change	% Change
1	Mineral fuels and oils	3,320	18%	3,678	20%	359	11%
2	Vehicles and accessories, cranes & lorries	1,646	9%	1,732	9%	86	5%
3	Natural or cultured pearl	822	5%	1,255	7%	433	53%
4	Pharmaceutical products	1,125	6%	1,214	6%	89	8%
5	Aircraft engines and boilers	1,172	6%	1,099	6%	-73	-6%
6	Electrical machinery and equipment	821	5%	780	4%	-41	-5%
7	Plastics and articles thereof	624	3%	596	3%	-28	-4%
8	Iron and steel.	533	3%	583	3%	50	9%
9	Articles of apparel and clothing	532	3%	516	3%	-16	-3%
10	Live animals.	358	2%	311	2%	-47	-13%
	Other	7,116	39%	6,941	37%	-176	-2%
	Total	18,069	100%	18,705	100%	637	3.5%

Source: MOF, DGC

Table 11: EXPORT Distribution by Product (in US\$ million)

Rank	Product	Jan-Dec 2015	% Share	Jan-Dec 2016	% Share	Value Change	% Change
1	Natural or cultured pearl	434	15%	828	28%	394	91%
2	Aircraft engines and boilers	207	7%	170	6%	-37	-18%
3	Electrical machinery and equipment	207	7%	164	5%	-43	-21%
4	Plastics and articles thereof	125	4%	130	4%	6	5%
5	Essential oils and resino	129	4%	124	4%	-5	-4%
6	Preparations of vegetables	127	4%	109	4%	-18	-14%
7	Miscellaneous edible preparations	72	2%	89	3%	16	23%
8	Edible fruit and nuts	60	2%	73	2%	13	22%
9	Printed books, newspapers	78	3%	73	2%	-5	-7%
10	Processed and Refined Copper	104	4%	73	2%	-31	-30%
	Other	1,410	48%	1,145	38%	-265	-19%
	Total	2,952	100%	2,977	100%	24	0.8%

Source: MOF, DGC