

Lebanon's external sector was outlined by a net contraction in foreign trade activity of 8.9 percent over the first half of 2014, with the sum of exports and imports moving down from US\$ 13,111 million in the first half of 2013 to US\$ 11,938 million in the corresponding 2014 period. In parallel, Lebanon's trade deficit expanded by 2 percent over the same period, with imports dropping by 4.8 percent and exports contracting significantly by 28.4 percent between the first half of 2013 and the first half of 2014.

In terms of revenues generated by this trade activity, we should note that customs revenues dropped by 11.4 percent, while total VAT collected at the customs shows a 1.4 percent year-on-year deterioration during the aforementioned period, leading to a decrease in the effective VAT rate from 6.66 percent in H1 2013 to 6.25 percent in H1 2014.

On the other hand, it is worth mentioning that according to the customs' directorate, import distribution by customs offices reveals that 74 percent were through the Port of Beirut followed by the Airport with 17 percent, while Tripoli, Masnaa and Saida maintained shares of 5 percent for the first and 2 percent for the latter two. As for the exports, 43 percent went through the Port of Beirut, 29 percent through the Airport and 14 percent through Masnaa.

Table 1 : Summary of Trade Activity and related revenues (January-June 2010/2014)

| (US\$ millions) | 2010 Jan-June | 2011 Jan-June | 2012 Jan-June | 2013 Jan-June | 2014 Jan-June |
|---|------------------|------------------|------------------|------------------|------------------|
| Total Imports, of which | 8,580 | 9,228 | 10,882 | 10,796 | 10,280 |
| • <i>Fuel Imports (fuel derivatives classified under HS 27)</i> | 1,573 | 1,698 | 3,213 | 2,657 | 2,326 |
| • <i>Non-Fuel Imports</i> | 7,007 | 7,530 | 7,669 | 8,139 | 7,954 |
| • <i>Share of Fuel Imports</i> | 18.3% | 18.4% | 29.5% | 24.6% | 22.6% |
| • <i>Share of Non Fuel Imports</i> | 81.7% | 81.6% | 70.5% | 75.4% | 77.4% |
| Customs Revenues | 948 | 742 | 759 | 741 | 660 |
| Revenues from VAT at Imports | 733 | 705 | 760 | 684 | 675 |
| <i>Effective VAT rate</i> | <i>8.5%</i> | <i>7.6%</i> | <i>7.0%</i> | <i>6.3%</i> | <i>6.6%</i> |
| Total Exports | 2,113 | 2,117 | 2,172 | 2,315 | 1,658 |
| Trade Deficit | -6,467 | -7,111 | -8,709 | -8,481 | -8,622 |

Source: Directorate General of Customs, Ministry of Finance

Total **imports** reached US\$ 10,280 million during the period of January-June 2014, registering a decrease of 4.8 percent in value terms, while in terms of volume they increased by 1.2 percent when compared to the same period of 2013 (refer to table 4).

The breakdown of imports by category of products shows the following:

- Imports of "**Mineral fuel and oil**" registered a year-on-year decrease of 12 percent (US\$ 331 million), while in terms of volume they decreased by 9 percent. This drop is driven by the 17 percent decline in non EDL fuel imports¹ that was partly offset by an increase of 5 percent in EDL fuel imports from US\$ 504 million in January-June 2013 to US\$ 529 million in the same period of 2014 (due to inconsistent registrations of fuel oil and gasoil).

Box#1

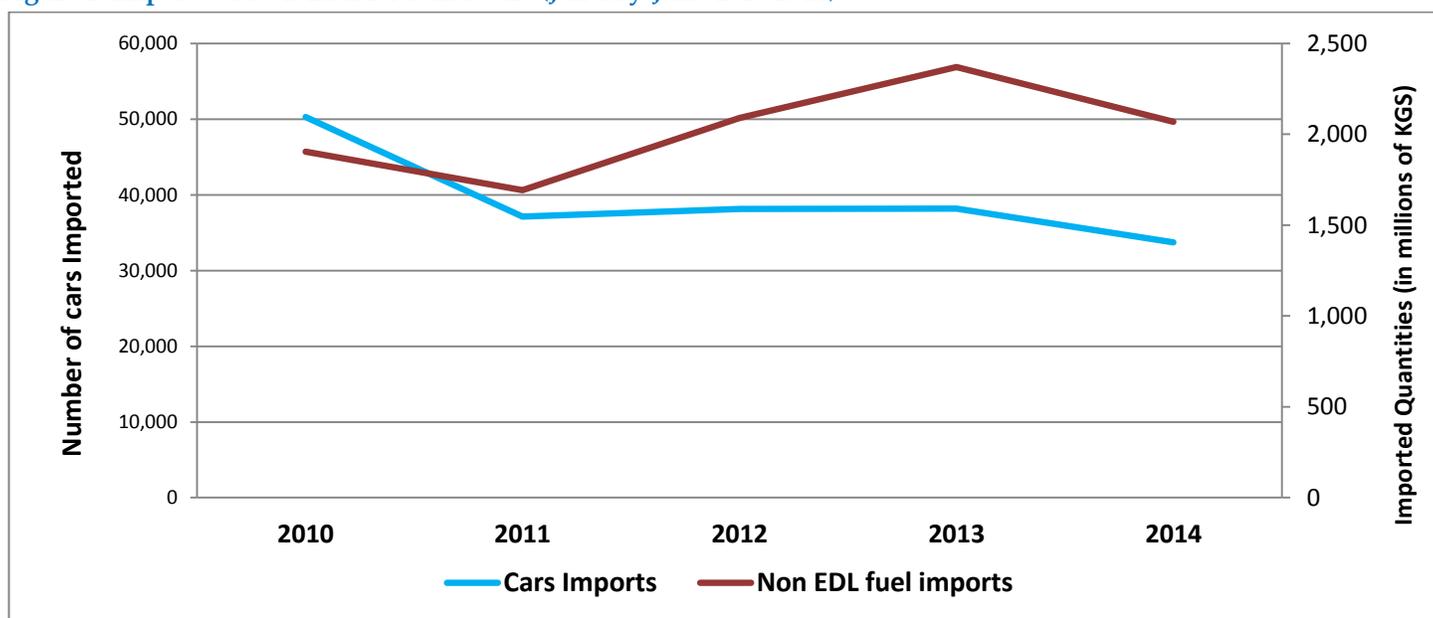
The decrease in imports of Non EDL fuel is mainly due to lower exports of fuel to Syria by 98 percent (US\$ 288 million) coupled with a decrease in the number of imported cars by 11.8 percent (Figure 1) as total numbers of cars reached 33,708 in the first half of 2014 compared to 38,203 in the same period of 2013.

Table 2 : Gasoline Import Statistics (January-June 2010/2014)

| | 2010 Jan-June | 2011 Jan-June | 2012 Jan-June | 2013 Jan-June | 2014 Jan-June | % change 2014/2013 |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|-----------------------|
| <i>Value (US\$ million)</i> | 594 | 753 | 858 | 821 | 836 | 1.8% |
| <i>Volume (million liters)</i> | 1,046 | 994 | 1,045 | 1,051 | 1,106 | 5.2% |

Source: Directorate General of Customs, Ministry of Finance

Figure 1: Imports of Non EDL Fuel and Cars (January-June 2013/2014)



Source: Directorate General of Customs, Ministry of Finance

¹ Despite this decrease in non-EDL fuel imports, imports of gasoline witnessed an improvement of 1.8 percent reaching US\$ 834 million and a slighter increase in terms of volume by 1.5 percent as shown in Table 2.

- Imports of “Unwrought & semi-manufactured gold, diamonds, precious stones & metals” continued to decrease since 2013 (figure 3), dropping during the first half of 2014 by 24 percent (US\$ 161 million), along with a decline of 16 percent in terms of volume. Major import partners such as Switzerland and Egypt witnessed a significant decrease in their shares² driving total gold imports down, despite an increase in imports from other countries mainly Togo, India and Belgium who managed to increase their shares during the first half of 2014 (figure 2).

Figure 2: Top Gold Import Partners (January-June 2013/2014)

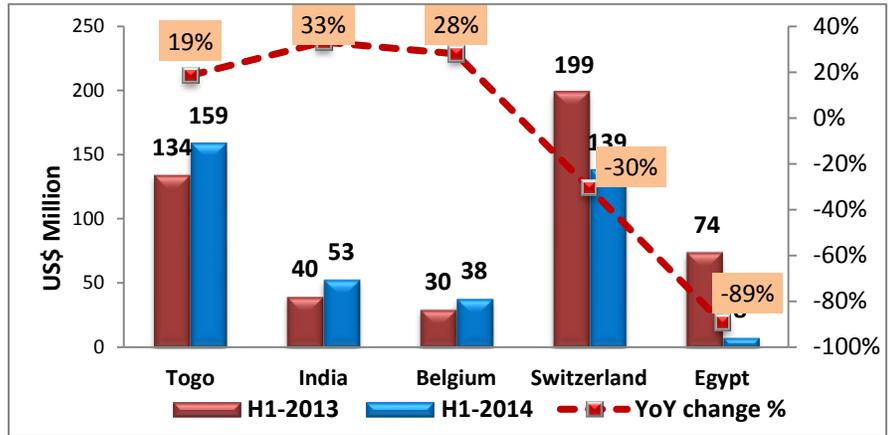
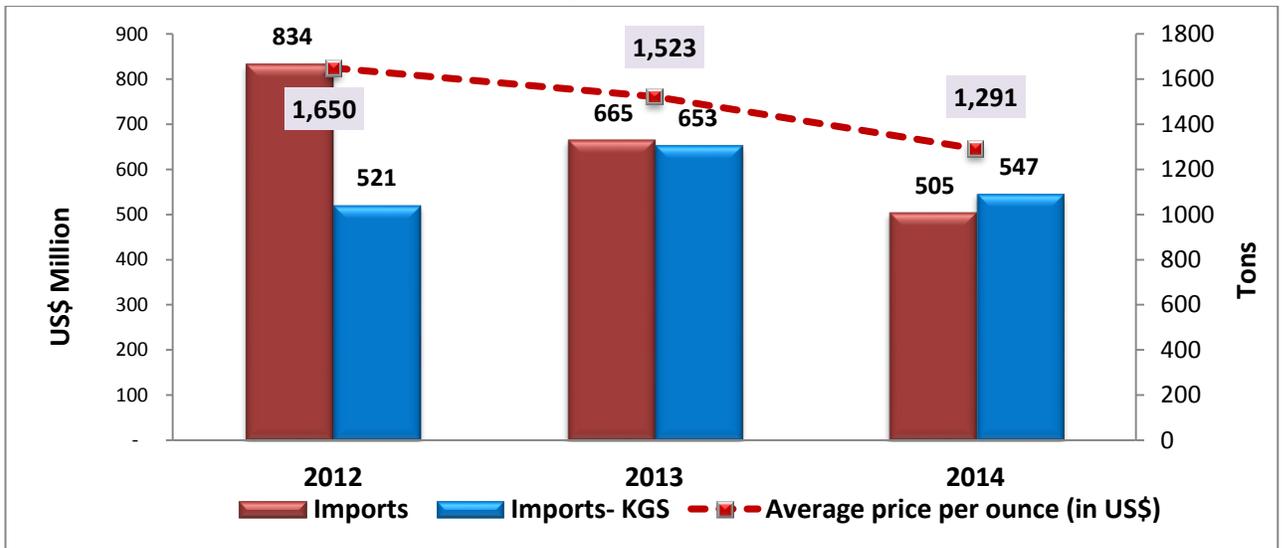


Figure 3: Natural stones statistics and average gold prices (January-June 2012-2014)



Source: Directorate General of Customs, Ministry of Finance

- Excluding “Mineral fuel and oil” and “Unwrought gold, un-mounted diamond & precious stones”, imports slightly decreased by 0.3 percent (US\$ 24 million) during the first half 2014 compared to the same period of 2013.

² By 30 percent (US\$ 61 million) and 89 percent (US\$ 66 million) respectively.

In details, the main decreases were mainly witnessed in:

1. “Electrical machinery and equipment”, which dropped significantly by 25 percent (US\$ 166 million). This decrease is rooted in lower imports from Turkey by 97 (US\$ 219 million) - mainly due to the importation of equipment related to the Turkish electricity production barges during 2013 - and from the United kingdom by 41 percent (US\$ 18 million), in spite of an increase in imports from China and Germany which witnessed a significant improvement during the first half of 2014 (figure 4). A detailed breakdown in terms of sub-categories shows that the number of generators declined by 17 percent (4,809 pcs) (Table 3) along with a higher decrease in value terms by 76 percent (US\$ 205 million).

Figure 4: Top Electricals Import Partners (Jan-June 2013/2014)

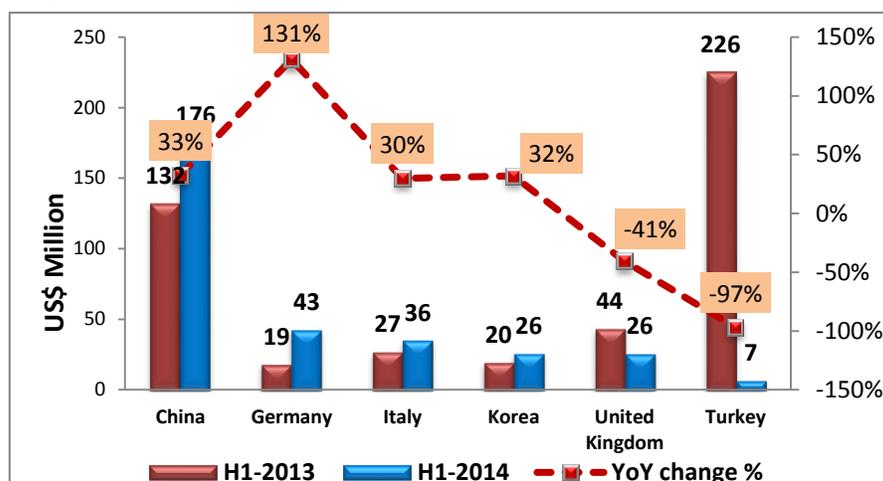


Table 3 : Number of Imported generators (pcs)

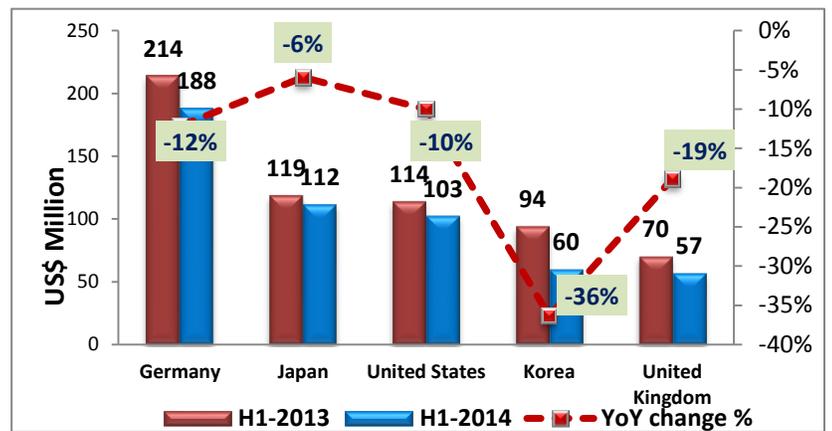
| | 2010 Jan-June | 2011 Jan-June | 2012 Jan-June | 2013 Jan-June | 2014 Jan-June | Change 14/13 | % change 14/13 |
|--|------------------|------------------|------------------|------------------|------------------|-----------------|----------------------|
| Of an output not exceeding 5kVA (Small) | 7,989 | 6,239 | 24,690 | 16,342 | 15,207 | -1,135 | -7% |
| Other of an output less than 75 kVA (Medium) | 5,893 | 9,096 | 11,048 | 9,776 | 6,677 | -3,099 | -32% |
| Of an output exceeding 75 kVA but not exceeding 375 kVA (Medium) | 1,393 | 1,481 | 1,698 | 1,582 | 874 | -708 | -45% |
| Of an output exceeding 375kVA (Large) | 274 | 207 | 395 | 185 | 181 | -4 | -2% |
| Wind Powered | 15 | 26 | 11 | 51 | 205 | 154 | 302% |
| Other | 79 | 153 | 272 | 254 | 237 | -17 | -7% |
| Total | 15,643 | 17,202 | 38,114 | 28,190 | 23,381 | -4,809 | -17% |

Source: Directorate General of Customs, Ministry of Finance

2. “Vehicles and accessories, cranes &

Lorries” also dropped by 9 percent (US\$ 65 million). In fact, the main decrease was registered in imports of “Motor cars and other motor vehicles” which retracted by 11 percent (US\$ 62 million) during the first half of 2014 compared to the same period of 2013. It is worth mentioning that imports from all top five partners witnessed a decrease as shown in figure 5, the highest drop was registered in imports from Korea with 36 percent (US\$ 34 million).

Figure 5: Top Vehicles Import Partners (January-June 2013/2014)

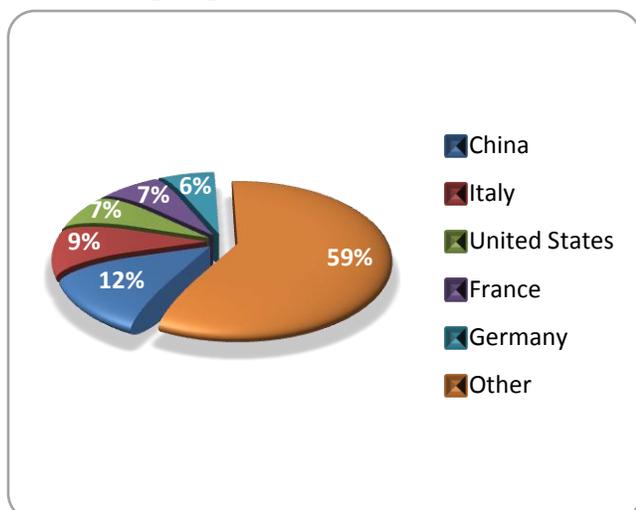


3. “Aircraft engines, Boilers, machinery and mechanical appliances” registered a drop of 5 percent (US\$ 36 million), due to lower import from United Kingdom by 64 percent (US\$ 33 million); these imports are mainly specialized accessories parts for aircrafts and maintenance parts.

- The impact of these decreases has more than offset the increase in imports of “Iron and Steel”, “Dairy produce; birds' egg” and “Pharmaceutical products” by 19 percent (US\$ 75 million)³, 19 percent (US\$ 33 million) and 5 percent (US\$ 26 million) respectively. This variation in value is interpreted in respective rises of 29 percent, 7 percent and 9 percent in terms of volume.
- As for the **breakdown of Lebanese imports by country of origin** during the first half of 2014, China remained Lebanon’s top import trading partner with a share of 12 percent of total imports, noting that 23 percent of imports from this country are “Iron and steel”. Italy and the United States followed with respective shares of 9 and 7 percent of total imports.

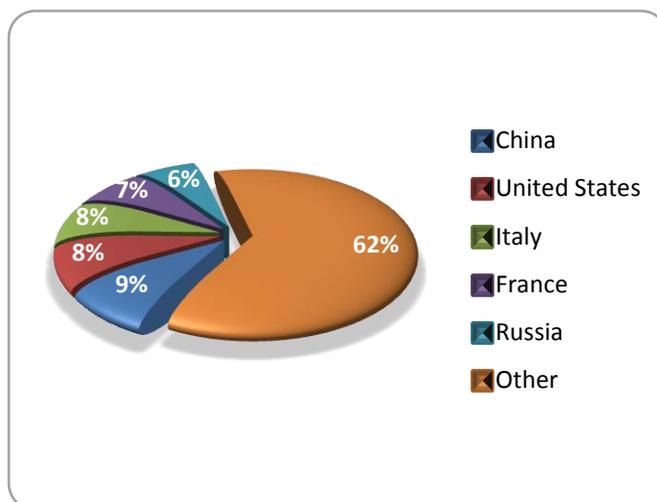
³ This increase is attributed to higher imports from China by 316 percent (US\$ 221 million) despite the contraction of imports from Ukraine and Turkey by 49 percent (US\$ 69 million) and 47 percent (US\$ 32 million) respectively.

Figure 6: Top Import Partners (Jan-June 2014)



Source: Directorate General of Customs, Ministry of Finance

Figure 7: Top Import Partners (Jan-June 2013)



Source: Directorate General of Customs, Ministry of Finance

Total **exports** reached US\$ 1,658 million during the first half of 2014, reflecting a significant decrease of 28.4 percent when compared to the same period of 2013, along with a decline of 39 percent in terms of volume.

- Exports of "**Unwrought gold, un-mounted diamond & precious stones**" kept decreasing since the beginning of 2013, registering a year-on-year drop of 44 percent (US\$ 235 million)⁴ in terms of value during the first half of 2014, compared to a decrease of 33 percent in terms of volume.

Box # 2

The decrease in Gold exports can be explained by the strong competitiveness of gem and jewelry industry in India. In fact, India seizes over 18% of world's exports and accounts for about 20% of world consumption according to IMF Data, its strength lies in the 2 million highly skilled workforces in the country in the gem & jewelry sector, out of which 1 million are exclusively engaged in export production, with major destination as follows: Europe (Switzerland), South Africa and Middle East (Dubai).

- Exports of "**Mineral fuel and oil**" continued to register a significant decrease during the first half of 2014, dropping by 95 percent both in terms of value and volume⁵ during the aforementioned period compared to the same period of 2013.
- Excluding "**Unwrought gold, un-mounted diamond & precious stones**" and "**Mineral fuel and oil**", exports decreased by 9 percent (US\$ 135 million). The most notable decreases were registered in exports of "**Copper and Articles**", "**Electrical machinery and equipment**" and "**Iron and Steel**" which declined by 58 percent (US\$ 68 million)⁶, 31 percent (US\$ 47 million)⁷ and 40 percent (US\$ 38 million)⁸ respectively.

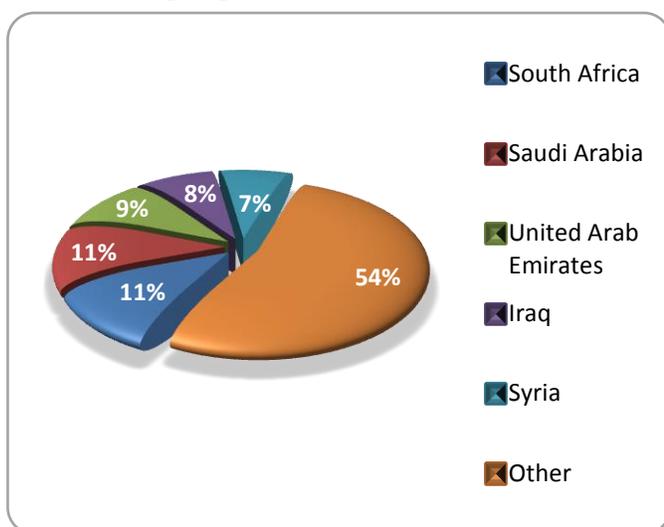
⁴ This decrease is mainly attributed to lower exports to South Africa and Switzerland by 38 percent (US\$ 113 million) and 70 percent (US\$ 85 million) respectively.

⁵ This y-o-y drop in exports of fuel is mostly due to the decrease in exports to Syria by 98 percent (US\$ 288 million).

⁶ Driven by respective decreases of 68 percent (US\$ 35 million) and 74 percent (US\$ 11 million) in exports to Korea and Greece.

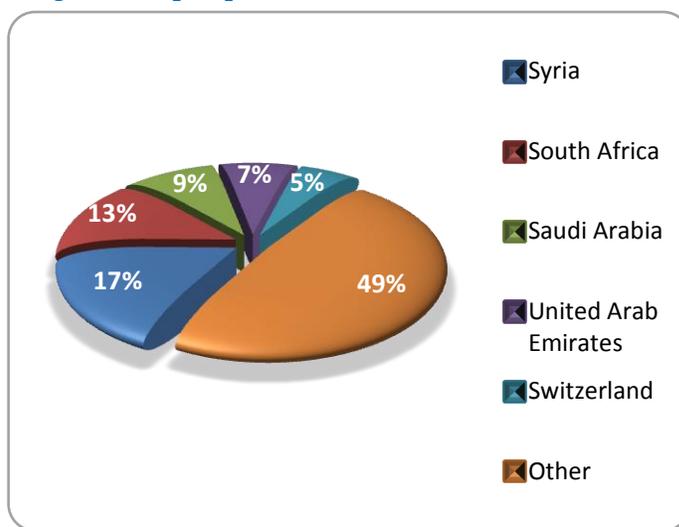
- These decreases were partly counterbalanced by higher exports of “**Printed books and newspapers**” by 57 percent (US\$ 23 million)⁹.
- **From a regional perspective**, exports to Arab countries are witnessing a regression since the beginning of 2014 with a year-on-year decline of 28 percent (US\$ 320 million) registered in the first half of 2014. This decrease is mostly attributed to lower exports to Syria by 70 percent (US\$ 272 million)¹⁰.
- Lastly, the **breakdown of Lebanese exports by major destination** shows that South Africa¹¹ was at the top of the list during the first half of 2014 with a share of 11 percent of total exports - noting that almost all exports to this country are “unwrought gold, un-mounted diamond & precious stones”- followed by other regional countries mainly Saudi Arabia and the United Arab Emirates with respective shares of 11 percent and 9 percent.

Figure 8: Top Export Partners (Jan-June 2014)



Source: Directorate General of Customs, Ministry of Finance

Figure 9: Top Export Partners (Jan-June 2013)



Source: Directorate General of Customs, Ministry of Finance

⁷ Driven by a drop in exports to Saudi Arabia and Iraq by 57 percent (US\$ 21 million) and 57 percent (US\$ 19 million) respectively.

⁸ Mainly due to a drop in exports to Turkey by 39 percent (US\$ 32 million).

⁹ Mainly due to a rise in exports to Saudi Arabia by US\$ 14 million.

¹⁰ Mainly due to lower exports of fuel as stated in the footnote 5 above.

¹¹ In spite of the y-o-y drop witnessed in exports to this country by 38 percent (US\$ 113 million) during January-June 2014 due to a fall in gold exports.

Table 4: Trade activity by value

| (US\$ millions) | 2013 | 2014 | % Change | 2010 | 2011 | 2012 | 2013 | 2014 | % Change |
|--|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|--------------------|
| | June | June | June 2014/2013 | Jan-June | Jan-June | Jan-June | Jan-June | Jan-June | Jan-June 2014/2013 |
| Imports | 1,636 | 1,567 | -4% | 8,580 | 9,228 | 10,882 | 10,796 | 10,280 | -4.78% |
| <i>of which mineral fuel & oil</i> | 377 | 288 | -24% | 1,573 | 1,698 | 3,213 | 2,657 | 2,326 | -12% |
| <i>-EDL registered fuel imports</i> | 50 | 0 | -100% | 380 | 324 | 1,292 | 504 | 529 | 5% |
| <i>-Non EDL fuel imports</i> | 327 | 288 | -12% | 1,193 | 1,374 | 1,921 | 2,152 | 1,797 | -17% |
| <i>of which Unwrought & semi-manufactured gold, diamonds, precious stones & metals</i> | 64 | 69 | 7% | 547 | 836 | 834 | 665 | 505 | -24% |
| Exports | 348 | 278 | -20% | 2,113 | 2,117 | 2,172 | 2,315 | 1,658 | -28.3% |
| <i>of which Unwrought gold, un-mounted diamond, & precious metals</i> | 55 | 43 | -22% | 614 | 697 | 854 | 537 | 303 | -44% |
| <i>of which mineral fuel & oil</i> | 33 | 4 | -88% | 3 | 2 | 5 | 303 | 16 | -95% |
| Trade Balance | -1,288 | -1,289 | 0% | -6,467 | -7,111 | -8,709 | -8,481 | -8,622 | 2% |

Source: Directorate General of Customs, Ministry of Finance

Table 5: Trade activity by volume

| (millions of Kgs) | 2013 | 2014 | % Change | 2010 | 2011 | 2012 | 2013 | 2014 | % Change |
|--|--------------|--------------|----------------|---------------|---------------|---------------|---------------|---------------|--------------------|
| | June | June | June 2014/2013 | Jan-June | Jan-June | Jan-June | Jan-June | Jan-June | Jan-June 2014/2013 |
| Imports | 1,220 | 1,144 | -6% | 7,060 | 6,627 | 8,087 | 7,441 | 7,533 | 1% |
| <i>of which mineral and fuel oil</i> | 443 | 288 | -35% | 2,576 | 2,237 | 3,594 | 2,878 | 2,629 | -9% |
| <i>-EDL registered fuel imports</i> | 52 | 0 | -100% | 672 | 545 | 1,505 | 507 | 560 | 10% |
| <i>-Non EDL fuel imports</i> | 391 | 288 | -26% | 1,904 | 1,692 | 2,089 | 2,371 | 2,069 | -13% |
| <i>of which Unwrought & semi-manufactured gold, diamonds, precious stones & metals (Kgs)</i> | 108,692 | 125,806 | 16% | 478,137 | 530,346 | 521,122 | 653,380 | 546,520 | -16% |
| Exports | 278 | 210 | -25% | 1,470 | 1,497 | 1,151 | 1,565 | 955 | -39% |
| <i>of which Unwrought & semi-manufactured gold, diamonds, precious stones & metals (Kgs)</i> | 4,434 | 6,792 | 53% | 53,206 | 76,796 | 75,309 | 38,544 | 25,750 | -33% |
| <i>of which mineral and fuel oil</i> | 33 | 5 | -85% | 3 | 1 | 4 | 299 | 15 | -95% |
| Trade Balance | -942 | -935 | -1% | -5,590 | -5,130 | -6,936 | -5,875 | -6,578 | 12% |

Source: Directorate General of Customs, Ministry of Finance

✚ The distribution of the top traded products is as follows:

| Table 6: IMPORT Distribution by Product (in US\$ million) | | | | | | | |
|---|--|----------------------|-------------|----------------------|-------------|-----------------|-------------|
| Rank | Product | Jan- June 2013 | % Share | Jan- June 2014 | % Share | Value Change | % Change |
| 1 | Mineral fuels and oils | 2,657 | 25% | 2,326 | 23% | -331 | -12% |
| 2 | Vehicles and accessories, cranes & lorries | 764 | 7% | 699 | 7% | -65 | -9% |
| 3 | Aircraft engines, Boilers, machinery and mechanical appliances | 677 | 6% | 640 | 6% | -36 | -5% |
| 4 | Pharmaceutical products | 562 | 5% | 588 | 6% | 26 | 5% |
| 5 | Unwrought & semi-manufactured gold, diamonds, precious stones & metals | 665 | 6% | 505 | 5% | -161 | -24% |
| 6 | Electrical machinery and equipment | 660 | 6% | 494 | 5% | -166 | -25% |
| 7 | Iron and Steel | 383 | 4% | 458 | 4% | 75 | 19% |
| 8 | Plastics and articles thereof | 345 | 3% | 344 | 3% | -1 | -0.2% |
| 9 | Articles of apparel and clothing | 232 | 2% | 229 | 2% | -3 | -1% |
| 10 | Dairy products | 176 | 2% | 209 | 2% | 33 | 19% |
| | Other | 3,674 | 34% | 3,788 | 37% | 114 | 3% |
| | Total | 10,796 | 100% | 10,280 | 100% | -516 | -5% |

Source: MOF, DGC

| Table 7: EXPORT Distribution by Product (in US\$ million) | | | | | | | |
|---|--|----------------------|-------------|----------------------|-------------|-----------------|-------------|
| Rank | Product | Jan- June 2013 | % Share | Jan- June 2014 | % Share | Value Change | % Change |
| 1 | Unwrought & semi-manufactured gold, diamonds, precious stones & metals | 537 | 23% | 303 | 18% | -235 | -44% |
| 2 | Aircraft engines, Boilers, machinery and mechanical appliances | 114 | 5% | 122 | 7% | 8 | 7% |
| 3 | Electrical machinery and equipment | 151 | 7% | 104 | 6% | -47 | -31% |
| 4 | Plastic and articles thereof | 68 | 3% | 68 | 4% | 0 | 0% |
| 5 | Preparations of vegetables | 59 | 3% | 67 | 4% | 9 | 15% |
| 6 | Printed book, newspapers | 40 | 2% | 62 | 4% | 23 | 57% |
| 7 | Essential oils and resino | 50 | 2% | 58 | 3% | 8 | 15% |
| 8 | Iron and Steel | 95 | 4% | 57 | 3% | -38 | -40% |
| 9 | Beverages, spirits and vinegar | 45 | 2% | 50 | 3% | 5 | 11% |
| 10 | Processed and Refined Copper | 118 | 5% | 50 | 3% | -68 | -58% |
| | Other | 1,038 | 45% | 716 | 43% | -322 | -31% |
| | Total | 2,315 | 100% | 1,658 | 100% | -657 | -28% |

Source: MOF, DGC



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