

# KEEPING LEBANON AFLOAT



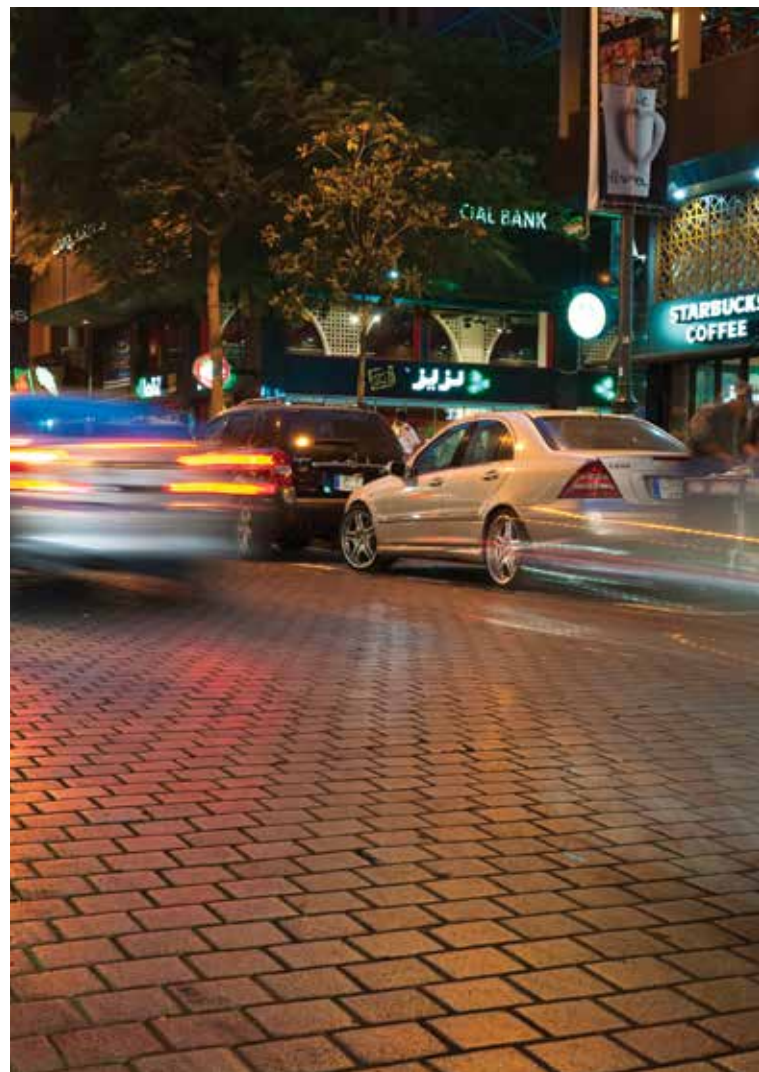
Zaitunay Bay



Lebanon's hospitality industry awaits a sunny spell. Nagi Morkos, managing partner of Hodema consulting services explains

As expected, 2014 was not a good year for Lebanon's economy. With, according to the World Bank, a growth rate down to 1.5 percent and a growing treasury deficit, the country has been struggling to keep itself afloat. 2015 does not bode well either. The snowball effect of the Syrian conflict on Lebanese politics, economy and society keeps on feeding a feeling of uncertainty and anxiety, the plague of a well-needed economic recovery. The internal political stalemate, with the parliamentary crisis and the failure to elect a new president have also dampened the mood. All these factors have impacted the construction and tourism sectors, which are the main driving forces of the country's economy.

Tourism has been equally impacted by the unrest although the summer of 2014 saw a lull in the number of incoming tourists, with an increase of 25 percent compared to 2013, according to the Ministry of Tourism. The country launched a large campaign entitled "Live, Love Lebanon" promoting the country's numerous touristic sites and activities to attract



Hamra, Beirut





Downtown Beirut

more tourists. Although largely relayed by the media, its impact was rather modest due to the prevailing unstable security. Visitors from Arab states staged a relative comeback, with most travel ban advisories lifted by the Gulf countries. Iraqi travelers were particularly numerous, with nearly 32,000 arrivals for the first quarter of 2014 only. They accounted for 39 percent of Arab visitors. But this flow of incoming travelers did not really profit the hospitality industry: hotel profitability kept on decreasing as they were forced to cut down on their prices to attract clients. The end of year season brought some good news though, with the occupancy rate reaching between 80 to 100 percent, according to the Ministry of Tourism; a temporary bright interval, as most clients were expatriates visiting their families during the holidays. The Ministry under the initiative of Minister Michel Pharaon is looking to attract more visitors during low seasons, repeatedly calling for the decrease of airfares.

Restaurants and cafes have not been spared by the turmoil. Although the Lebanese are inveterate party revelers, the climate of insecurity mixed with a decreasing purchasing power have forced some into staying at home. According to Hodema's inventory of restaurants, cafes and bars in Beirut, the steady decline the industry has witnessed in the last years

is becoming anaemic, decreasing from seven percent in 2013 to 2.5 percent in 2014. Food and beverage (F&B) owners face many challenges behind the counter, among which are booming rents and incoming waves of low-wage Syrian workers desperate to find some work. This both affects the job market for locals and lowers the standards of skills required for certain positions. The food scandal that hit the country in November 2014 has also left a bitter taste: many establishments failed to respect safety standards, as exposed by the Health Ministry, which was another heavy blow to the sector. In this difficult context, the investors still willing to take their chances in the F&B sector are bigger groups; as for the small players; they look for modestly sized venues located in affordable areas.

But Lebanon is known for its remarkable resilience. The World Travel & Tourism Council expects the Lebanese tourism industry's direct contribution to the GDP to reach 8.7 percent by 2024, from 6.9 percent in 2013. It also forecasts growth in terms of contribution to employment, visitor exports and domestic spending.

Although under strain at the moment, will the country's tourism and hospitality industries pick up soon?

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