

HINTERLAND CONNECTION

Growth potential in Port of Beirut hinterland

The main hinterland for the Port of Beirut is the greater urban area of Beirut and the Mount Lebanon District in Lebanon, followed by Syria and to a limited extent Iraq and Jordan.

Lebanon

Lebanon is a small country with an area of 10,452 km² with a coastline of 225 km and borders to Syria and Israel. The country's role in the region was shaped by trade. Lebanon is named „the Pearl of the Middle East.“ It serves as a link between the Mediterranean world and India and East Asia. The merchants of the region exported oil, grain, textiles, metal work, and pottery through the port cities to Western markets.

The Lebanese economy has fallen into a recessionary trap in the first half of 2020, with the real economy caught in a depression characterized by a significant contraction in real output amid the Corona Pandemic effects and the State's default on its foreign debt. Real GDP is forecast to decrease by 19.2 percent in 2020 and a further decrease of 13.2 percent in 2021. Lebanon is experiencing a substantial contraction in economic activity.

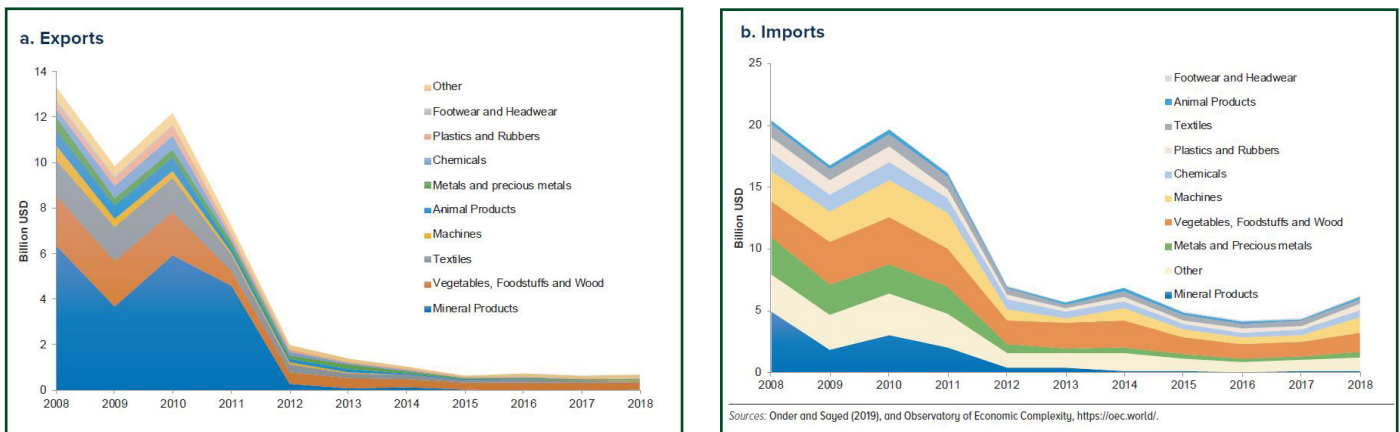
A contraction of the Lebanese GDP per capita in a real terms and two-digit inflation in 2020 will undoubtedly result in a substantial increase in poverty rates affecting all groups of population in Lebanon through different channels such as loss of productive employment, decline in real purchasing power, stalled international remittances and so forth (World Bank, 2020).

This means that the growth perspectives are negative and a net contraction in imports by 50.4 percent alongside a 7.3 percent decrease in exports can be expected. Which then will lead to a reduction in the country's trade deficit, a positive effect. In the latest World Economic Outlook (IMF, October 2020) projections for Lebanon, no projections have been made for 2021 and 2022 due to the large uncertainty of the further development.

Syria

Syria has experienced a reduction of economic development during the war between 2011-2018. Over that period, GDP has declined by two thirds compared to the pre-conflict level and Syrian trade has declined dramatically, as shown below.

Figure 16: Dynamics of Syrian Trade 2008-2018, US\$, billion [2009-2019; USD bn]



Source: World Bank



In a scenario simulation study by the World Bank, the potential effects of a more stable post-conflict Syria have been studied and simulated. The post-conflict outlook for the growth drivers in turn, depend on the political settlement outcome which directly affects the availability of reconstruction funds and the voluntary mobility of refugees.

Voluntary mobility would not only be preferable on humanitarian grounds but also on economic terms. The political settlement scenario will also significantly affect human capital growth and productivity growth. Focusing on the voluntary mobility case, under our moderate scenario of partial political settlement with strong guarantees for micro-security and property rights, the average GDP growth and GDP per capita growth are estimated to 8.4 percent and 6.1 percent respectively over a 10- to 20-year time period. A precondition is an assumption that a final and stable resolution of the conflict has been achieved (World Bank, 2019).

The results of this study are interesting and show a possible growth perspective under the assumption that peace will prevail, which would also have a positive effect on Lebanon and the perspectives for Port of Beirut and Tripoli.

Iraq

Iraq is in a fragile situation. The drop in oil prices and COVID-19 pandemic are placing unprecedented strains on its economy. Faced with this multifaceted crisis, growth is expected to contract by 9.5 percent in 2020, Iraq's worst annual performance since 2003. Oil-GDP is expected to contract by 12 percent (capped by the OPEC+ agreement) while non-oil-GDP is expected to contract by five percent with sectors like religious tourism affected by COVID-19 measures. Subdued domestic demand and the deprecia-

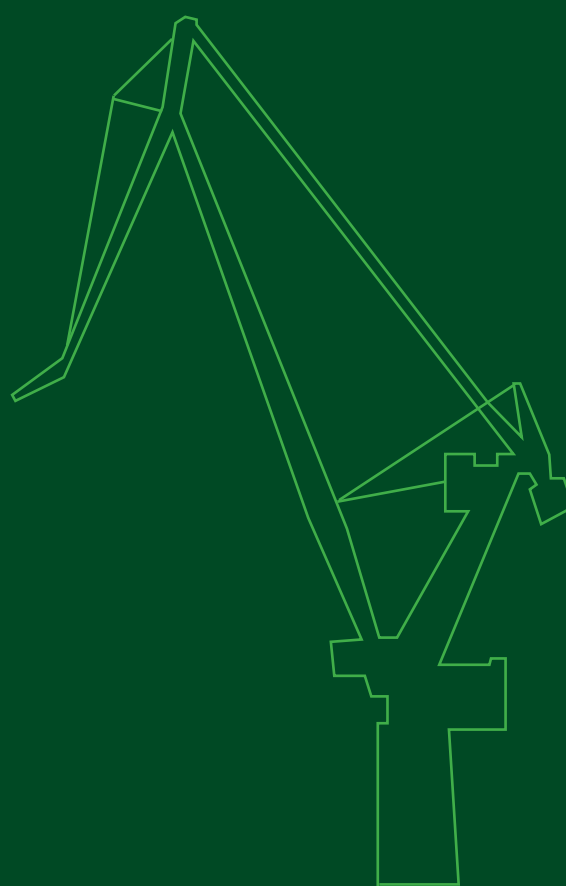
tion of the currencies of Iraq's main trading partners have kept inflation in check at less than one percent in 2020.

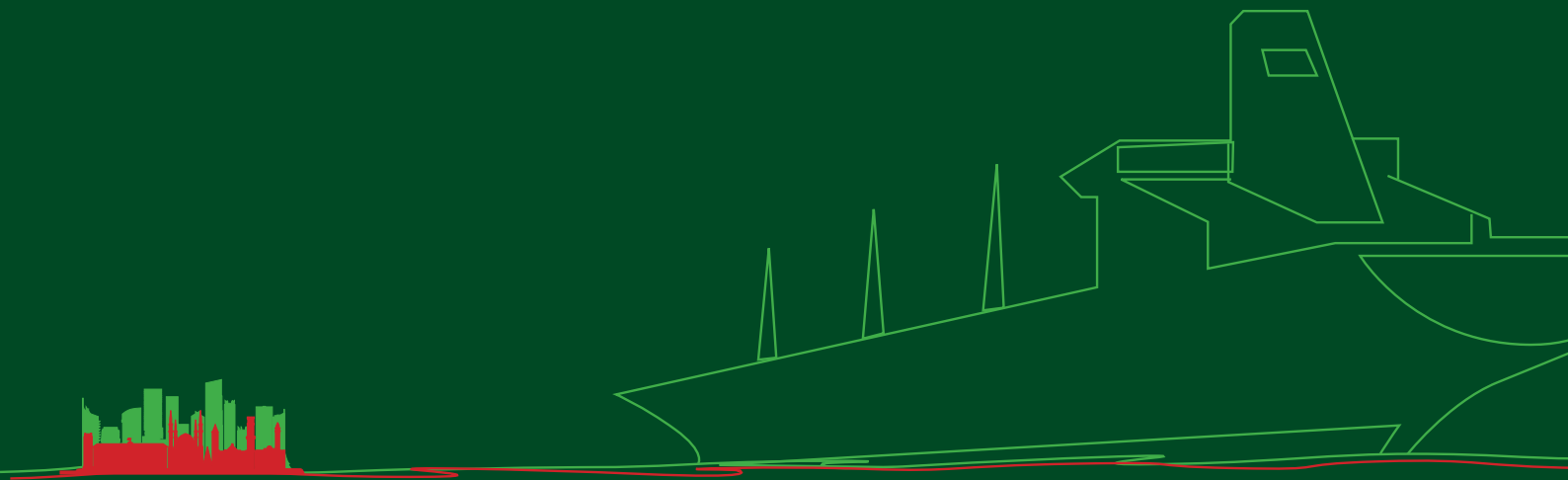
The outlook for Iraq will depend on global oil markets, the capacity of the Iraqi healthcare system to respond to COVID-19, and its economic reform process. If conditions ease, growth is projected to gradually return to 2 to 7.3 percent in 2021–2022, with the non-oil economy projected to bounce back to an average of 4 percent (World Bank, 2020).

Jordan

Jordan's economic growth slowed to 1.3% in the first quarter of 2020, reflecting only partially the impact of COVID-19 pandemic. Timid growth during the quarter resulted from an improvement in net exports and the marginal contribution of government consumption, while overall economic activity remained constrained by weak private demand and muted government investments.

Looking ahead, the pandemic will have as disruptive an impact on the Jordanian economy and its prospects as it is having on Jordan's trading partners and the MENA region as a whole; its gradual recovery over the medium-term could capitalize on lower oil prices and a steady momentum for reform to increase efficiency and boost productivity. For 2020 IMF WEO is estimating the GDP growth to be negative with -5 percent followed by an increase in 2021 by 3.4 percent.





Contact

HPC Hamburg Port Consulting GmbH
Am Ballinkai 1
21129 Hamburg | Germany
Phone: +49 (0)40 74008 168
Email: team_mea@hpc-hamburg.de
www.hpc-hamburg.de

Colliers International Deutschland GmbH
Budapester Straße 50
10787 Berlin | Germany
Phone: +49 (0)170 2112388
Email: hermann.schnell@colliers.com
www.colliers.de

Fraunhofer IMW
Neumarkt 9 – 19
04109 Leipzig | Germany
Phone: +49 (0) 341 231039 - 0
Email: info@imw.fraunhofer.de
www.imw.fraunhofer.de