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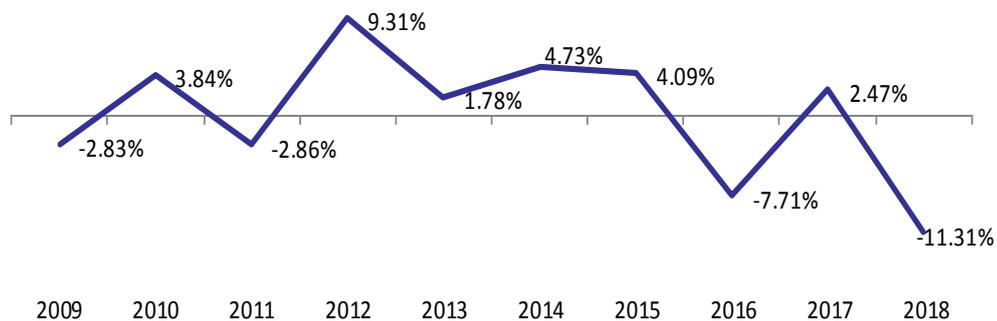
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Evolution of New Passenger Car Registration

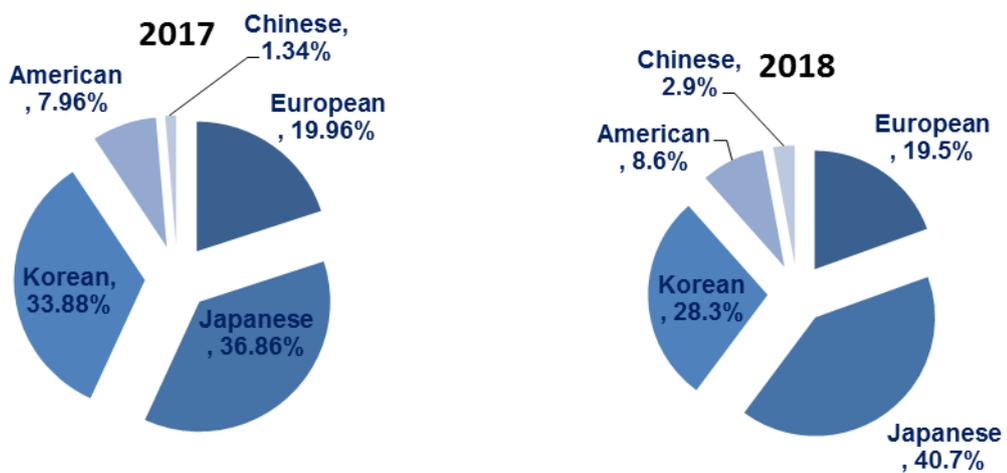


A stagnating economy, tighter car loan regulations, and an increase in oil prices contributed to a huge slump in the Lebanese cars' market. Despite recording a slight increase in commercial and passenger car sales in 2017, the car market couldn't sustain such pressures. According to the AIA, total number of commercial and passenger cars recorded a double digit drop of 11.5% in 2018. In details, passenger cars fell by 11.3% to 33,012 and commercial cars by 13.49% to 2,289.

The year was characterized by constant disappointments on the economic and political front, impeding the way for an improving car sector. In fact, an 8-month struggle in forming a cabinet coupled with a minor 1% real GDP growth weighed down on the economy. As a result, investors' confidence was eroded and capital inflows dried up, leading to an increase in interest rates to attract fresh deposits. This resulted in a mere 1% real GDP growth. However, such a large increase in deposits' interest rates is

usually accompanied by an increase in rates on loans. To make the situation even harder for car importers, interest rates on car loans increased from 4.7% to 6.5% on new car loans and from 6.75% to 7.5% on used cars. However, to defy the huge backdrop in car sales due to the tighter regulations, car importers began offering attractive interest rate packages on new cars, bearing the cost of the remaining interest rate differential. Subsidized loans on new cars were offered at an advantageous range of 0% to 2%, especially by some high end car importers.

Market Share per Manufacturing Country



Despite the subsidized car loans, the Japanese and Korean cars occupied the first and second place. However, Korean cars lost market share going from 33.88% in 2017 to 28.8% in 2018, after recording a 25% yearly drop in car sales during the year.

Japanese cars were the top brand in Lebanon, grasping a share of 40.7% of total new registered passenger cars, followed by Korean and European cars with respective shares of 28.3% and 19.5%. American cars accounted for 8.9%, while Chinese cars acquired a stake of 2.9%.

Toyota and Nissan were the best-selling among the Japanese cars. The number of Japanese cars witnessed the slightest drop when compared to others, with an annual fall of 2% to reach 13,429 cars in 2018. Toyota cars grasped the lions share among Japanese cars with 4,155 cars registered compared to 4,269 cars in 2017. Nissan followed, yet with an increase in passenger car sales of 16%, reaching 3,995 cars in 2018, compared to 3,426 cars in 2017. Other Japanese car brands fell far behind in terms of market share, such as Suzuki which grasped a share of 11.5% of Japanese cars. Suzuki car registrations fell from 1,954 in 2017 to 1,540 in 2018. Worth mentioning,

Honda registrations surged from 493 in 2017 to 911 in 2018, mainly as a result of the company issuing new sleek models at affordable prices.

As for the Korean cars, Kia remained on being the first not only among this section but also amongst all other car brands. Nonetheless, the number of Kia cars was slashed from 7,610 in 2017 to 5,012 in 2018. Hyundai also followed the downward trend, yet at a lower pace falling from 4,962 cars in 2017 to 4,319 in 2018. Hence, both NATCO and Century motor car importers saw their market share fall from 20.44% and 13.33% to 15.18% and 13.08%, respectively.

The number of European cars also registered a fall during the year, dropping from 7,431 cars in 2017 to 6,425 cars in 2018. The top selling car was Renault with 1,349 registrations. Mercedes came in second with 839 registrations in 2018, compared to 983 in 2017. Nonetheless, given the financial incentives and radical marketing measuring, new Land Rover sales grew from 462 cars in 2017 to 662 cars in 2018.

American cars gained momentum this year in terms of an increasing market share; nonetheless, total sales fell by a yearly 4.18% to reach 2,839 cars. Chevrolet and GMC cars represented the largest shares of American car registrations. In details, Chevrolet and GMC registrations fell from 1,870 and 420 in 2017 to 1,676 and 371, respectively.

Market Share per Car Importer

	2010	2011	2012	2013	2014	2015	2016	2017	2018
NATCO	17.98%	24.06%	25.15%	24.27%	20.80%	18.07%	18.22%	19.12%	14.25%
Century Motor Co	11.95%	15.89%	17.65%	18.31%	18.13%	14.60%	13.93%	12.71%	12.52%
Rymco	17.64%	18.56%	16.60%	14.18%	13.25%	11.54%	12.38%	14.16%	15.52%
Bassoul Heneine	7.88%	7.34%	8.35%	6.91%	7.41%	9.32%	9.31%	7.97%	6.70%
BUMC	10.40%	5.13%	5.88%	6.90%	13.08%	16.08%	13.30%	11.88%	12.89%

Source: AIA

In spite of an aggressive promotional and advertising campaign, 2018 marked a slowdown in the car sector. According to the AIA, “this situation is due to the dramatic economic, political and safety situation prevailing in the country and it is not in relation with the huge efforts undertaken by the car importers to maintain their companies.” Moreover, given the low purchasing power, 90% of the registered cars are small cars with low selling prices (less than \$15,000). Hence, with the harsh economic environment, an improvement in new cars’ sales is only possible with better credit incentives.

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