



According to the Association of Car Importers in Lebanon, the downward trend in new car registrations extended to the first half of 2015 (H1 2015). The total number of new registered cars totaled 19,171 in H1 2015, down by 2% from 19,555 registered in the same period of 2014. The downturn was seen in both the number of new passenger and commercial vehicles which dropped by a yearly 2% and 4% to reach 18,047 and 1,124, respectively.

September 19th, 2014

Contact Information

Research Assistant: Riwa Daou
riwa.daou@blominvestbank.com

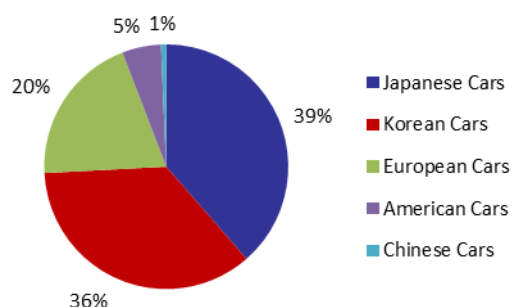
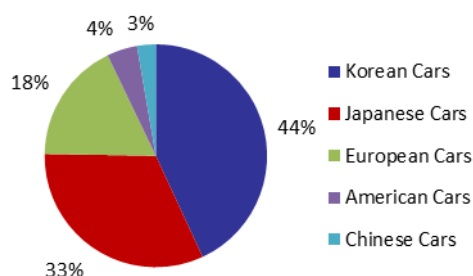
Head of Research: Marwan Mikhael
marwan.mikhael@blominvestbank.com

Research Department
Tel: +961 1 991 784

The slump is still tightly linked to the poor overall economic backdrop and the recent restriction on retail loans. The slower economic growth, has weighed on consumers' purchasing power and durable goods demand. More pressure has been added on the car purchaser since a tighter lid was imposed on all retail loan conditions, more particularly compelling a 25% down payment on car loans. Already back in 2014, consumers were adapting their choices to a smaller budget and choosing small cars with price tags below \$15,000. Therefore more strain has now been added on the consumers with small budgets.

Registration of New Passenger Cars by Country of Origin H1 2014

Registration of New Passenger Cars by Country of Origin H1 2015

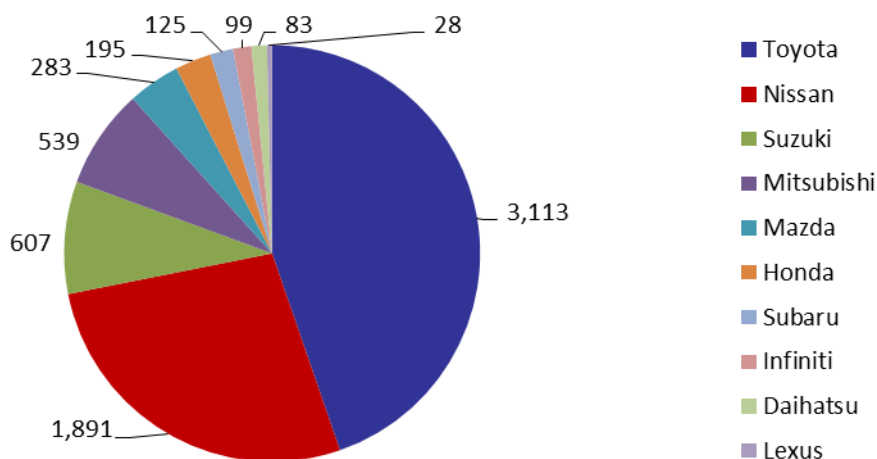


Source: Association of Car Importers in Lebanon

Japanese Cars Snatched Number one From Korean Cars

The price factor is the motor behind car purchase decisions and this is why the exchange rate is determining which car nationality is the Lebanese's top favorite. The average value of the yen against the dollar depreciated by 17% from 102.47 in H1 2014 to 120.3 in H1 2015. This depreciation allowed for Japanese cars to record the biggest registration number of 6,963, increasing by 16.20% year-on-year.

New Registration of Passenger Japanese Cars by Brand in H1 2015



Source: Association of Car Importers in Lebanon

The highest number of new car registrations in the Japanese cars' category was recorded by **Toytas**. According to the Association of Car Importers in Lebanon, 3,113 new Toyotas were registered in H1 2015, up by a yearly 47.54%.

Higher Toyota registrations earned BUMC, the importer of these cars to Lebanon, a larger market share in H1 2015. After ranking fourth amongst Lebanese car importers in H1 2014 with a market share of 11.88%, BUMC climbed to the second spot on the car market with a 17.22% market share in H1 2015.

As for the registration of Nissan passenger cars, it was less pronounced in the first six months of 2015. The number of registered new Nissans dropped by 21.27% year-on-year to 1,891 in H1 2015. In fact, this affected Rymco's market share which dropped from 13.47% in H1 2014 to 11.20% in H1 2015. Meanwhile, the number of registered new Infiniti cars, also imported to Lebanon by Rymco, rose from 69 in H1 2014 to 99 in H1 2015.

Korean Cars Witnessed Lower Registrations in H1 2015

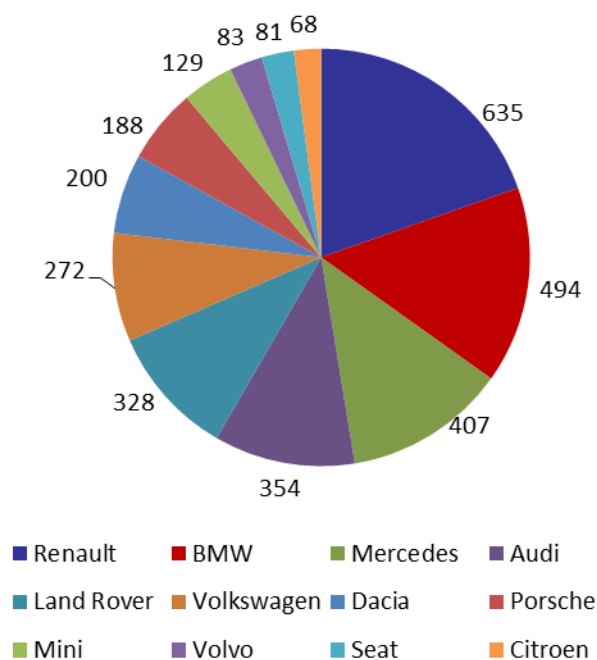
The registration of Korean cars recorded a double-digit decrease in the first six months of 2015. According to the AIA, 6,422 Korean cars were registered in H1 2015, down by 19.97% from 8,024 in the same period of 2014. In fact, due to the depreciation of the yen, the price of Japanese cars became closer to the price of Korean cars, which scaled Korean cars back to second position and propelled Japanese cars to first position on the market.

Kia remains the top Korean car in Lebanon, closely followed by Hyundai. However in H1 2015, the number of registered Kias in Lebanon dropped by a yearly 21.91% to 3,471 and the number of registered Hyundais fell by a yearly 17.73% to 2,942. Although with the launching of new Hyundai models later in the year, Hyundai sales are expected to pick up.

These drops were reflected in lower market shares for the distributors of these brands in Lebanon. Natco, Kia's distributor, which remained number one in Lebanon, saw its market share drop from 22.73% in H1 2014 to 18.11% in H1 2015. As for Century Motor Co, distributor of Hyundai in Lebanon, it saw its market share fall from 18.74% in H1 2014 to 15.68% in H1 2015.

European Cars Benefitted from the Weaker Euro

New Registration of Passenger European Cars by Brand in H1 2015



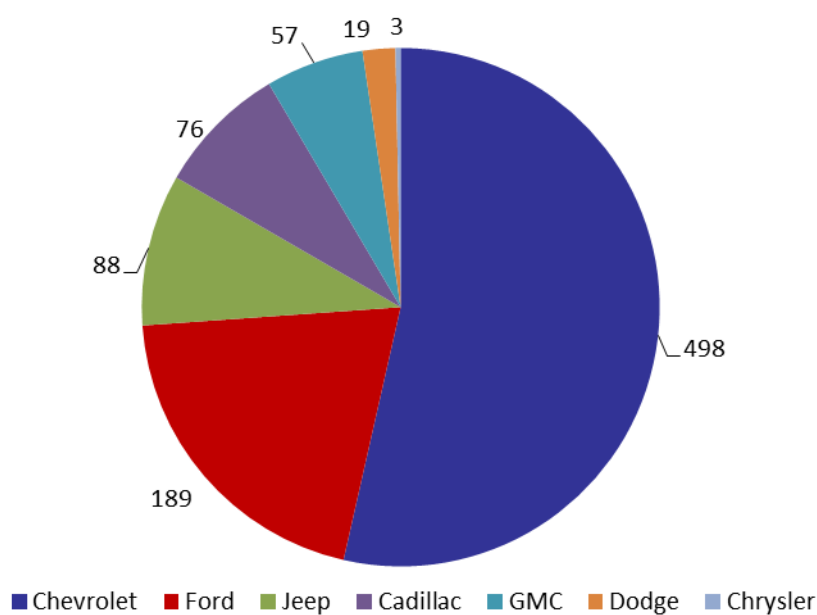
Like for Japanese cars, the exchange rate played a big role in the performance of European cars in Lebanon. The euro depreciated against the dollar from an average of 1.37 in H1 2014 to an average of 1.12 in H1 2015. This was then reflected in the 10.07% increase in the number of registered European cars to 3,607 in H1 2015.

Although the general trend on the market is steered towards small price-tag cars, the depreciation of the euro, which was transmitted to consumers through lower European car prices, boosted the registration of high-end European cars. The number of registered BMWs rose from 248 in H1 2014 to 494 in H1 2015, the number of registered Mercedes rose by 11.51% to 407, the number of registered Audis increased by 9.94% to 354, the number of registered Land Rovers grew by 13.49% to 328. Interestingly enough, the number of registered Porsche grew by a yearly 44.62% to 188 which points to the fact that the luxury segment of the market is going strong.

Renault registered the highest number of registrations in H1 2015 with 635 cars. When compared to H1 2014, the number of registered Renaults would have dropped by 0.47%. Volkswagen, Dacia and Citroen also registered downturns of 14.20%, 3.85% and 9.33% to 272, 200 and 68, respectively.

American Cars Had a Good Start for 2015

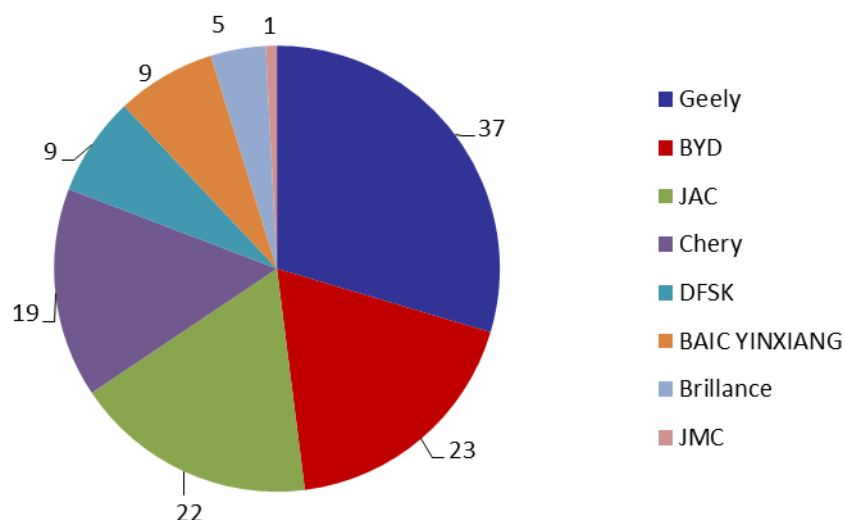
New Registration of Passenger American Cars by Brand in H1 2015



American cars also kick-started 2015 on a good-note with the total registrations rising by 12.73% year-on-year to 930. Chevrolet topped the list with 498 new registered cars up by a yearly 17.73% while Ford witnessed a minor 1.07% uptick to 189. GMC and Dodge recorded double-digit increases of 14% and 18.75% to 57 and 19, respectively. Meanwhile, Jeep and Chrysler recorded falls of 13.73% and 40% to 88 and 3, respectively.

Chinese Cars Still Failing to Gain Appeal on the Lebanese Market

New Registration of Passenger Chinese Cars by Brand in H1 2015



Source: Association of Car Importers in Lebanon

The registration of Chinese cars was already low in 2014 and it dropped further in 2015. According to the AIA, only 125 Chinese cars were registered in H1 2015 as compared to 270 in H1 2014. Downturns were registered across all Chinese brands. Notably, the registration of Geelys dropped by a yearly 66.67%, BYD by 67.14%, JAC by 38.89%, Chery by 34.48% and DFSK by 25%.

Overall, the trend towards new small cars has extended into the first half of 2015. The upturns that were registered by European and Japanese cars were made possible by favorable exchange rates while American cars benefitted from the distributors' marketing efforts and new competitive and affordable models.

The improvement in the registration of Japanese, European and American brands reflected in higher car imports registered at the Ministry of Finance. The value of car imports grew by 16% year-on-year to \$588.72M in H1 2015 and the volume of imported cars grew from 33,524 in H1 2014 to 37,259 in H1 2015. Accordingly, the excise tax collected on cars grew by 13% year-on-year to \$147.95M in H1 2015. With higher car imports came higher gasoline excise which increased by a yearly 21% to \$200.47M. It is worth mentioning that due to lower oil prices, the value of gasoline imports dropped by a yearly 31% to \$574.24M while the volume of gasoline imports grew by a yearly 9% to 1,206 mln liters in H1 2015.

The Ministry of Finance also collects VAT revenues (10%) on both gasoline imports and car imports. The VAT revenues collected on the value of gasoline imports declined from \$83.65M in H1 2014 to \$57.44M in H1 2015. As for VAT revenues collected on the value of car imports, they grew from \$50.61M in H1 2014 to \$58.86M in H1 2015.

Lebanese car importers had to make concessions and count on several services they offer in order to remain profitable. Car distributors are still counting on marketing efforts to boost their sales as well as special packages and deals with low interest rates, longer guarantee periods, easier installment and payment plans. Car distributors are therefore accepting lower profit margins and are pouring efforts into improving stock turnover, especially since the value of car stocks drops rapidly.

Lebanese Car Importers: Coping with the Consumers' Tighter Wallets

Car Importer	Brand	H1 2014	Car Importer	H1 2015
NATCO	Kia	22.73%	NATCO	18.11%
Century Motor Co	Hyundai	18.74%	BUMC	17.22%
Rymco	Nissan, GMC, Infiniti, Lotus, Renault Trucks, UD Trucks	13.47%	Century Motor Co	15.68%
BUMC	Toyota, Lexus	11.88%	Rymco	11.20%
Bassoul Heneine	Alfa Romeo, BMW, Dacia, Mini, Renault, Rolls Royce, Renault Commercial	7.17%	Bassoul Heneine	8.74%

Source: Association of Car Importers in Lebanon

For your Queries:

BLOMINVEST BANK s.a.l.

Research Department
Bab Idriss, Downtown Beirut

Riwa Daou, Research Assistant

+961 1 991 784

riwa.daou@blominvestbank.com

Marwan Mikhael, Head of Research

+961 1 991 782

marwan.mikhael@blominvestbank.com

Disclaimer

This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.