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**Making the decision to buy a car is very much attached to morale and morale has been low amongst the Lebanese.** The economy has been subdued for almost five years now and policy inaction makes it unlikely for the public deficit or public debt to be resorbed, for our exports to become more competitive or for our structural issues to be addressed.

**Resilience has always been an act familiar to the Lebanese and that's what drove car importers to fight for their market shares.** The Lebanese car importers have engaged in aggressive marketing campaigns in the past few years and that translated into an improvement in the number of new registered cars in the First Half of 2016 (H1 2016). Figures from AIA point to a 3% year-on-year upturn in the number of newly registered commercial and passenger cars to 19,749 cars by June 2016. In details, the number of newly registered passenger cars rose from 18,047 by June 2015 to 18,444 by June 2016 and the number of newly registered commercial vehicles rose by 16.10% to 1,305 by June 2016.

**However, the AIA notes that this improvement in registrations is not proportional to the advertising efforts made by the car importers.** The consumer's preference for low price-tag cars (usually below \$15,000) is still dominant and is eating away at the car importers' profits. The low sales turnover is compelling importers to advertise easy payment facilities and innovative after-sales services only to obtain a slight uptick in the registration of new cars.

## The Car Market in H1 2016: Car Importers Maintain their Pessimistic View

### Market Shares of Top Car Importers in Lebanon

Car Importer	H1 2014	H1 2015	H1 2016
NATCO (Kia)	22.73%	18.11%	18.37%
Century Motor Co (Hyundai)	18.74%	15.68%	14.99%
Rymco (Nissan, GMC, Infiniti, Lotus, Renault Trucks, UD Trucks)	13.47%	11.20%	11.56%
BUMC (Toyota, Lexus)	11.88%	17.22%	14.62%
Bassoul Heneine Alfa Romeo, BMW, Dacia, Mini, Renault, Rolls Royce, Renault Commercial	7.17%	8.74%	9.36%

Source: AIA

### Mixed Performance for Japanese Cars

Japanese Brands	H1 2015	H1 2016	Yearly % Change
DAIHATSU	83	55	-33.73%
HONDA	195	118	-39.49%
INFINITI	99	127	28.28%
LEXUS	28	108	285.71%
MAZDA	283	372	31.45%
MITSUBISHI	539	756	40.26%
NISSAN	1,891	1,876	-0.79%
SUBARU	125	160	28.00%
SUZUKI	607	720	18.62%
TOYOTA	3,113	2,572	-17.38%
Total	6,963	6,864	-1.42%

Source: AIA

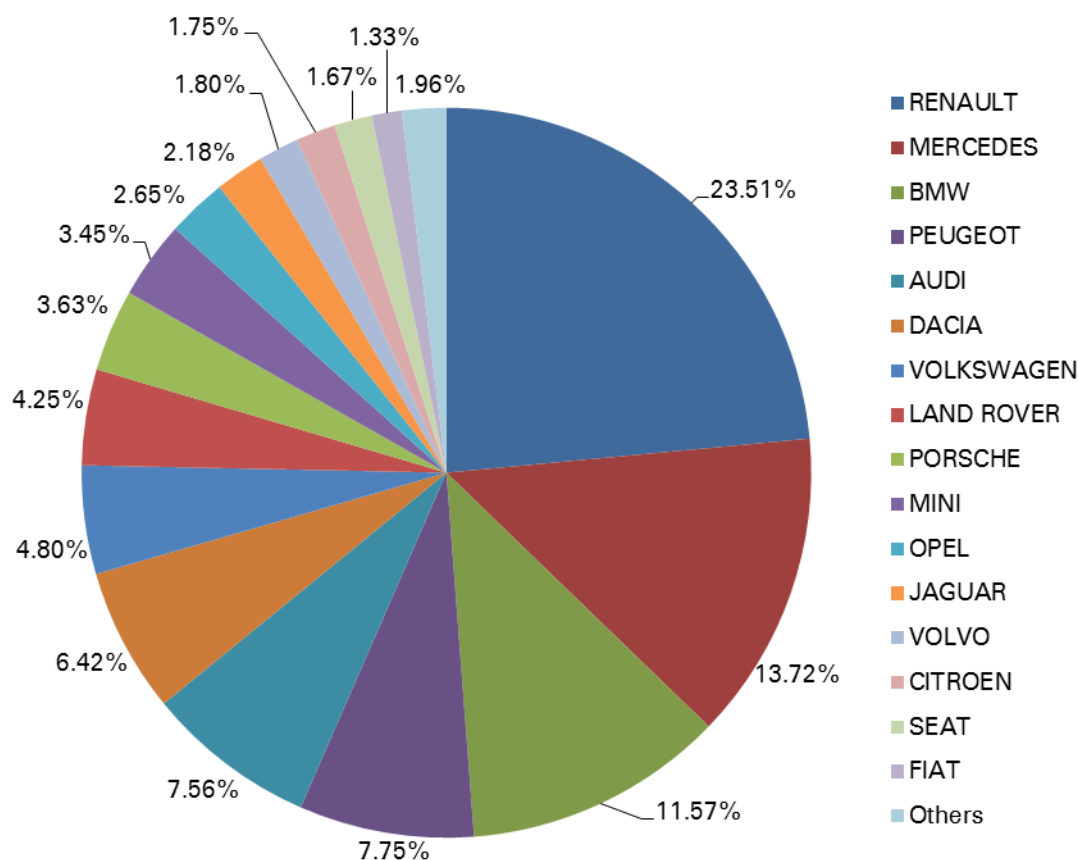
**Japanese cars remained the Lebanese consumers' favorite in H1 2016 and yet lower registrations were noticed for some top brands.** According to AIA figures, Japanese cars represented the largest share of 37.22% in total passenger cars but the number of newly registered Japanese cars fell by 1.42% y-o-y to 6,864 in H1 2016. Toyota remained the top Japanese brand with 2,572 new cars registered in H1 2016 and representing 37.5% of the total registration of Japanese cars. However, the registration of new Toyota cars was higher back in H1 2015 with a figure of 3,113. According to Ms. Maria Rita Boustany, Manager of Marketing & Human Resources at BUMC, "The decline of Toyota registrations within the first six months of 2016 is related to the tough market conditions, which affected consumers' purchasing power especially in the small segment. The entire automotive industry faced such conditions, not just Toyota in particular." On the upside, Lexus registrations increased from 28 by H1 2015 to 108 in H1 2016. Ms. Maria Rita Boustany explained that "The surge in demand of Lexus models is related to the successful launches of new models within the SUV Category: Lexus LX, Lexus RX, Lexus NX. These full model launches created a demand for the SUV lineup and the Lexus brand as whole." Nissan was second in line in the Japanese segment with a share of 10.17% in total passenger cars. However, Nissan registrations slightly dropped from 1,891 by June 2015 to 1,876 by June 2016.

**However Mitsubishi, Suzuki and Mazda registrations rose in H1 2016.** Mitsubishi followed suit with a share of 4.10%, the equivalent of 756 registrations, up from 539 in the same period of 2015. Suzuki registrations totaled 720 by June 2016, the equivalent of 3.90% of total passenger cars, up from 607 by June 2015. As for the number of newly registered Mazdas, representing 2.02% of total passenger cars, increased from 283 by June 2015 to 372 by June 2016.

### **Kia Remains the Most Adapted to Market Demand**

Korean cars occupied a market share of 35.52% in total passenger cars on account of higher Kia registrations. The number of newly registered Korean cars rose by a yearly 2.29% to 6,569 on account of a 4.52% y-o-y upturn in Kia registrations to 3,628. The higher Kia registrations earned its importer NATCO the highest market share amongst Lebanese importers of 18.37% in H1 2016 compared to 18.11% in H1 2015. Kia is adapted to market demand since it is offered at a low-price tag and is fuel-efficient. Whereas the fall in Hyundai registrations translated into a drop of market share for Century Motor Co from 15.68% in H1 2015 to 14.99% in H1 2016.

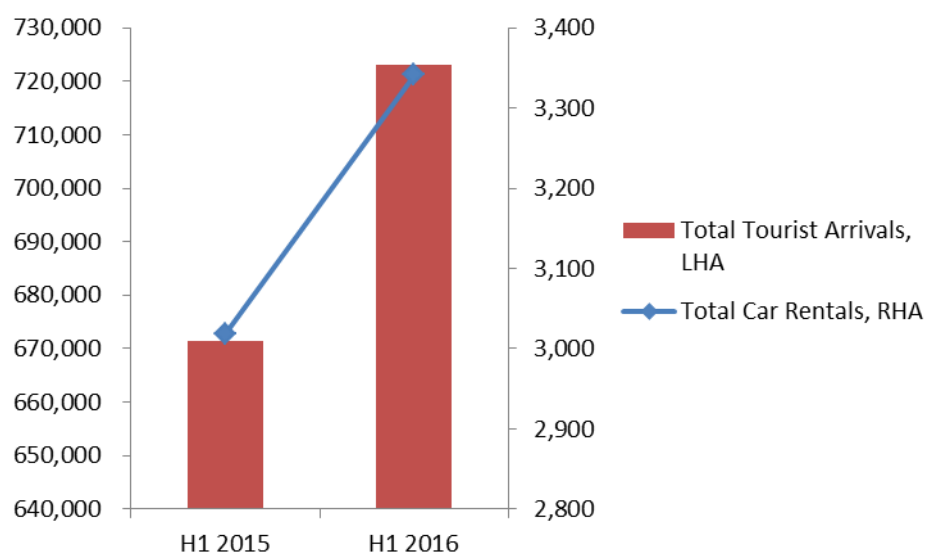
### European Cars: Mix of Renowned Brands and Affordable Models



European cars ranked third with a market share of 20.43% with the number of registrations rising by 4.49% y-o-y to 3,769. The biggest upturn in registration for European cars was registered by Renault cars; the number of newly registered Renault rose from 635 in H1 2015 to 886 in H1 2016. Renault models, such as the Renault Duster introduced by Bassoul Heneine, that fit the requirements of the frugal consumer have been popular on the market. However, the shift of the market towards affordable models does not eliminate the fact that the concept of brand loyalty is still present on the market. The consumer that is accustomed to a certain brand for an extended period of time does not drift away from it easily, especially when the consumer believes this brand is reliable and is guaranteed to last. Brand loyalty can be illustrated by the higher registrations recorded for Mercedes cars from 407 in H1 2015 to 517 in H1 2016.

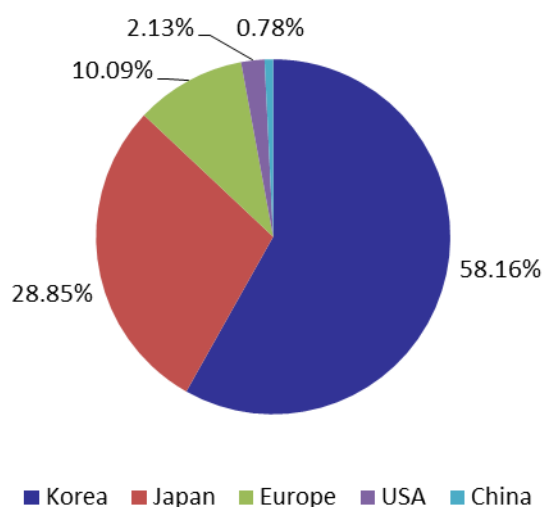
The evolution of car loans granted in the financial sector also points to a subdued demand. Car loans are the third biggest category amongst individual loans after housing and consumption loans. The yearly growth in the value of car loans was subdued at 0.07% in 2013 but then turned negative with annual declines of 2.90% and 9.14% in 2014 and 2015. Although the interest rate charged on new car loans is more attractive than the one charged on loans for used cars, demand is still subdued and consumers are postponing making purchases of durable goods.

### Car Rentals Improved in H1 2016 on the Back of Higher Tourist Arrivals



The improved rental activity can be linked to the improvement in the number of tourist arrivals. Car rentals were the highest during the month of June while being mostly subdued over the first five months which indicates that tourism and car rentals are surely linked. In line with the 7.7% yearly increase in tourist arrivals to 723,105 in H1 2016, the number of rental cars grew by 10.7% to 3,341. Japanese and Korean cars also dominated rentals with shares of 58.16% and 28.85% in the total followed by shares of 10.09% and 2.13% for European and American cars.

Distribution of Rental Cars by Country of Origin



European rentals were down from 448 by June 2015 to 337 by June 2016 while Japanese, Korean and American rentals increased over the same period. Japanese rentals grew from 685 in H1 2015 to 964 in H1 2016 on account of higher Nissan, Mazda, Mitsubishi and Daihatsu rentals. As for Korean rentals they were boosted by Hyundai rentals which rose from 858 to 1,064 in H1 2016 and that overshadowed the drop in Kia rentals from 946 to 879 over the same period. Rentals of American cars saw only an upturn in the number of rented Chevrolet from 30 to 59 in H1 2016.

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