The Car Market in H1 2017: Commercial Cars Outperforming Passenger Cars

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The Association of Lebanese Car Importers (AIA) maintains its negative market outlook despite the advertising efforts led by car importers. The importers attribute the market's slump to the difficult general economic conditions and explain the preference for low-cost cars (less than $15,000) by the "absence of an adapted and structured public transport system".

*The registration of new **commercial** cars appears to be performing better than that of **passenger** cars. However, the bulk of registrations is still concentrated in the passengers' segment.*

In H1 2017, Japanese cars dominated both the passenger and commercial segments. However, the rankings for Korean, European and Chinese are significantly different in the passenger segments and in the commercials segment.

Lebanese consumers used to favor owning a used high-end car rather than a new middle or low-end car. This preference has clearly shifted with the number of used cars consistently dropping from 67,000 in 2009 to 31,000 in 2013.

However, in 2015, the number of registered used cars grew for the first time since 2009 and was up by more than 5%. Since data on used cars is no longer being released, it remains uncertain whether this trend was maintained in 2016 and H1 2017.

The number of rentals increased from 3,341 in H1 2016 to 3,969 in H1 2017. Figures show that rentals were consistently increasing as of April 2017 and reached their highest (1,132) in the summer month of June. With the numerous festivals held across the country and the higher tourist arrivals, car rentals are expected to register another increase in the second half of 2017.

The Business Monitor International's (BMI) latest forecasts for the auto market are in line with the conclusions we drew from AIA statistics. BMI scaled back its forecasts for new vehicle sales growth to 1% with commercial vehicle sales (8%) outperforming passenger car sales (0.5%).

BMI attributes the strong short-term positive performance of commercial vehicles to the fact that "a recovering economy encourages more Lebanese businesses to invest in fleet renewal."

BMI's long term outlook is optimistic on account of "the ageing national car fleet, solid domestic demand and favorable demographics."

According to data released by the Association of Lebanese Car Importers (AIA), the number of new registered passenger and commercial cars declined by 0.51% year-on-year (y-o-y) to 19,648 in the first half of 2017 (H1 2017). The registration of new passenger cars registered a 1.33% y-o-y drop to 18,198 by June 2017 while the number of registered commercial cars grew by 11.20% to 1,450 also by June 2017. It is worth mentioning that in the first six months of 2016, both passenger and commercial cars had registered upturns.

The car importers' views on the market are still negative. The car importers blame the market's slump on the deteriorating economic conditions in the country that have reduced consumers' appetite for car purchases. As for consumers deciding to purchase a car, they have shown a clear preference over the past few years for low-cost small cars with price tags of less than $15,000. According to the AIA, this orientation is due to the "absence of an adapted and structured public transport system".

Registration of New Passenger Cars

The number of registered new Japanese passenger cars was the highest in H1 2017 with a share of 36% of the total. However, the number of new registered Japanese cars dropped by 342 y-o-y or the equivalent of - 4.98% y-o-y to 6,522 in H1 2017. The two Japanese brands with the highest registrations were Toyota and Nissan. However, the registration of these two Japanese brands were down from 2,572 and 1,876 in H1 2016 to 2,206 and 1,696 in H1 2017, respectively. 181 fewer Mitsubishis were registered in H1 2017 bringing the total to 575, 30 fewer Subarus were registered during the same period bringing the total to 130 and 56 fewer Lexus cars were registered bringing the total number to 52. Meanwhile, the number of new registered Mazdas rose from 372 in H1 2016 to 500 in H1 2017, the number of Suzukis increased from 720 to 826 in H1 2017 and the number of Datsun cars jumped from zero in H1 2016 to 130 in H1 2017.

Japanese Brands	H1 2016	H1 2017	YOY	Difference
Daihatsu	55	56	1.82%	1
Datsun	-	130	-	130
Honda	118	185	56.78%	67
Infiniti	127	166	30.71%	39
Lexus	108	52	-51.85%	-56
Mazda	372	500	34.41%	128
Mitsubishi	756	575	-23.94%	-181
Nissan	1,876	1,696	-9.59%	-180
Subaru	160	130	-18.75%	-30
Suzuki	720	826	14.72%	106
Toyota	2,572	2,206	-14.23%	-366
Total	6,864	6,522	-4.98%	-342

Korean cars, although popular in Lebanon for their affordability, also registered a decrease in H1 2017. The total number of new registered Korean cars decreased by 314 from 6,569 in H1 2016 to 6,255 in H1 2017. Kia, the popular Korean brand which earned its importer NATCO, the first slot amongst importers in Lebanon, saw its sales increase by 6.4% to 3,862. However, this increase was not able to compensate for the decreases in Hyundai registrations which fell by 18.6% y-o-y to 2,370.

Korean Brands	2016	2017	YOY	Difference
Hyundai	2,911	2,370	-18.6%	-541
Kia	3,628	3,862	6.4%	234
Ssang Yong	30	23	-23.3%	-7
Total	6,569	6,255	(0)	(314)

European cars accounted for around 21% of total registered new cars. The segment of European cars registered an upturn of 1.1% y-o-y to 3,812 cars by June 2017. Renault registrations rose from 886 by H1 2016 to 911 by H1 2017, Land Rover registrations increased from 160 in H1 2016 to 238 in H1 2017, Porsche registrations rose from 137 in H1 2016 to 155 in H1 2017 and Volvo registrations also increased from 68 in H1 2016 to 96 in H1 2017. On the other hand, BMW and Mercedes registrations fell from 436 and 517 in H1 2016 to 300 and 506 in H1 2017, respectively. The registrations of Dacia and Peugeot were also down from 242 and 292 in H1 2016 to 193 and 260 in H1 2017, respectively.

Selected European Brands	H1 2016	H1 2017	YOY	Difference
Renault	886	911	2.8%	25
Mercedes	517	506	-2.1%	-11
BMW	436	300	-31.2%	-136
Peugeot	292	260	-11.0%	-32
Land Rover	160	238	48.8%	78
Porsche	137	155	13.1%	18
Dacia	242	193	-20.2%	-49
Volvo	68	96	41.2%	28
Total	3,769	3,812	1.1%	43

American cars also recorded an upturn, rising by 27.21% y-o-y from 1,121 in H1 2016 to 1,426 in H1 2017. Chevrolet regitrations increased substantially by 16.92% y-o-y from 727 in H1 2016 to 850 in H1 2017, GMC registrations also rose from 97 to 223, Ford registrations rose from 98 to 156 and Cadillac registrations grew from 76 to 91 over the same period.

As for Chinese cars, they remain the lowest segment in terms of number of passenger car registrations. The total number of registered Chinese cars in H1 2017 amounted to 183 compared to 121 in the same period last year.

Registration of New Commercial Cars

Similarly to the passenger cars' segment, Japanese cars also ranked first in the commercial cars' segment. The number of registered commercial Japanese cars amounted to 816 in H1 2017 and accounted for over half the total number of registered commercial cars. However, the number of registered Japanese commercial cars was higher back in H1 2016 as it stood at 846. This decline was on the back of lower registrations of Daihatsu, Hino, Isuzu, Mazda, Mitsubishi, Nissan, and Suzuki brands. As for Toyota registrations, they rose from 207 in H1 2016 to 212 in H1 2017.

In the commercial cars' segment the second place is occupied by European car brands rather than Korean car brands. The number of registered European commercial cars rose from 308 in H1 2016 to 461 in H1 2017. In fact, Mercedes registrations more than doubled going from 60 in H1 2016 to 180 in H1 2017. Along with Mercedes cars, the only European brand to have had higher registrations in H1 2017 was Citroen going from 8 in H1 2016 to 11 in H1 2017.

The third and fourth places were occupied by Chinese and Korean cars, respectively. The number of registered Chinese cars rose from 94 in H1 2016 to 110 in H1 2017 with the registration of Foton and JMC brands rising from 28 and 22 in H1 2016 to 39 and 29 in H1 2017, respectively. As for Korean car registrations, they increased from 49 in H1 2016 to 62 in H1 2017 and were Hyundais in their totality.

It is puzzling to determine what kinds of strategies the importers of new cars will resort to in the period to come. Car importers already invested in aggressive advertising, attractive payment schemes and appealing after-sales services without any marked improvement in new car registrations. With no data being shared on the evolution of used cars, it remains unclear whether the market's penchant for used cars has risen again or has been following the same trend as the new cars. Perhaps the car importers' hope for a market revival lies only in a strong economic recovery, one that would generate a higher disposable income.

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