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**The culprits for the slump in the automobile market have been the same since 2011.** The AIA's accompanying note with the monthly statistics still attributes the market's slump to the same factors: a weak macroeconomic backdrop and the lack of an organized public transport system which have pushed consumers towards low-cost and fuel-efficient vehicles.

**The longer the standstill, the sharper the downturn in the car market and the lower the yield of the car importers' advertising efforts.** With the absence of economic and structural reforms and the absence of policymaking, it would be hard to imagine a positive turnaround in the economy and the car market. The absence of change will only lower confidence and purchasing power further. Faced with ailing demand, car importers invested in a slew of advertisements and after-sale services; although these efforts appeared to pay off, the rebound was short-lived as can be seen in the statistics of the year 2018 up to July.

**Rymco, the only listed car importer on the Beirut Stock Exchange, registered lower profits in 2017 despite higher advertising expenses.** According to the company's financial statements, the profit for the year dropped from \$5.85M in 2016 to \$4.88M in 2017. Sales dropped by an annual 6.85% to \$233.45M while the cost of sales slid by 7.77% yearly to \$204.14M in 2017. While the cost of sales dropped slightly further than sales did, the profit for the year still fell on account of a drop in other revenues, an increase in general and administrative expenses and higher advertising and selling expenses. Advertising & selling expenses grew by an annual 9.21% to \$4.26M in 2017.

According to data released by the Association of Lebanese Car Importers (AIA), the number of new registered passenger and commercial cars declined by 5.58% year-on-year (y-o-y) to 22,245 by July 2018. The registration of new passenger cars registered a 4.64% y-o-y drop to 20,873 by July 2018 and the number of registered commercial cars fell by 17.89% to 1,372 also by July 2018.

#### Market Share by Car Importer

Importer	Brand	H1 2014	H1 2015	H1 2016	H1 2017	H1 2018
NATCO	Kia	%22.73	%18.11	%18.37	%19.66	%14.92
Century Motor Co	Hyundai	%18.74	%15.68	%14.99	%12.38	%12.92
RYMCO	Nissan	%13.47	%11.20	%11.56	%13.53	%15.00
	GMC					
	Infiniti					
	Lotus					
	Renault Trucks UD Trucks					
Bassoul Heneine	Alfa Romeo	7.17%	8.74%	9.36%	8.44%	6.94%
	BMW					
	Dacia					
	Mini					
	Renault Rolls Royce					
BUMC	Toyota	%11.88	%17.22	%14.62	%12.57	%13.27
	Lexus					

Source: AIA

#### Registration of New Passenger Cars

Around 1,000 fewer passenger cars were registered by July 2018 with the decline mainly stemming from lower registrations of European and Korean cars. According to AIA statistics, European cars which accounted for 19.51% of total passenger car registrations saw a decline from 4,452 cars by July 2017 to 4,072 cars by July 2018. Moreover, Korean cars, which represented 29.4% of total passenger car registrations, witnessed a sharper 18.29% decline from 7,500 cars by July 2017 to 6,128 cars by July 2018.

**Declines were seen across the board among European cars.** Car makes that fall in the relatively high price categories such as Porsche, BMW, Audi and Mercedes witnessed declines registration by 48, 169, 80 and 65 and amounted to 138, 182, 242 and 509, respectively. Peugeot and Renault makes also saw their registrations fall by 59 and 127 to 228 and 961 by July 2018, respectively.

**Kia led the decline in Korean cars and overshadowed a minor upturn in Hyundai registrations.** According to the AIA, the total number of KIA registrations fell from 4,671 by July 2017 to 3,304 by July 2018. Meanwhile, Hyundai registrations rose marginally from 2,803 by July 2017 to 2,809 by July 2018.

**Cadillac, Ford and Jeep saw higher registrations by July 2018 but lower Chevrolet registrations pulled the total number of American cars' registration down.** According to the AIA, the number of registered American cars dropped by an annual 4.13% from 1,790 by July 2017 to 1,716 by July 2018. The downturn was mainly led by the drop in Chevrolet registrations from 1,093 to 940 over the same above mentioned period. Meanwhile, Jeep and Ford registrations grew from 115 and 181 by July 2017 to 189 and 197 by July 2018, respectively.

**Japanese cars are the only cars to have witnessed higher registrations by July 2018.** According to the AIA, the number of new registered Japanese passenger cars rose from 7,900 by July 2017 to 8,401 by July 2018. Toyota cars, which account for 33% of total registered Japanese cars, grew by 4.39% year-on-year and amounted to 2,735 by July 2018. In second place, Nissan registrations rose from 1,959 by July 2017 to 2,409 by July 2018. Honda registrations more than doubled going from 251 to 612 over the same period. Meanwhile, 85 more Infiniti passenger cars were registered over the same period and amounted to 295 by July 2018.

**Chinese cars are gaining traction but remain the lowest segment in passenger cars.** According to AIA's statistics, the number of new registered passenger Chinese cars rose from 246 by July 2017 to 556 by July 2018. The number of new registered Geely and Changan brands rose from 51 and 8 by July 2017 to 110 and 322 by July 2018.

### Registration of New Commercial Cars

**The commercial cars segment also suffered hefty declines. According to the AIA, the total number of new registered commercial cars fell from 1,671 by July 2017 to 1,372 by July 2018.** The decline is not surprising given the weak macroeconomic conditions of Lebanon. Private sector activity has shown a consistent slump as demonstrated by the latest BLOM Lebanon PMI reading which settled at 45.4 in July 2018, its lowest level since October 2016.

**Faced with a tough operating environment, demand in the commercial car segment is even more concentrated on low-cost cars.** According to AIA statistics, the new registration of Korean and Chinese cars are the only segments to have witnessed an upturn. The registration of Korean cars was mainly led by higher Kia registrations which rose from 3 by July 2017 to 14 by July 2018. As for Chinese cars, the number of new registrations grew from 123 by July 2017 to 177 by July 2018.

### **Car Rentals Also Reflected Weak Macroeconomic Conditions**

**The absence of heavy spenders since 2011 weighed on tourism activity and on car rentals as well.** According to AIA statistics, car rentals tumbled from 3,623 by July 2017 to 5,511 by July 2018. Even affordable models such as the Korean Kia fell by more than 50% from 1,668 cars by July 2017 to 777 cars by July 2018. Hyundai rentals also fell from 1,423 by July 2017 to 983 by July 2018. Usually car rental companies bank on high-end cars to make profit, but now the declining demand even on low-cost cars points to a worsening of conditions in the rental segment.

**Looking ahead, demand conditions are likely to worsen if the economic status-quo is maintained.** Restoring confidence is essential in boosting demand and in the short-term a quick government formation could fulfill that goal. However, prolonged deadlocks will keep Lebanon away from the reforms and the positive economic jolt it desperately needs.

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