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Contact Information

Research Analyst: Sara Hadchiti

sarah.hadchiti@blominvestbank.com

Head of Research: Marwan Mikhael

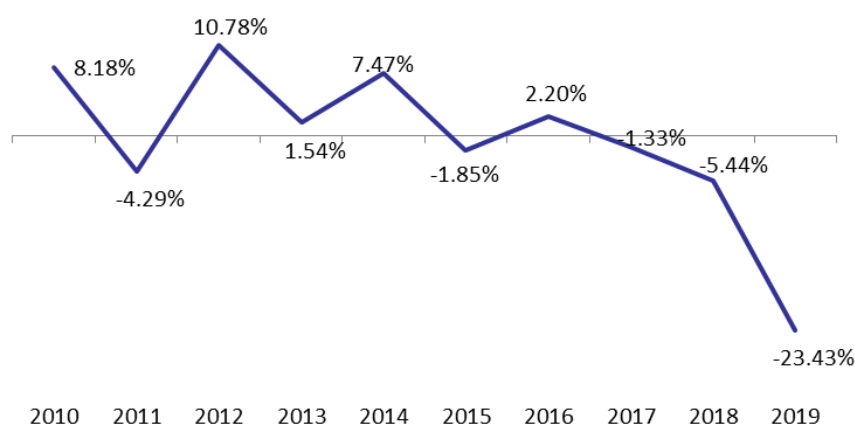
marwan.mikhael@blominvestbank.com

Research Department

Tel: +961 1 991 784

The Lebanese economy has been struggling during H1 2019. The pressure has been rising to handle the large twin deficits and the very high level of public debt. The Lebanese private sector continued to suffer from low local and regional demand. The BLOM Purchasing Managers' Index (PMI), a measure of the activity of private sector, stalled at an average of 46.5 in H1 2019, compared to 46.6 and 47.1 in H1 2018 and 2017, respectively. As such the Lebanese Car Sector witnessed a huge slump in H1 2019. Moreover, car loan regulations and an increase in oil prices also contributed to the sector deterioration.

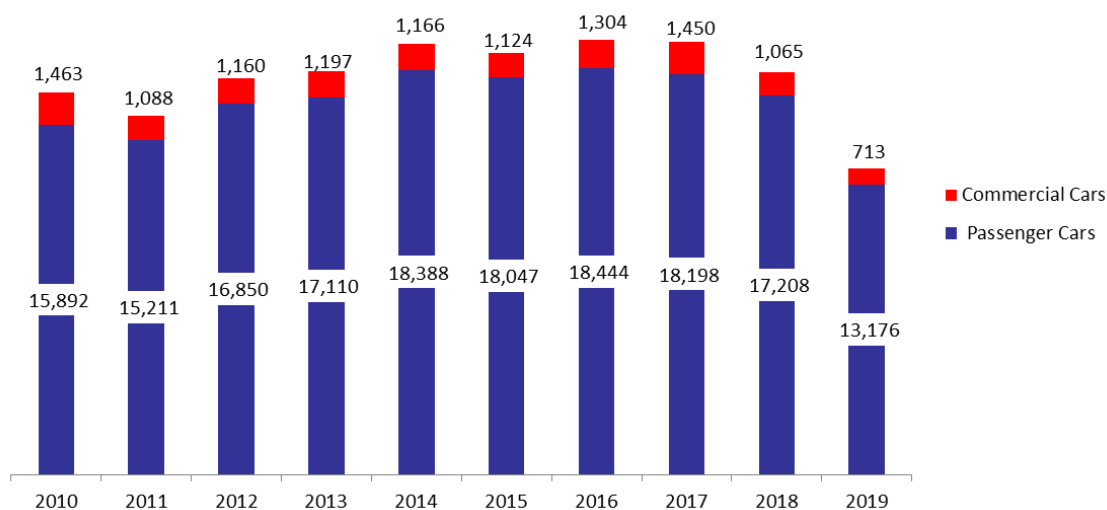
Evolution of New Passenger Car Registration



According to data released by the Association of Lebanese Car Importers (AIA), the number of new registered passenger and commercial cars declined by 24% year-on-year (y-o-y) to 13,889 in the first half of 2019 (H1 2019). In details, the number of newly registered "passenger" cars dropped year-on-year (y-o-y) by 23.4% the highest drop in 10 years to 13,176 cars while the number of new registered "commercial" vehicles fell by a yearly 33% to 713 cars. On a monthly basis, the data revealed that the month of June 2019 recorded the lowest number of total new cars registered amounting to 2,727 cars when compared to June of the last 9 years.

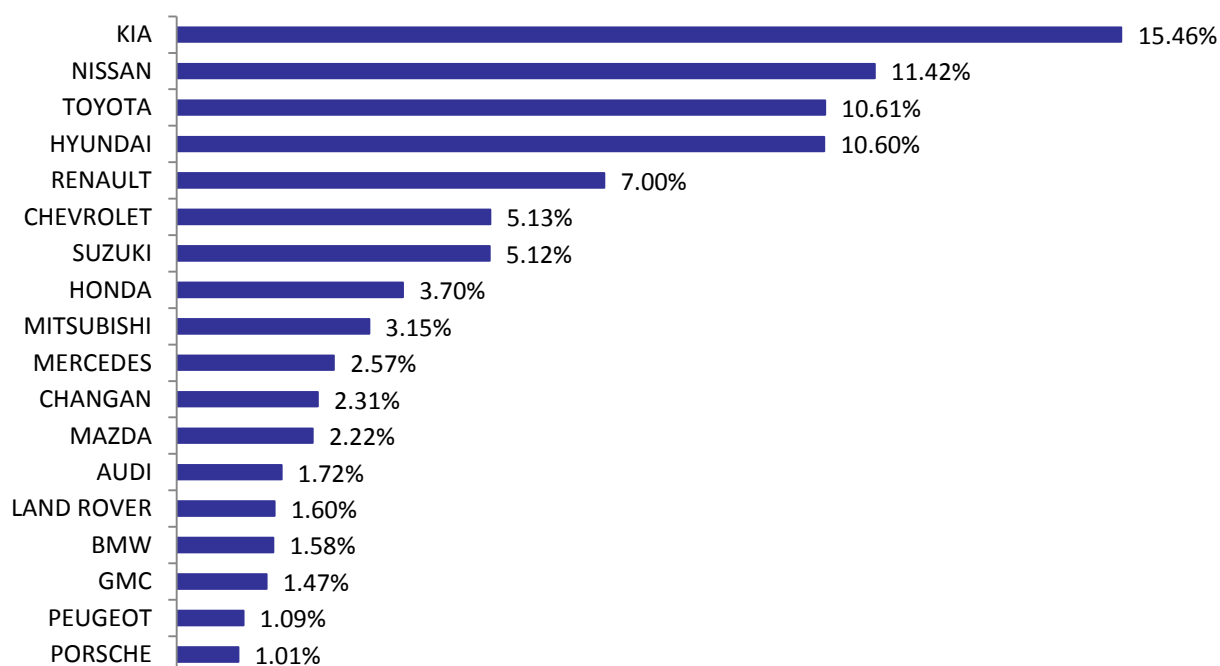
In fact, the AIA continues to attribute the slump in the sector to the, “dramatic economic and political situation prevailing [and] decisions of the banks to impose a down payment of 25% and to raise the interest rate from 3.9% to 8.5% on car loans [...]”.

Cumulative Number of Cars in H1

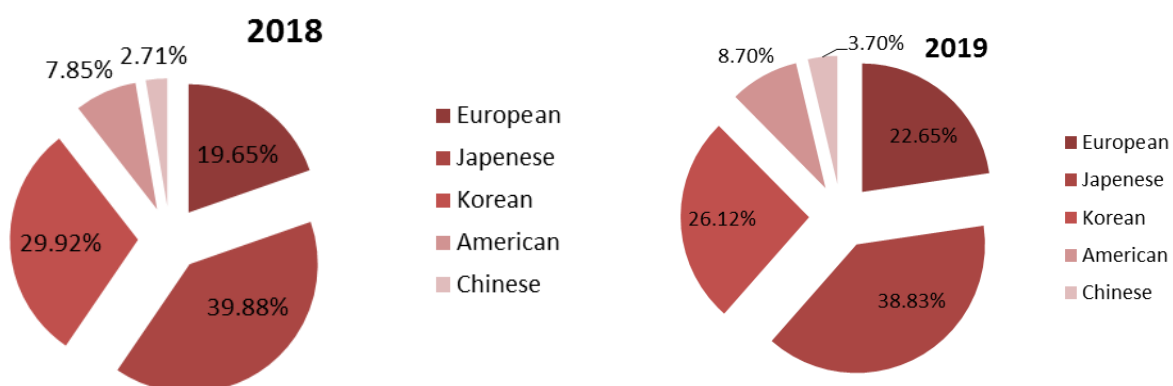


Registration of New Passenger Cars

Top Brands Breakdown in H1 2019



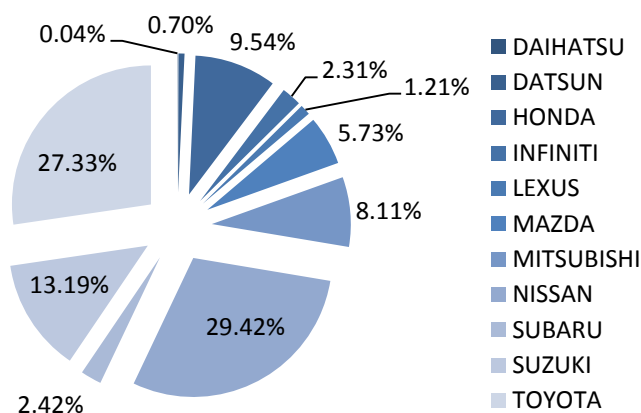
Market Share per Manufacturing Country



Despite the difficult economic situation, many brands were able to record positive performance during H1 2019. The improvement can be linked first to their financial incentives and radical marketing measuring. In fact, Cadillac and Lexus for example provided aggressive offers including VAT and registrations. Moreover, these brands are always trying to offer new cars models. On the other hand, the brands that are grasping the highest market shares witnessed the largest slump since they are already offering lower prices in the market and didn't offer new car models.

The number of registered new Japanese passenger cars was the highest in H1 2019 with a share of 38.83% of the total. However, the number of new registered Japanese cars retreated by 25.44% y-o-y to 5,116 in H1 2019. The two Japanese brands with the highest registrations were Nissan and Toyota. However, the registration of these two Japanese brands were down from 1,864 and 2,287 in H1 2018 to 1,505 and 1,398 in H1 2019, respectively. Suzuki car registrations, which grasped a share of 13.19% of Japanese cars, fell from 725 in H1 2018 to 675 in H1 2019. As for Honda registrations (9.54% of Japanese cars), it declined yearly by 3.75% to 488 cars in H1 2019. Worth mentioning that only Lexus cars recorded a significant yearly growth in cars registration rising from 28 in H1 2018 to 62 by June 2019.

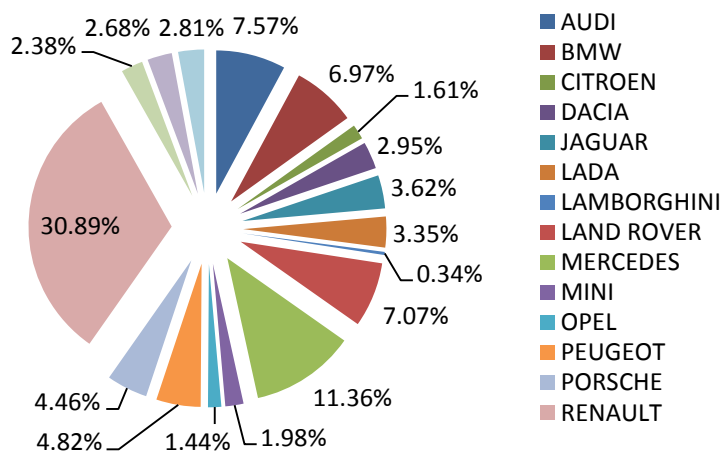
Japanese Car Market Share in H1 2019



As for the Korean cars, Kia remained on being the first not only among this section (grasping 59.20% of total Korean Cars) but also amongst all other car brands (15.46% of the total). Nonetheless, the number of Kia cars was slashed from 2,813 in H1 2018 to 2,037 in H1 2019. Hyundai (40.57% of Korean Cars) also followed the downward trend, yet at a slower pace falling from 2,322 cars in H1 2018 to 1,396 in H1 2019.

European cars accounted for around 22.65% of total registered new cars. The number of European cars also registered a fall during H1 of the year, dropping by 11.74% to reach 2,985 cars in H1 2019. The top selling car was Renault with a 30.89% of total European cars an recording a yearly rise of 16.86% to stand at 922 cars registrations. Mercedes came second grasping a share of 11.36% of total European cars, and a total registration of 339 in H1 2019, compared to 428 during the same period last year. Audi registrations increased from 184 in H1 2018 to 226 in H1 2018, BMW registrations rose from 152 in H1 2018 to 208 in H1 2019. On the other hand, Lan Rover and Peugeot registrations fell from 391 and 199 in H1 2018 to 211 and 144 in H1 2019, respectively. The registrations of Citroen and Dacia were also down from 106 and 118 in H1 2018 to 48 and 88 in H1 2019, respectively.

Main European Car Market Share in H1 2019



American cars also recorded a downtick, declining by 15.11% y-o-y from 1,350 in H1 2018 to 1,146 in H1 2019. Cadillac registrations increased substantially by 21.21% y-o-y from 99 in H1 2018 to 120 in H1 2019, GMC registrations also rose from 188 to 194. However, Ford and Chevrolets registrations slumped yearly by 79.75% and 9.26% to 33 and 676 registrations by June 2019.

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 2019 amounted to 488 compared to 466 in the same period last year.

Registration of New Commercial Cars

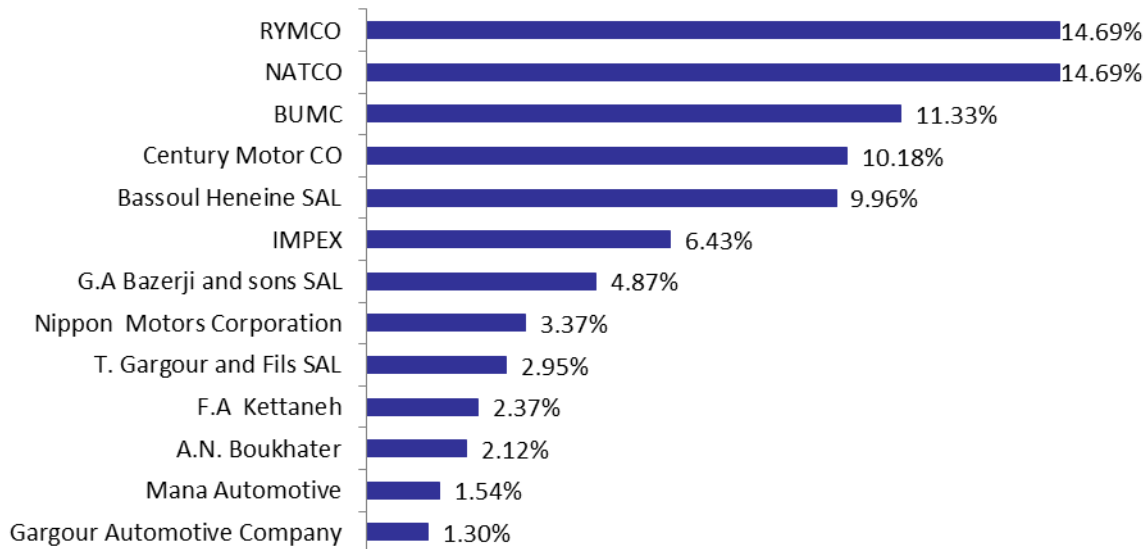
Similarly to the passenger cars' segment, Japanese cars also ranked first in the commercial cars' segment grasping 60.89% of the total. The number of registered commercial Japanese cars amounted to 436 in H1 2019. However, the number of registered Japanese commercial cars was higher back in H1 2018 as it stood at 651. This decline was on the back of lower registrations of Daihatsu, Hino, Isuzu, Toyota, Nissan, and Suzuki brands. As for Mitsubishi registrations, they rose from 9 in H1 2018 to 20 in H1 2019.

In the commercial cars' segment the second place is occupied by European car brands rather than Korean car brands grasping a share of 26.79%. The number of registered European commercial cars slid from 280 in H1 2018 to 191 in H1 2019. In fact, Mercedes and Peugeot registrations dropped from 105 and 19 in H1 2018 to 53 and 6 in H1 2019.

The third and fourth places were occupied by Chinese and Korean cars, respectively. The number of registered Chinese cars marginally decreased from 66 in H1 2018 to 61 in H1 2019 noting that the registration of Foton and JMC brands increased from 14 and 20 in H1 2018 to 18 and 23 in H1 2019, respectively. As for Korean car registrations, they slumped from 59 in H1 2018 to 21 in H1 2019.

Market Share per Main Car Importers

A closer look on the top distributors in Lebanon reveals that RYMCO and NATCO SAL, (the sole distributor of KIA) acquired the biggest bulk of the total newly registered cars with a share of 14.69%, each. Third came BUMC, the distributor of Toyota and Lexus with a share of 11.33%. The distributor of Hyundai – Century Motor Co. ranked fourth with a share of 10.18%.



As part of any economic cycle, any improvement in the car sector will lead to positive impact on other sectors.

First, an increase in cars' sales will affect government's revenues through their direct impact on cars excise tax, cars registration fees, and cars control fees collected and therefore can help reduce the fiscal deficit. Moreover, insurance and banking sectors can also be affected through both car insurance policies and car related loans. As such, more incentives should be done in order to save and ameliorate the car sector.

For your Queries:

BLOMINVEST BANK s.a.l.

Research Department Bab Idriss,
Weygand Str. POBOX 11-1540
Riad El Soloh Beirut 1107 2080
Lebanon

Sara Hadchiti, Research Analyst
sarah.hadchiti@blominvestbank.com

+961 1 991 784

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

+961 1 991 782

research@blominvestbank.com

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