

BEIRUT TRADERS
ASSOCIATION
BANKMED
INVESTMENT INDEX

THIRD QUARTER OF 2013



“Beirut Traders Association – BankMed Investment Index” consists of two components:

Turnover Component: This component tackles the amount of sales during the quarter under study and reflects the state of commercial activity in comparison with the same quarter of the previous year, as well as the preceding quarter of the same year. The “Turnover Component” assesses the amount of sales pushed through the trade pipeline of the domestic market: the output of the wholesaler being the input of the retailer.

Intention to Invest Component: This component is a scale that assesses the investment appetite of wholesalers and their willingness to increase or decrease their investments within the upcoming short-term period. These intentions reflect the wholesalers’ outlook of the strength and well-being of the commercial sector through the allocation of a fixed capital (for commercial activity) in the near future.

TURNOVER COMPONENT

The “Turnover Component,” which tackles the activity during the quarter under study, witnessed an overall real deterioration amounting to 5.77% in comparison with the same quarter of 2012.

Year-on-Year Percentage Change in Third Quarter of 2013		
	Third Quarter 2012	Third Quarter 2013
Nominal Turnover Component	100	94.79
% Change in Nominal Turnover Component		-5.21%
Real Turnover Component	100	94.22
% Change in Real Turnover Component		-5.77%

Inflation in all sectors between September 2012 and September 2013 at 0.6%

Likewise, the “Turnover Component” fell by 3.47% in comparison with the second quarter of 2013.

Quarter-on-Quarter Percentage Change in Third Quarter of 2013		
	Second Quarter 2013	Third Quarter 2013
Nominal Turnover Component	100	96.98
% Change in Nominal Turnover Component		-3.02%
Real Turnover Component	100	96.52
% Change in Real Turnover Component		-3.47%

Inflation in all sectors between June 2013 and September 2013 at 0.47%

The aforementioned deterioration, whether in comparison with the same quarter of last year or the preceding quarter of the same year, is not surprising given the weakened purchasing power of domestic consumers as well as the absence of visitors and tourists, especially Gulf tourists, who usually contribute significantly to the vibrancy of the Lebanese commercial markets.

A detailed assessment of the results of each sector reveals a discrepancy among these sectors. The Liquid Fuel Sector witnessed a year-on-year drop in its “Turnover Component” that exceeded 12% in amounts. In addition, other sectors observed sales drop as follows:

- Clothes, Textile, Shoes and Leather Items Sector -22%
- Perfume and Cosmetics Sector -7%
- Grains and Agricultural Products Sector -7%
- Electrical & Electronics Parts and Equipment and Magnetic Discs Sector -7%
- Books, Papers, Magazines, Newspapers and Stationery Sector -5%
- Computer Parts Sector -5%

These figures indicate the following:

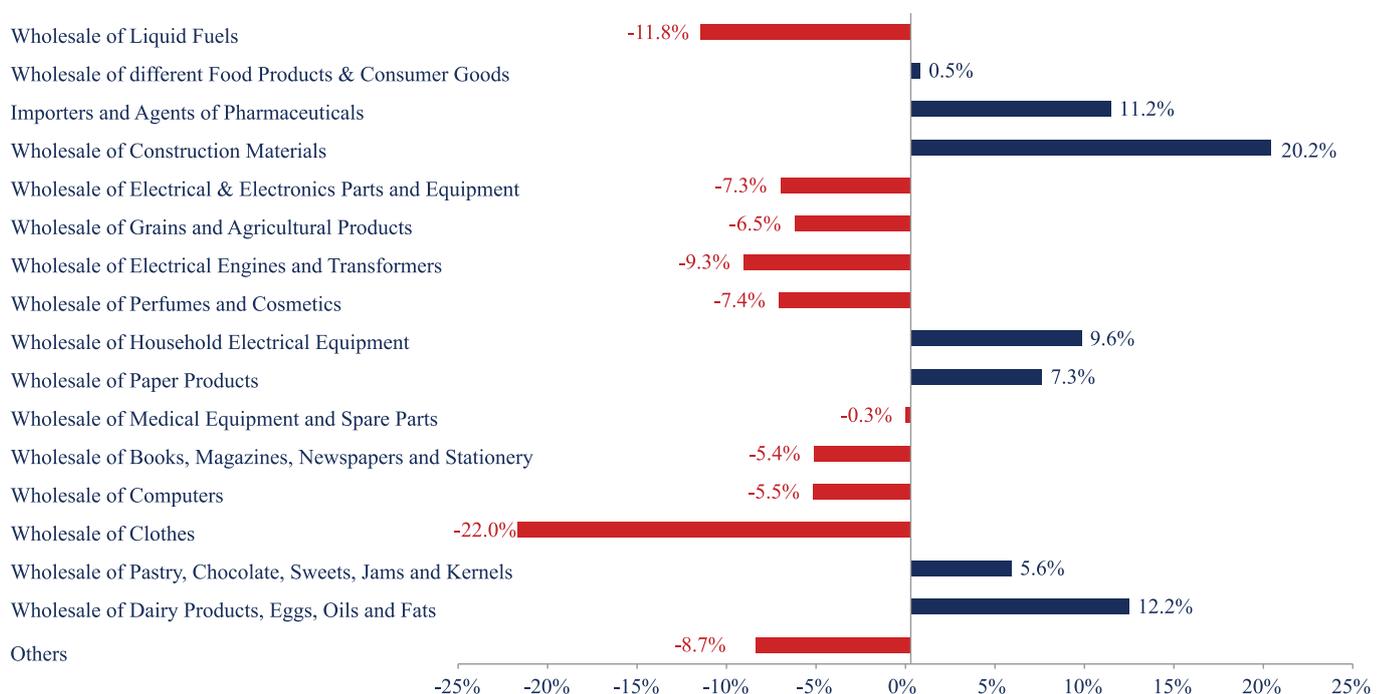
- Lebanese citizens are being austere when it comes to consumption of personal items and self-care supplies, as well as cultural and leisure purchases, considering that these purchases are not essential nor pressing.
- The absence of the Gulf visitor, who has always been an important factor in the Lebanese economy.
- Many retail traders have closed their shops forming a negative value in the business and the trade equation as a whole.

On the other hand, other sectors registered a relative improvement in comparison with the same quarter of last year, namely:

- Importers and Agents of Pharmaceuticals Sector registered an increase of 11%,
- Dairy Products, Eggs, Oils and Fats Sector witnessed an increase that reached 12%,
- Plumbing and Construction Materials Sector registered a significant 20% increase.

These figures are not surprising since they indicate higher demand for basic food products due to the heavy Syrian displacement into Lebanon. On the other hand, the increase in construction materials reflects the solidity of the building and construction sector and the follow-up on the previously launched projects. This rise is an indicator of the investors’ trust in the real estate sector in Lebanon over the medium and long-terms.

Turnover Component for Third Quarter 2012 Compared to Third Quarter 2013



INTENTION TO INVEST COMPONENT

The “Intention to Invest Component” indicates the wholesalers’ willingness to increase or decrease their investments activities in the upcoming period. The calculated results reveal that there is no clear intention to disinvest in the wholesale trade sector in the near future despite the figures observed during the third quarter of 2013:

- The computed figure for the “Intention to Invest Component” in the third quarter of 2013 reached 0.1642 on a scale of -3 to +3, which was adopted to express the level of intentions to invest or disinvest. Hereby, traders indicated their willingness to invest by choosing a degree between -3 (definite willingness to disinvest) and +3 (definite willingness to invest) or zero in case they wanted to keep the situation at its present condition.

- This figure is normalized into the range [0 , 100], where it amounts to 52.7. Given that the normalized “Intention to Invest Component” exceeded the 50-level reveals that the willingness to invest is still characterized by some positivity in spite of the overall deterioration in business that was observed in the wholesale sector during the third quarter of this year.

The detailed examination of each sector branches the results into the following three categories:

- Sectors that do not show willingness to increase or decrease investments:
 - o Plumbing and Construction Materials Sector which witnessed a rise in sales figures (+20%),
 - o Perfume and Cosmetics Sector, and Books, Papers, Magazines, Newspapers and Stationery Sector, where sales dropped by 7% and 5%, respectively.
- Sectors that show positive intentions to invest:
 - o Household Electrical Equipment Sector and Dairy Products, Eggs, Oils and Fats Sector, which recorded positive results during the third quarter of this year (+9.55 % and +12.24% respectively),
 - o Computer Parts Sector which showed willingness to invest despite the 5.46% slowdown in activity during the previous quarter.
- One sector has revealed willingness to significantly reduce investment, which is Clothes, Textile, Shoes and Leather Items Sector, since it witnessed a sharp decrease in business figures during the third quarter reaching -22% in comparison with the same quarter of last year and the second quarter of this year.

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