

Analysis of Car Sales and Car Imports in Lebanon

(2008-2013)

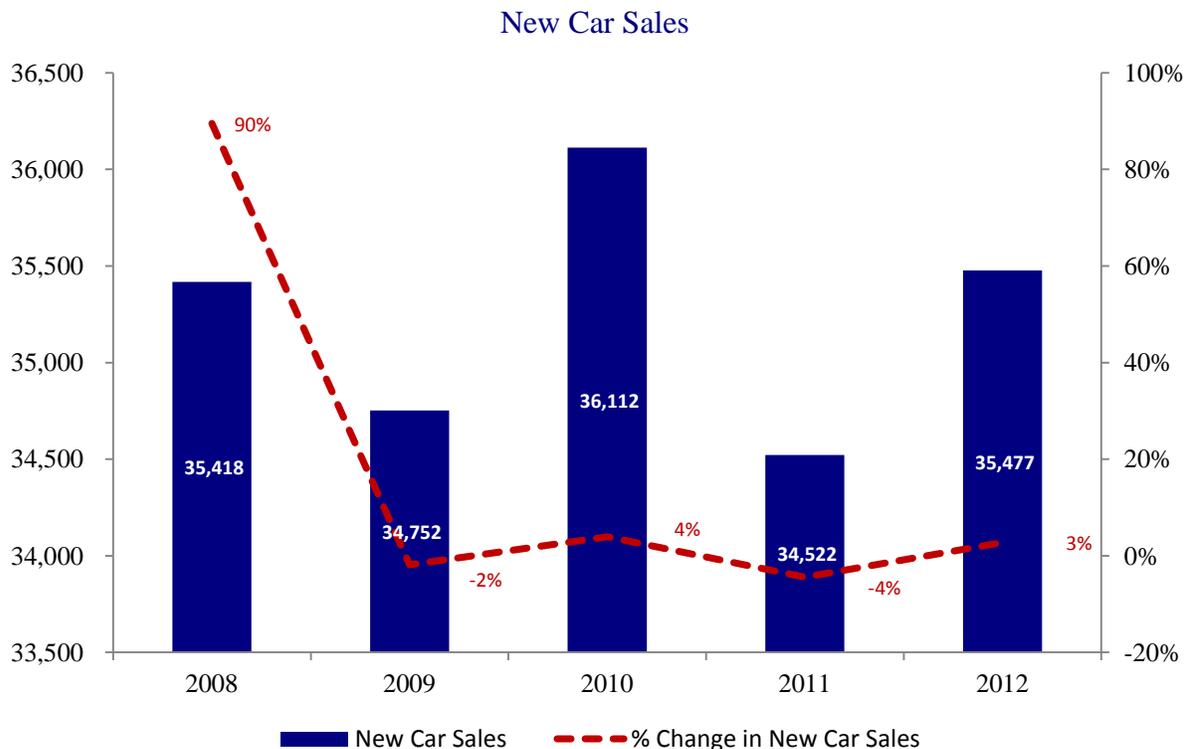
Table of Contents:

New Car Sales (2008-2012):	2
Evolution of New Car Sales:	2
New Car Sales by Places of Origin:	3
New Car Sales by Brands:	5
New Car Sales (January-June 2013):	7
Car Imports (2008-2012):	9
Evolution of Car Imports:	9
Car Imports by Countries of Origin:	10
Car Imports (January-June 2013):	12
Cars-Related Government Revenues:	13
Car Sales and Car Imports Dynamics:	15
New Car Sales and GDP Growth:	15
Car Imports and GDP Growth:	16
Appendix 1:	18
New Car Sales and GDP Growth Regression Analysis:	18
Car Imports and GDP Growth Regression Analysis:	18

New Car Sales (2008-2012):

Evolution of New Car Sales:

After new passenger and commercial cars sales increased by 90% in the year 2008 to reach 35,418 units, sales dropped in 2009 by a slight 2%, recording 34,752 units sold, reflecting a necessary correction. During the year 2010, registration of new passenger and commercial cars increased by 4% to reach 36,112 units, according to figures released by the Automobile Importers Association in Lebanon. However, the increase was reversed in the year 2011, where the number of new passenger and commercial registered vehicles declined by 4% to reach 34,522 cars. The drop in the number of new car sales in 2011 comes as a direct impact of deteriorating consumer confidence and lower spending trends, as Lebanon witnessed worsening political and security conditions. However, the number of new vehicle sales slightly recovered in 2012, witnessing a 3% increase to reach 35,477 cars.



Source: Automobile Importers Association

New Car Sales by Places of Origin:

The year 2009 witnessed a drop in new passenger and commercial cars sales from all countries/continents, except from China where the number of Chinese cars sold rose by 172% to reach 296 units. On the other hand, American cars sold dropped by 14% to reach 2,325 units. Korean cars sold fell by 2% reaching 6,385 units, and Japanese cars sold dropped by 2% totaling 16,996 units. During the year 2010, new passenger and commercial cars sold originating from all countries/continents dropped, except Korean cars which witnessed a significant 70% increase to reach 10,827 units, hence reflecting increased consumer need for fuel-efficient and economically affordable cars. In contrast, Chinese cars sold dropped by 18% to reach 243 units, while Japanese cars fell by 14%, totaling 14,623 units sold. Similarly, passenger and commercial cars sold originating from US and Europe fell by 14% and 4%, reaching 2,000 units and 8,419 units, respectively. During the year 2011, the number of new passenger and commercial cars originating from China increased by 44% to reach 351 units sold, and those originating from Korea rose by 27% to total 13,798 units sold. These increases were offset by drops in the number of sold Japanese cars (-26%) and European cars (-11%), which totaled 10,760 units and 7,533 units, respectively. The year 2012 witnessed the same trend as 2011 in car sales by place of origin, where Chinese cars sold further increased by 79% to reach 629 units, and Korean cars sold further rose by 16% reaching 15,993 units. On the other hand, Japanese cars sold further dropped by 11% to total 9,560 units, and European cars reached 7,216 units sold, hence dropping by 4%.

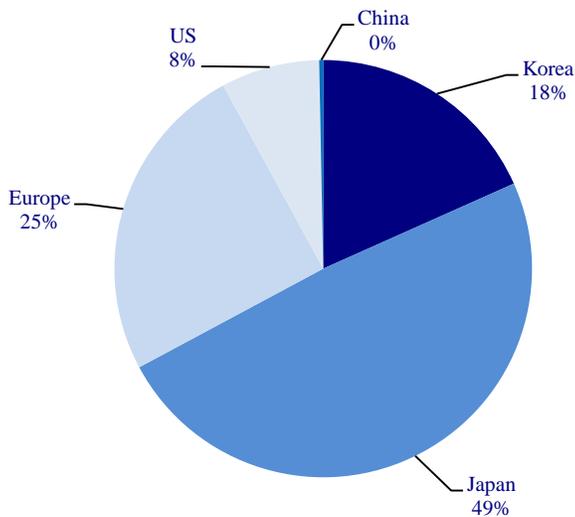
Place of Origin	2008	2009	2010	2011	2012
Korea	6,487	6,385	10,827	13,798	15,993
% Change		-2%	70%	27%	16%
Japan	17,301	16,996	14,623	10,760	9,560
% Change		-2%	-14%	-26%	-11%
Europe	8,816	8,745	8,419	7,533	7,216
% Change		-1%	-4%	-11%	-4%
US	2,705	2,325	2,000	2,079	2,079
% Change		-14%	-14%	4%	0%
China	109	296	243	351	629
% Change		172%	-18%	44%	79%

Source: Automobile Importers Association

Observing the place of origin on new passenger and commercial cars sold, it can be noted that Korean cars' popularity widened over the years, while the popularity of other countries/continents' cars dropped. In fact, the share of new cars sold originating from Korea increased over the period 2008-2012 from 18% in year 2008 to 45% in 2012. On the other hand, the proportion of new sold Japanese cars of total new passenger and commercial cars sold significantly dropped to 27% in the year 2012, after Japanese car companies almost possessed half the market for new cars in 2008.

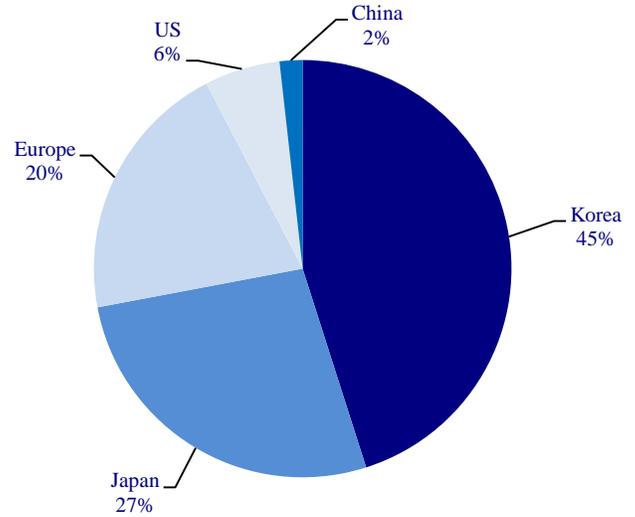
As for European car companies, their share of total new car sales decreased slightly from 25% of the market in the year 2008 to 20% of total sales in the year 2012. US and Chinese car companies maintained a stable market share, with the US car companies' share slightly declining from 8% of total sales in the year 2008 to 6% in the year 2012, while Chinese car companies' share increased from 0.3% in 2008 to 2% in the year 2012. As such, the trend observed in the new cars indicates a shift in consumer preference from high-end European and American cars, to fuel-efficient and inexpensive Korean cars.

Market Share of Cars' Places of Origin (2008)



Source: Automobile Importers Association

Market Share of Cars' Places of Origin (2012)



Source: Automobile Importers Association

New Car Sales by Brands:

When it comes to the evolution of new car sales by brand, it can be clearly noted that sales of Korean Kia cars and Korean Hyundai cars have significantly increased over the period 2008-2012. During the year 2010, the number of Kia cars sold increased by 66% year-on year to reach 6,494 units. The popularity of Kia cars widened over the past two years, recording 28% yearly increase in 2011 to reach 8,305 units sold, and 14% yearly increase in 2012 to reach 9,484 units sold. Similarly, cars sold by the Korean company Hyundai also recorded gradual increase over the period 2008-2012. In 2010, the number of Hyundai cars sold increased by 79% year-on year to reach 4,315 units. The sales of Hyundai cars further rose over the past two years, recording 27% yearly increase in 2011 to reach 5,485 units sold, and 19% yearly increase in 2012 to reach 6,507 units sold.

At the other end of the spectrum, it can be observed that the two Japanese car brands Nissan and Toyota lost their popularity over the five years period 2008-2012. Nissan car sales reached 5,988 units in 2010, dropping by 19% year-on-year. Even though Nissan car sales recovered by a slight 2% in 2011, the company's sales dropped by 5% year-on-year in 2012 to reach 5,811 units. As for Toyota, the number of cars sold by the company declined by a yearly 43% in 2010 and a yearly 40% in 2011, to reach 2,876 units and 1,724 units, respectively. The number of Toyota cars sold recovered a little in 2012, increasing by 8% year-on-year, to reach 1,861 units.

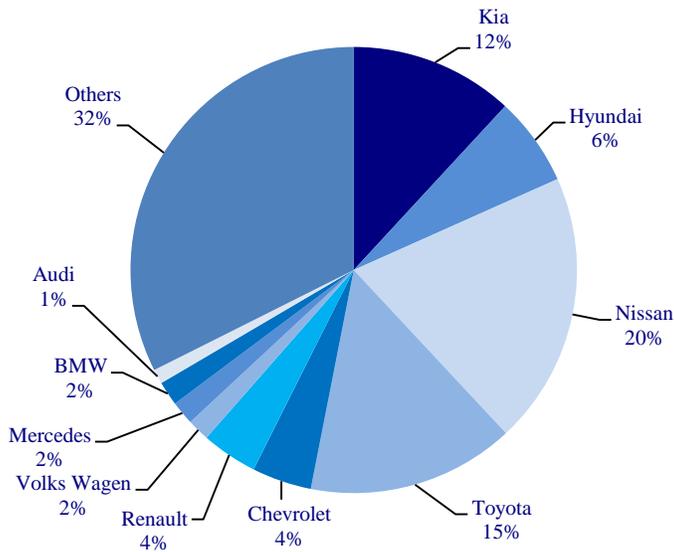
European brands, including Renault, Mercedes, and BMW, maintained an almost stable number of car sales over the years 2008-2012. While sales of Mercedes cars increased by 12% in 2010 to reach 815 units, sales of each of Renault cars and BMW cars witnessed a 21% and 15% year-on-year drops during 2010, reaching 1,325 units and 427 units, respectively. Renault car sales recovered by 3% in 2011, but then dropped by 5% in 2012, to total 1,302 units sold by end-2012. On the other hand, Mercedes car sales fell by 1% in 2011 and further plunged by 14% in 2012 to reach 698 units sold by end-2012. As for BMW car sales, they fell by a significant 48% in 2011, but recovered in 2012 and increased by 56% to record 667 units sold by end-2012. Hence, it can further be inferred that Lebanese consumers shifted their demand for new cars from high cost and luxury cars, to more economical and cost-effective cars.

Brand	2008	2009	2010	2011	2012
Kia	4,204	3,922	6,494	8,305	9,484
% Change		-7%	66%	28%	14%
Hyundai	2,283	2,409	4,315	5,485	6,507
% Change		6%	79%	27%	19%
Nissan	6,991	7,394	5,988	6,123	5,811
% Change		6%	-19%	2%	-5%
Toyota	5,325	5,010	2,876	1,724	1,861
% Change		-6%	-43%	-40%	8%
Chevrolet	1,527	1,369	1,338	1,440	1,491
% Change		-10%	-2%	8%	4%
Renault	1,440	1,668	1,325	1,371	1,302
% Change		16%	-21%	3%	-5%
Volkswagen	568	595	702	622	792
% Change		5%	18%	-11%	27%
Mercedes	606	727	815	808	698
% Change		20%	12%	-1%	-14%
BMW	625	959	816	427	667
% Change		53%	-15%	-48%	56%
Audi	375	444	521	547	552
% Change		18%	17%	5%	1%
Others	11,474	10,255	10,922	7,670	6,312
% Change		-11%	7%	-30%	-18%

Source: Automobile Importers Association

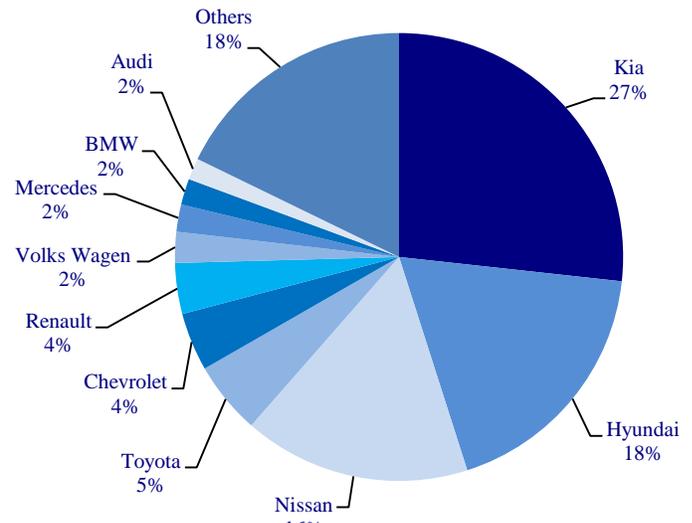
In terms of market shares, the share of Kia cars sold out of total new cars sold increased over the period 2008-2012, from 12% in year 2008 to 27% in 2012. Similarly, the market share of Hyundai in new car sales rose from 6% in 2008 to 18% in 2012. On the other hand, the share of Nissan car sales out of total new car sales dropped over the period 2008-2010, from 20% in 2008 to 16% in 2012. Likewise, the market share of Toyota in new car sales fell from 15% in 2008 to 5% on 2012. This signifies a rising dimension of Korean car makers and a falling dimension of Japanese car makers in the Lebanese cars market. The market shares in new car sales of each of Chevrolet, Renault, Volkswagen, Mercedes, and BMW remained stable over the period 2008-2012 at 4%, 4%, 2%, 2% and 2%, respectively.

Market Share of Car Brands (2008)



Source: Automobile Importers Association

Market Share of Car Brands (2012)



Source: Automobile Importers Association

New Car Sales (January-June 2013):

During the first six months of 2013, 17,110 new passenger and commercial vehicles were sold, a 2% increase from 16,851 units sold in the same period last year. Analyzing new car sales by place of origin, it can be observed that during the first six months of 2013, the demand for Chinese cars increased by 105% y-o-y, from 152 units in January-June 2012, to reach 312 units during the same period this year. The increasing trend in car sales was also witnessed in Korean and European car sales which rose by 6% and 5% y-o-y, to reach 8,190 units and 3,460 units, respectively. On the other hand, new Japanese passenger and commercial cars' registration declined by 10% y-o-y from 4,688 unit in January-June 2012 to 4,196 units in January-June 2013. Similarly, sales of new cars originating from the US dropped by 7% year-on-year, totaling 952 units in January-June 2013.

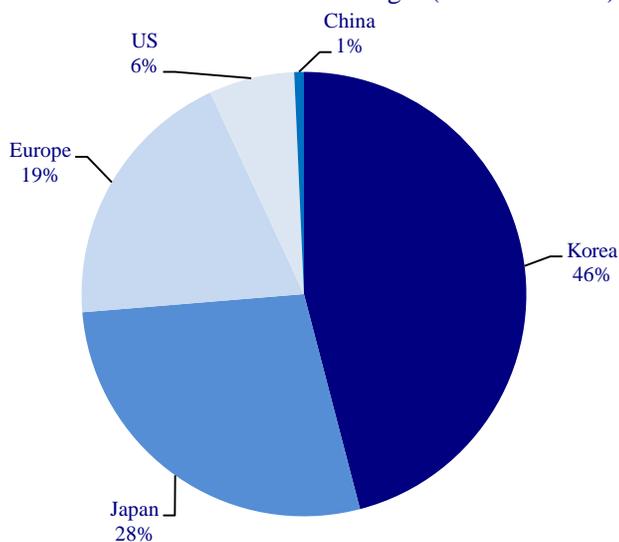
	Jan-June 2012	Jan-June 2013	Y-o-Y Change
Korea	7,707	8,190	6%
Japan	4,688	4,196	-10%
Europe	3,280	3,460	5%
US	1,024	952	-7%
China	152	312	105%
Total	16,851	17,110	2%

Source: Automobile Importers Association

The period January-June 2013 witnessed a continued rise in Korean cars' market share, reaching 48% of total new car sales in January-June 2013, up from 46% in the same period of the previous year. On the other hand, the proportion of new sold Japanese cars of total new passenger and commercial cars sold dropped to 24% in the period January-June 2013, after having possessed 28% of the market for new cars in the first six months of 2012.

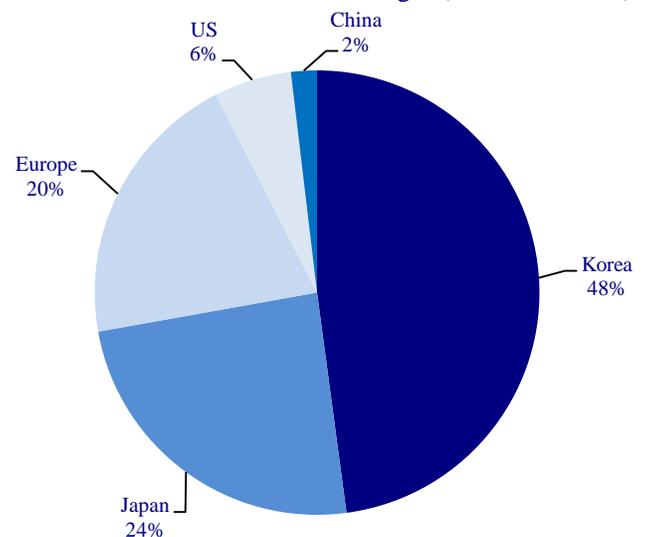
As for European car companies, their share of total new car sales increased slightly from 19% of the market in January-June 2012 to 20% of total sales in the first six months of 2013. US and Chinese car companies maintained a stable market share, with the US car companies' share staying at 6% of total sales in January-June 2013, while Chinese car companies' share slightly increased from 1% in January-June 2012 to 2% in the same period of 2013.

Market Share of Cars' Places of Origin (Jan - June 2012)



Source: Automobile Importers Association

Market Share of Cars' Places of Origin (Jan - June 2013)

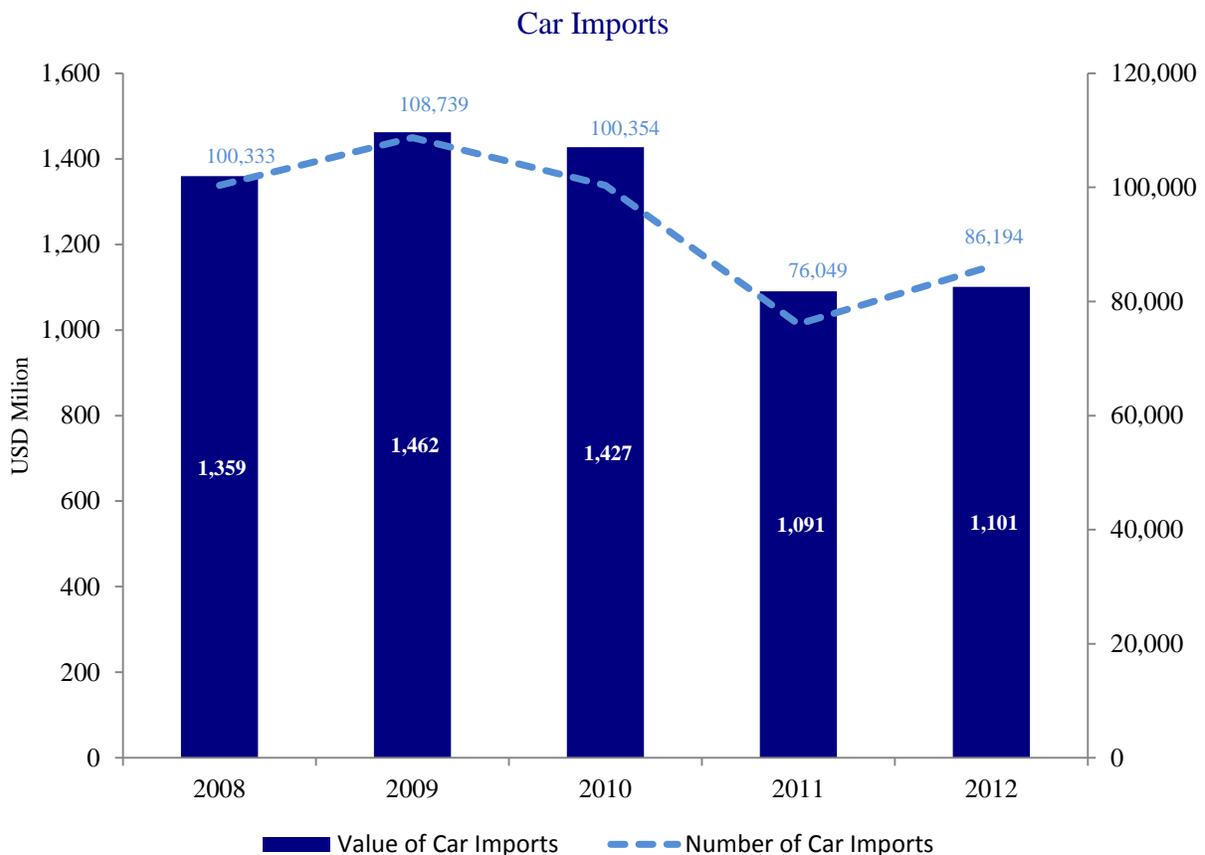


Source: Automobile Importers Association

Car Imports (2008-2012):

Evolution of Car Imports:

During the year 2010, the value of car imports witnessed a 2.4% decrease to reach USD 1,427 million, down from USD 1,463 million in the previous year. This decrease coincided with a 7.7% drop in the number of cars imported which recorded 100,354 units in 2010. As the demand for cars significantly dropped in 2011, suppressed by domestic political instability and regional turbulences, car imports responded to the deteriorating demand. In the year 2011, the value of car imports declined by a significant 23.5% to reach USD 1,091 million, while their number dropped by a remarkable 24.2% to reach 76,049 units. As the demand for cars slightly recovered in 2012, car imports witnessed improvements in terms of value and number of imported cars. In fact, the number of imported cars followed a rising trend in 2012 increasing by 13.4% to reach 86,194 units. Similarly, the value of car imports witnessed a 0.9% increase, recording USD 1,101 million in 2012.



Car Imports by Countries of Origin:

Analysis of the value of car imports by countries of origin reveals that Germany tops the list, followed by US, Japan, and Korea, consecutively. Although maintaining the first position in the value of car imports by countries of origin, cars imported from Germany has been following a falling trend since 2010. After declining slightly in the year 2010 to reach USD 525.4 million, the value of imported German cars fell by 27% in 2011 reaching USD 385.1 million, and further dropped by 11% in 2012 totaling USD 344.6 million. As for cars imported from the US, their value declined by a yearly 19% in 2010 and a yearly 26% in 2011, to reach USD 212.9 million and USD 158.1 million, respectively. The value of imported American cars recovered a little in 2012, increasing by 5% year-on-year, to USD 165.5 million.

Due to the significantly falling demand for Japanese cars over the years, the value of imported Japanese cars deteriorated over the past 3 years. Having declined by 13% in the year 2010 to reach USD 350.0 million, the value of imported Japanese cars fell by a significant 46% in 2011 reaching USD 190.1 million, and further dropped by 14% in 2012 totaling USD 164.1 million. In contrast, the heightening domestic demand for Korean cars resulted in a consequent increase in the value of imported Korean cars. The value of these car imports rose by 38% in 2010 to reach USD 118.1 million. This rise in value of car imports from Korea continued in 2011 and 2012, where the value increased by 9% in 2011 reaching USD 129.1 million, and by 21% in 2012 to reach USD 155.9 million.

The value of imported cars from the UK reached USD 101.7 million in 2010, rising by 20% year-on-year. Even though the value of car imported from the UK deteriorated by 9% in 2011, that value recovered by 14% year-on-year in 2012 to reach USD 106.1 million. As for imported cars from France, their value has been on the decline in the past two year. In fact, the value of imported French cars fell by a yearly 18% in 2011 to reach USD 15.0 million. This drop continued through 2012 with the value of imported French cars totaling USD 10.8 million, down by 28% from the previous year.

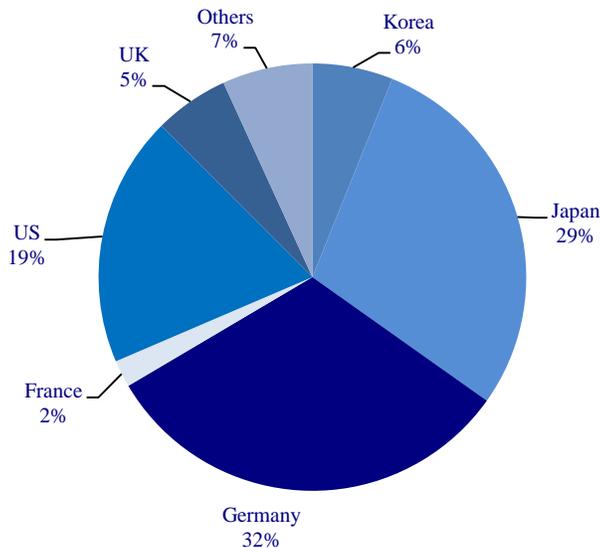
USD Million	2008	2009	2010	2011	2012
Germany	431.2	528.0	525.4	385.1	344.6
% Change		22%	0%	-27%	-11%
US	258.0	262.5	212.9	158.1	165.5
% Change		2%	-19%	-26%	5%
Japan	390.7	401.4	350.0	190.1	164.1
% Change		3%	-13%	-46%	-14%
Korea	82.9	85.6	118.1	129.1	155.9
% Change		3%	38%	9%	21%
UK	76.9	84.7	101.7	92.7	106.1
% Change		10%	20%	-9%	14%
France	27.9	14.6	18.3	15.0	10.8
% Change		-48%	26%	-18%	-28%
Others	92.9	86.2	102.2	121.6	154.4
% Change		-7%	18%	19%	27%

Source: Lebanese Customs

Considering the classification of value of imported cars by countries of origin, it can be noted that Korean cars gained in terms of consumer preference over the years, while the preference of other countries cars dropped. In fact, the share of imported Korean cars increased over the period 2008-2012 from 6% in year 2008 to 14% in 2012. Similarly, the share of cars imported from UK out of total car imports' value rose to 10% in 2012, up from 5% in 2008. On the other hand, the proportion of imported Japanese cars' value of total imported cars' value significantly dropped to 15% in the year 2012, after Japanese car imports constituted about 29% of total value of imported cars in 2008.

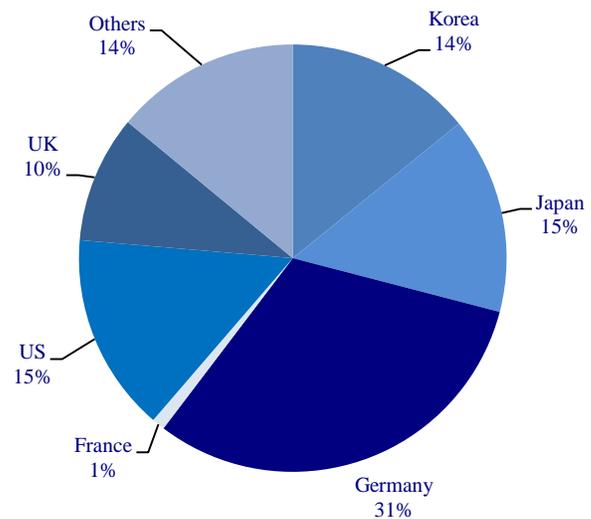
As for imported German cars, their share of total value of car imports decreased slightly from 32% of the market in the year 2008 to 31% in the year 2012. The value of imported cars from US and France out of total imported cars' value dropped over the period 2008-2012, with the US' share declining from 19% in the year 2008 to 15% in the year 2012, while France's share slightly fell from 2% in 2008 to 1% in the year 2012. As such, car imports adjusted to change in consumer preference, hence resulting in a surge in imports of low-end and fuel-efficient cars.

Value of Car Imports by Countries (2008)



Source: Lebanese Customs

Value of Car Imports by Countries (2012)



Source: Lebanese Customs

Car Imports (January-June 2013):

During the first six months of 2013, the number of imported cars totaled 45,982 units, witnessing a 16% rise from 39,728 units in the same period last year. Similarly, the value of imported cars rose by 3% y-o-y from USD 555.0 million as of end-June 2012 to USD 568.9 million as of end-June 2013.

	Jan-June 2012	Jan-June 2013	Y-o-Y Change
Number of Car Imports	39,728	45,982	16%
Value of Car Imports (USD Million)	555.0	568.9	3%

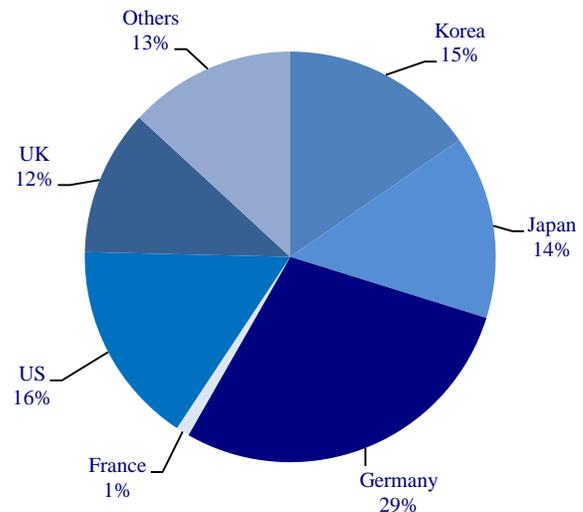
Sources: Lebanese Customs, Port of Beirut Authority

In terms of value of imported cars by country, cars imported from Germany maintained the highest value, totaling USD 161.9 million, and constituting a 29% share of total imported cars' value during the first six months of 2013. The value of cars imported from US came second with a total value of USD 91.5 million, equivalent to 16% of total value of car imports. Furthermore, the value of cars imported from each of Korea and Japan reached USD 87.5 million and USD 82.2 million, constituting a share of 15% and 14%, respectively. As for the value of cars imported from the UK, it totaled USD 65.3 million, establishing a share of 12% out of total imported cars' value.

USD Million	Jan-June 2013
Germany	161.9
US	91.5
Korea	87.5
Japan	82.2
UK	65.3
France	5.9
Others	74.8

Source: Lebanese Customs

Value of Car Imports by Country (January - June 2013)



Source: Lebanese Customs

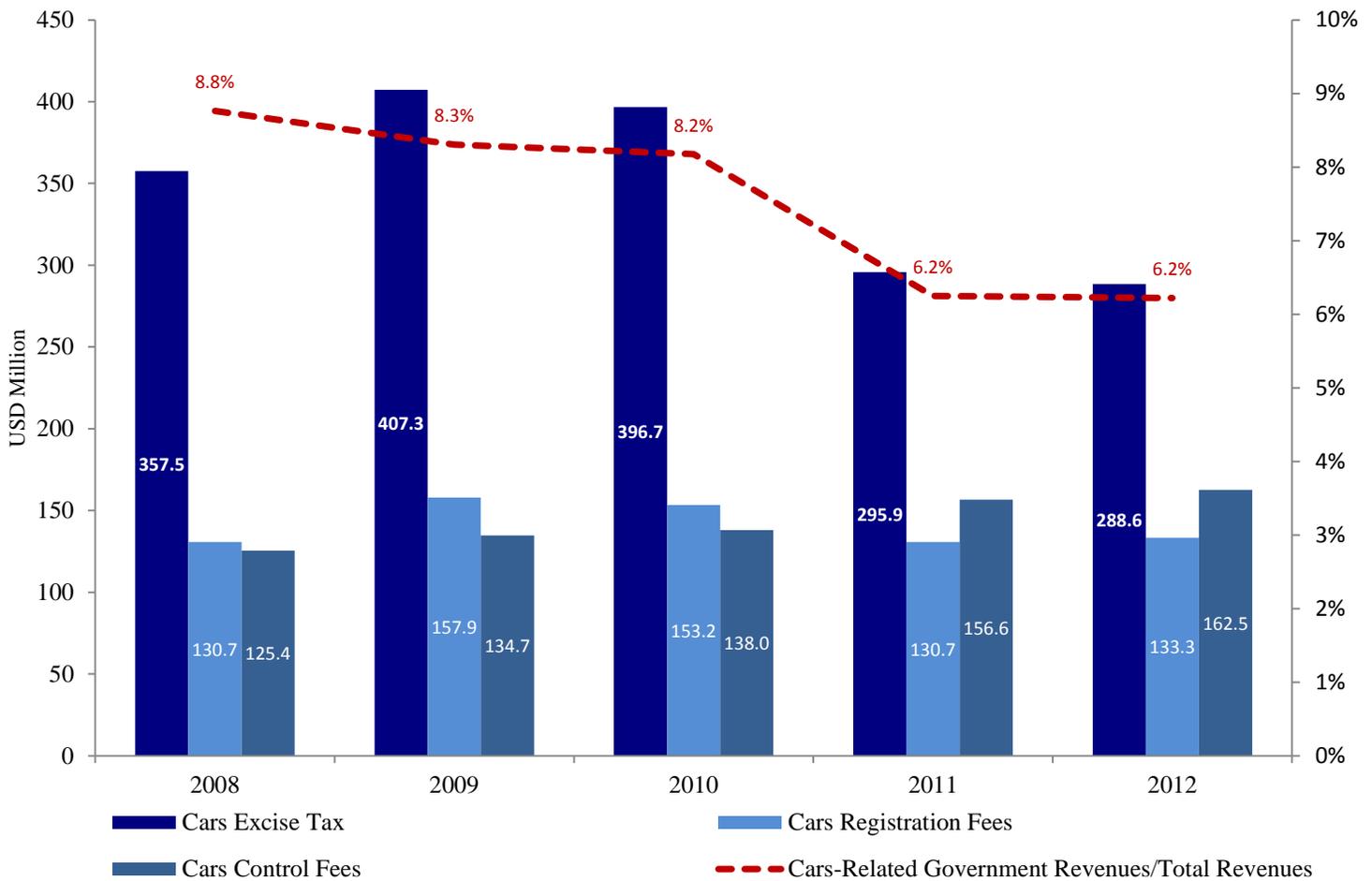
Cars-Related Government Revenues:

Trends in car sales and car imports directly affect government's revenues through their direct impact on cars excise tax, cars registration fees and cars control fees collected. Excise tax collected on cars grew by a year-on-year 14% to reach USD 407.3 million in 2009. However, affected by the economic slowdown, car sales deteriorated in the past few years leading to a 25% year-on-year drop in excise tax collected on cars in 2011 to reach USD 295.9 million, down from USD 396.7 million in the previous year. The fall in cars excise tax continued through 2012, dropping by 2% to record USD 288.6 million collected.

In terms of cars registration fees, the government's collection of these fees rose by 21% during 2009 to reach USD 157.9 million, but declined by a slight 3% in 2010, reaching USD 153.2 million. As a consequence of falling demand for cars, registration fees dropped by 15% in 2011, totaling USD 130.7 million, but somewhat improved in 2012 to reach USD 133.3 million. On the other hand, cars control fees, also known as 'mécanique' fees have been on the rise over the past few years as the stock of cars within the country increased. These fees rose by 13% in 2011 to reach USD 156.6 million, and further increased in 2012 to record USD 162.5 million.

Cars-related revenues' contribution to total government revenues have declined over the period 2008-2012. After constituting 8.8% of total government revenues, car-related revenues' share of total government revenues gradually declined to reach a share of 8.2% in 2010. As car sales and car imports activities plunged in 2011 and 2012, the share of cars-related revenues dropped to reach 6.2% of total government revenues by end-2012.

Cars-Related Government Revenues

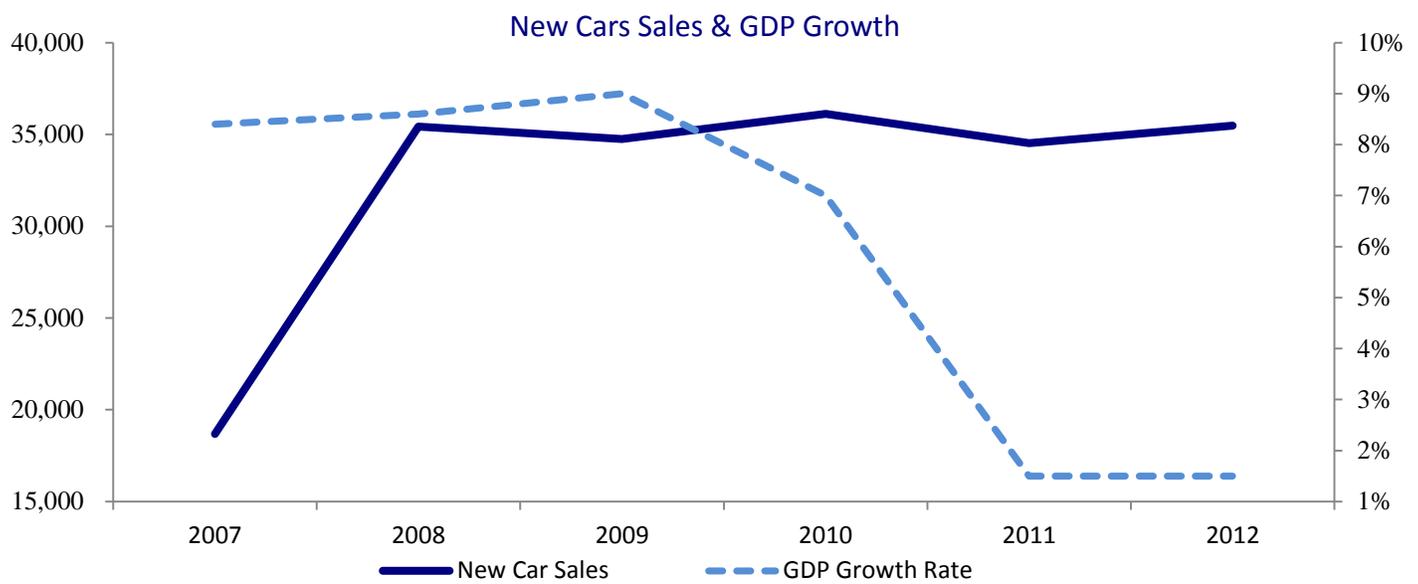


Source: Ministry of Finance

Car Sales and Car Imports Dynamics:

New Car Sales and GDP Growth:

Trend analysis of new car sales and GDP growth reveals that new car sales respond positively to fluctuations in GDP growth rates. This can be explained by the fact that consumers adjust their spending behavior based on past and current economic performance and growth.



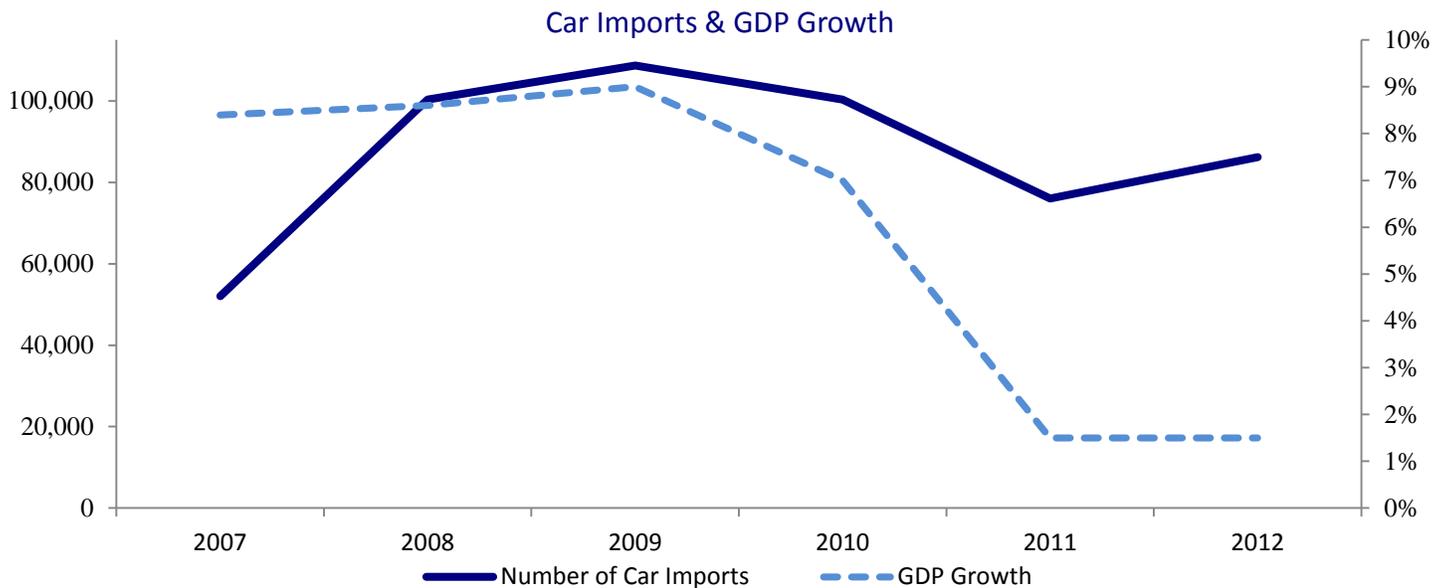
Source: Automobile Importers Association, IMF World Economic Outlook

To further analyze the relation between new car sales and GDP, ordinary least square regression analysis was performed between yearly change in new car sales over the period 2007-2012 and GDP growth at constant prices over the same period. As expected, the analysis showed that there is a positive relation between change in number of new car sales in Lebanon and GDP growth at constant prices. The regression revealed a high coefficient of determination which renders the analysis quite reliable. Furthermore, the analysis reveals that a rise in GDP growth rate by 1 percentage point would lead to a yearly increase in new car sales by 860 cars. On the

other hand, a 1 percentage point drop in GDP growth rate would result in annual new car sales reduction by 860 cars.¹

Car Imports and GDP Growth:

Trend analysis of car imports and GDP growth reveals that car imports respond positively to fluctuations in GDP growth rates. This can be explained by the fact that as the demand for cars rise during prosperous economic times and falls during recessionary periods, car imports respond accordingly.



Source: Port of Beirut Authority, IMF World Economic Outlook

To further analyze the relation between car imports and GDP, ordinary least square regression analysis was performed between yearly change in car imports over the period 2007-2012 and GDP growth at constant prices over the same period. As expected, the analysis showed that there is a positive relation between change in number of imported cars in Lebanon and GDP growth at constant prices. The regression revealed a high coefficient of determination which

¹ Technical details on the regression analysis performed can be found in Appendix 1.

renders the analysis quite reliable. Furthermore, the analysis reveals that a rise in GDP growth rate by 1 percentage point would lead to a yearly increase in the number of imported cars by 3,734 units. On the other hand, a 1 percentage point drop in GDP growth rate would result in annual imported cars reduction by 3,734 units.²

² Technical details on the regression analysis performed can be found in Appendix 1.

Appendix 1:

New Car Sales and GDP Growth Regression Analysis:

Regression Statistics	
Multiple R	0.450925911
R Square	0.203334177
Adjusted R Square	0.004167722
Observations	6

Coefficients	
Intercept	-1773.218767
GDP Growth	860.1475722

Car Imports and GDP Growth Regression Analysis:

Regression Statistics	
Multiple R	0.545025982
R Square	0.297053322
Adjusted R Square	0.121316652
Observations	6

Coefficients	
Intercept	-14685.52406
GDP Growth	3734.865122

Disclaimer

This material has been prepared by BankMed, sal based on publicly available information and personal analysis. It is provided for information purposes only. It is not intended to be used as a research tool nor as a basis or reference for any decision. The information contained herein including any opinion, news and analysis, is based on various publicly available sources believed to be reliable but its accuracy cannot be guaranteed and may be subject to change without notice. BankMed, sal does not guarantee the accuracy, timeliness, continued availability or completeness of such information. All data contained herein are indicative. Neither the information provided nor any opinion expressed therein, constitutes a solicitation, offer, personal recommendation or advice. BankMed, sal does not assume any liability for direct, indirect, incidental or consequential damages resulting from any use of the information contained herein.