

BEIRUT TRADERS
ASSOCIATION
bankmed
INVESTMENT INDEX
Second Quarter of 2016



“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 wellbeing of the commercial sector through the allocation of a fixed capital (for commercial activity) in the near future.

TURNOVER COMPONENT

The consolidated business figures across most wholesale sectors reveal a continued slowdown in their market activity when compared to the same quarters of the previous year.

The downturn in wholesale results accelerated during the second quarter of 2016, whereby the “Turnover Component,” which tackles the activity during the second quarter of 2016, reported a nominal decline of 8.85% (excluding the Wholesale Sector of Liquid Fuel) in comparison with the second quarter of 2015. It is also worth noting that the Liquid Fuel sector has witnessed a decline of 5%.

It is worth noting that this trend remained negative despite the fact that the cost of living indicator recorded a decline where it reached (-0.98%) between the second quarter of 2015 and the second quarter of 2016. The real figures of the “Turnover Component” for the second quarter of 2016 recorded a decline of 7.96% compared to the results of the second quarter in 2015.

| Year-on-Year Percentage Change during the Second Quarter of 2016 | | |
|---|---------------------|------------------------|
| | Second Quarter 2015 | Second Quarter 2016 |
| Nominal Turnover Component - excluding liquid fuel % Change in Nominal Turnover Component | 100 | 91.15 -8.85% |
| Real Turnover Component - excluding liquid fuel % Change in Real Turnover Component - excluding liquid fuel | 100 | 92.04 -7.96% |

Inflation in all sectors declined by 0.98% between June 2015 and June 2016 according to the Central Administration of Statistics.

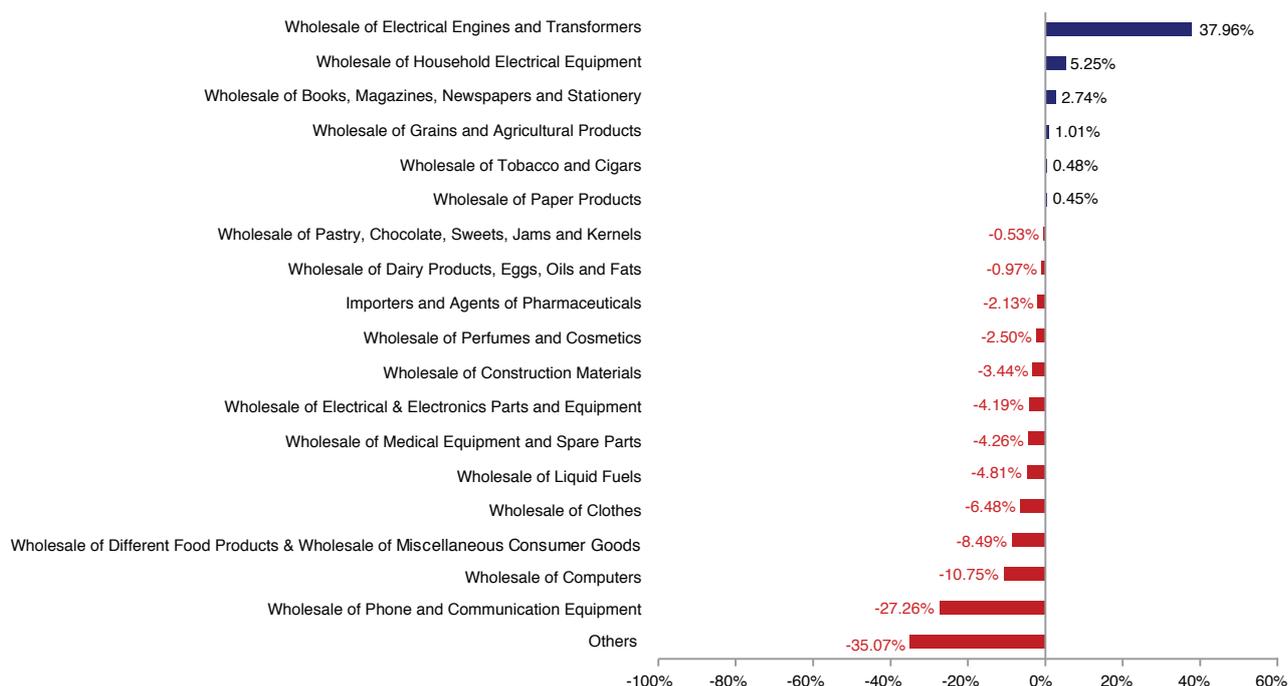
With respect to business development between the first and the second quarters of 2016, it can be noted that the computed results for all wholesale sectors decreased by 2.67% in the light of the modest decline in the cost of living indicator, which reached (-1.54%) during this period.

| Quarter-on-Quarter Percentage Change during the Second Quarter of 2016 | | | | | | | | | | | | |
|--|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|
| | Third Quarter 2013 | Fourth Quarter 2013 | First Quarter 2014 | Second Quarter 2014 | Third Quarter 2014 | Fourth Quarter 2014 | First Quarter 2015 | Second Quarter 2015 | Third Quarter 2015 | Fourth Quarter 2015 | First Quarter 2016 | Second Quarter 2016 |
| Nominal Turnover Component | 100 | 96.43 | 90.78 | 96.09 | 93.34 | 99.63 | 89.4 | 89.08 | 89.82 | 88.3 | 79.02 | 78.11 |
| % Change in Nominal Turnover Component | | -3.57% | -5.86% | +5.85% | -2.75% | 6.74% | -10.27% | -0.36% | 0.84% | -1.69% | -10.51% | -1.15% |
| Real Turnover Component | 100 | 94.40 | 89.15 | 96.55 | 92.03 | 99.70 | 90.34 | 91.02 | 92.86 | 91.42 | 82.76 | 80.55 |
| % Change in Real Turnover Component | | -5.60% | -5.25% | +7.40% | -4.52% | 8.33% | -9.39% | 0.76% | 2.03% | -1.54% | -9.48% | -2.67% |

- ✓ According to the Central Administration of Statistics, inflation in all sectors reached (-1.54%) between March 2016 and June 2016.
- ✓ The real wholesale Turnover Component for the second quarter of 2016 (80.55) is a result of computing the percentage decline which reached (-2.67%) over the Turnover Component for the first quarter of 2016 (which had reached 82.76).

The detailed analysis of the second quarter of 2016 in comparison to the second quarter of 2015 indicates a decline within most sectors, including the vital ones, albeit at varying rates, as shown in the graph below:

Turnover Component for Second Quarter 2016 Compared to Second Quarter 2015



INTENTION TO INVEST COMPONENT

The “Intention to Invest Component” indicates the wholesalers’ willingness to increase or decrease their investment activities in the upcoming period.

Despite the continued decline in the activity within most wholesale sectors, the majority of wholesale merchants have maintained neutral intentions with regard to increasing or decreasing investments. However, the Wholesale sector of Perfumes and Cosmetics has solely indicated a positive intention to increase investment.

The computed results of “The Intention to Invest Component” for the second quarter of 2016 reached (0.02012) 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 50.34, compared to 50.36 in the previous quarter. This indicates that the “Intention to Invest Component” although it has somewhat declined, it still reveals some positivity as it slightly surpassed the 50 level.

DISCLAIMER

The material contained herein is being provided by Beirut Traders Association (BTA) and Bankmed, sal for information purposes only. It is not intended to be used as a research tool nor as a basis or reference for any decision. This information including any opinion (if any), is based on various available sources that are believed to be reliable but their accuracy cannot be guaranteed and may be subject to change without notice. BTA and Bankmed, sal do 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. BTA and Bankmed, sal do not assume any liability for direct, indirect, incidental or consequential damages resulting from any use of the information contained herein.