

BEIRUT TRADERS
ASSOCIATION
bankmed
INVESTMENT INDEX
Second Quarter of 2017



“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 positive developments in the Lebanese political scene, following the endorsement of a new electoral law, and the well-maintained security conditions did not bring in a recognized change in the wholesale market during the second quarter of 2017. On the contrary, most wholesale sectors reported continued deterioration in comparison with the same quarter in 2016. The volume of placed orders remains modest since the majority of retailers have been exercising vigilance when it comes to replenishing their stocks. This downward trend is largely attributable to the decline in the purchasing power of Lebanese households.

Computed sales figures for the second quarter of 2017 recorded a an annual drop of 3.53% in comparison to the real results for the second quarter in 2016 (even when the cost of living index is applied and which in turn reached 3.48% according the Central Administration of Statistics). On a quarter-on-quarter basis, a modest improvement has been recorded at 0.53% (following the application of the cost of living index for the first quarter of 2017 and the second quarter of 2017, which reached +0.04% according to the Central Administration of Statistics).

The real annual computed decline between the second quarter of 2016 and the second quarter of 2017 (excluding the Wholesale Sector of Fuel) reached - 9.27%. However, on a quarter-on-quarter basis (first and second quarter of 2017), a modest increase has been recorded at 2.34%.

COST OF LIVING INDICATOR

The upward trend in the Cost of Living Indicator continued for the fourth consecutive quarter to reach 3.48% according to the Center of Administration of Statistics. This aspect has had an immediate impact on the computed results.

At the same time, the Cost of Living Indicator recorded a slight deterioration of -0.04% between the first and the second quarter of 2017.

The following table displays the changes between the second quarter of 2017 and the second quarter of 2016.

Year-on-Year Percentage Change during the Second Quarter of 2017

	Second Quarter 2016	Second Quarter 2017
Nominal Turnover Component - excluding liquid fuel % Change in Nominal Turnover Component	100	94 -6%
Real Turnover Component - excluding liquid fuel % Change in Real Turnover Component - excluding liquid fuel	100	90.73 -9.27%

- ✓ Inflation in all sectors between June 2016 and June 2017 was recorded at 3.48% according to the Central Administration of Statistics

Examining the figures of each sector separately reveals that most wholesale sectors continued to reported a deterioration, even within vital sectors. However, the Wholesale sector of Pastry, Chocolate, Sweets, Jams, and Kernels as well as the Wholesale sector of clothes witnessed modest improvement in their sales figures in comparison with the remaining sectors.

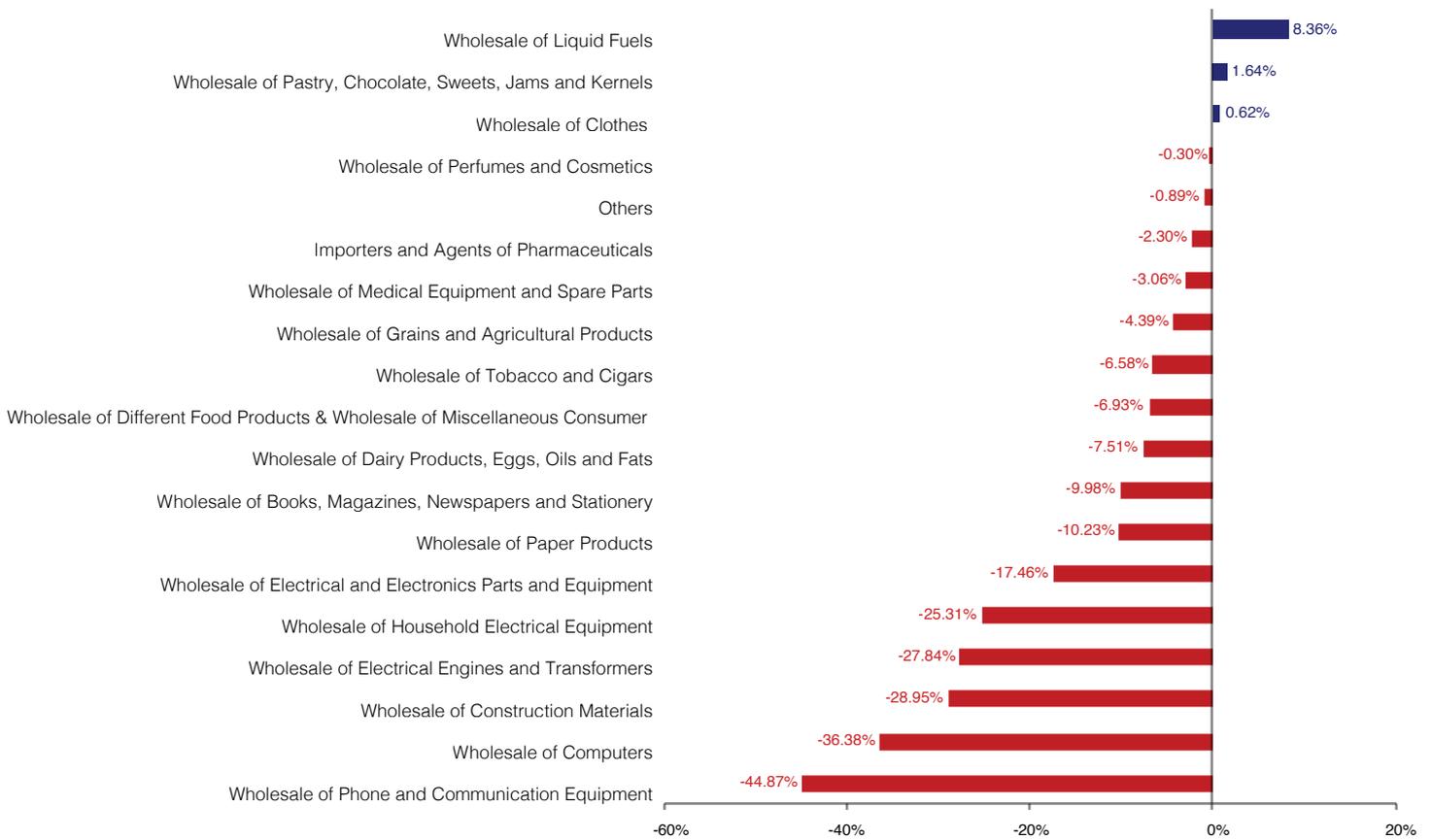
Quarter-on-Quarter Percentage Change between the Second Quarter of 2017 and the First Quarter of 2017

	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	Third Quarter 2016	Fourth Quarter 2016	First Quarter 2017	Second Quarter 2017
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	84.71	86.13	79.95	80.34
% 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%	8.45%	1.68%	-7.18%	0.49%
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	86.64	86.40	79.60	80.02
% 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%	7.57%	-0.28%	-7.87%	0.53%

- ✓ Inflation in all sectors between March and June 2017 was recorded at -0.04% according to the Central Administration of Statistics.
- ✓ The real Turnover Component for the second quarter of 2017 (80.02) is a result of computing the ratio of improvement, which reached + 0.53%, over the Turnover Component for the first quarter of 2017, which had reached 79.06 (including the results of liquid fuels).

The detailed analysis of the second quarter of 2017 in comparison to the second quarter of 2016 came as follows:

Real Turnover Component for Second Quarter 2017 Compared to Second Quarter 2016



INTENTION TO INVEST COMPONENT

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 lack of improvement in the market activity, wholesalers did not reveal any intentions to decrease their investments even within sectors that witnessed a significant deterioration in their sales activities. The only exception was recorded in the Wholesale Sector of Dairy Products, Eggs, Oils and Fat. The remaining wholesale sectors revealed a clear intention to increase their investments, especially within foodstuffs sectors like the Wholesale Sector of Pastry, Chocolate, Sweets, Jams, and Kernels.

As a result, the computed results of “The Intention to Invest Component” for the second quarter of 2017 recorded a slight decrease that reached (+0.03470) on a scale of (-3 to +3), which had been adopted to express the level of intentions to invest or disinvest, compared to (+0.03600) recorded in the previous quarter. Hereby, traders indicate 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 50.58, compared to 50.60 recorded in the previous quarter. The figure reveals that wholesalers’ intentions remained positive during this quarter. It is hoped that this positive trend will be witnessed in more sectors as soon as the national economy begins to pick up.

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