

BEIRUT TRADERS  
ASSOCIATION  
**BANKMED**  
INVESTMENT INDEX

FIRST QUARTER OF 2014



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, continued to witness an overall real deterioration amounting to 0.97% in comparison with the same quarter of 2013.

It is noteworthy that, despite this modest decline in comparison to that witnessed in the previous quarter, the first quarter of every year is usually the quarter where retailers replenish their stock from wholesalers. As such, the continued decline in activity signals the cautious attitude of retailers. While the results in the first quarter of 2013 were not encouraging, the decline in the first quarter of 2014 indicates the maintained slowdown in commercial activity.

Year-on-Year Percentage Change in First Quarter of 2014		
	First Quarter 2013	First Quarter 2014
Nominal Turnover Component	100	101.05
<b>% Change in Nominal Turnover Component</b>		<b>+1.05%</b>
Real Turnover Component	100	99.03
<b>% Change in Real Turnover Component</b>		<b>-0.97%</b>

*Inflation in all sectors between March 2013 and March 2014 at 2.0% according to the Central Administration of Statistics*

Likewise, the “Turnover Component” fell by 5.25 % in comparison with the fourth quarter of 2013.

Quarter-on-Quarter Percentage Change in First Quarter of 2014		
	Fourth Quarter 2013	First Quarter 2014
Nominal Turnover Component	96.43	90.78
<b>% Change in Nominal Turnover Component</b>		<b>-5.86%</b>
Real Turnover Component	94.40	89.15
<b>% Change in Real Turnover Component</b>		<b>-5.25%</b>

*Inflation in all sectors between December 2013 and March 2014 at 1.8% according to the Central Administration of Statistics*

The aforementioned deterioration witnessed in the first quarter of 2014, whether in comparison with the same quarter of last year or the preceding quarter which is in this case the last quarter of 2013, reflects the continued decline witnessed in commercial activity. This also shows that the market, in spite of the improvement in the security situation, has been negatively affected by cascading trade union strikes during this quarter. This deterioration is also a result of the accelerated decline in the 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. The significant decline in the turnover of wholesalers during the first quarter of 2014 clearly reflects the cautious attitude of retailers, who did not expand their demand from wholesalers during the beginning of 2014 due to the accumulation of their stocks.

A detailed assessment of the results of each sector reveals a discrepancy in the declines among these sectors, expect for:

- Clothes, Textile, Shoes and Leather Items Sector, which saw a 7.25% real improvement in comparison with the same quarter of the previous year. This is due to the steep drop in average prices in this sector.
- Importers and Agents of Pharmaceuticals Sector, which witnessed a 5.06% real improvement in comparison with the first quarter of 2013. Meanwhile, the results of this sector deteriorated by 20.78% in the first quarter of 2014 in comparison with the fourth quarter of 2013.

The sectors, which witnessed a real yearly decline between 10% and 25% during the first quarter of 2014 are:

- Electrical Engines and Transformers Sector -24.26%
- Livestock Sector -16.91%
- Tobacco and Cigars Sector -16.15%
- Books, Magazines, Newspapers, and Stationery Sector 11.35%
- Computers Sector -10.7%

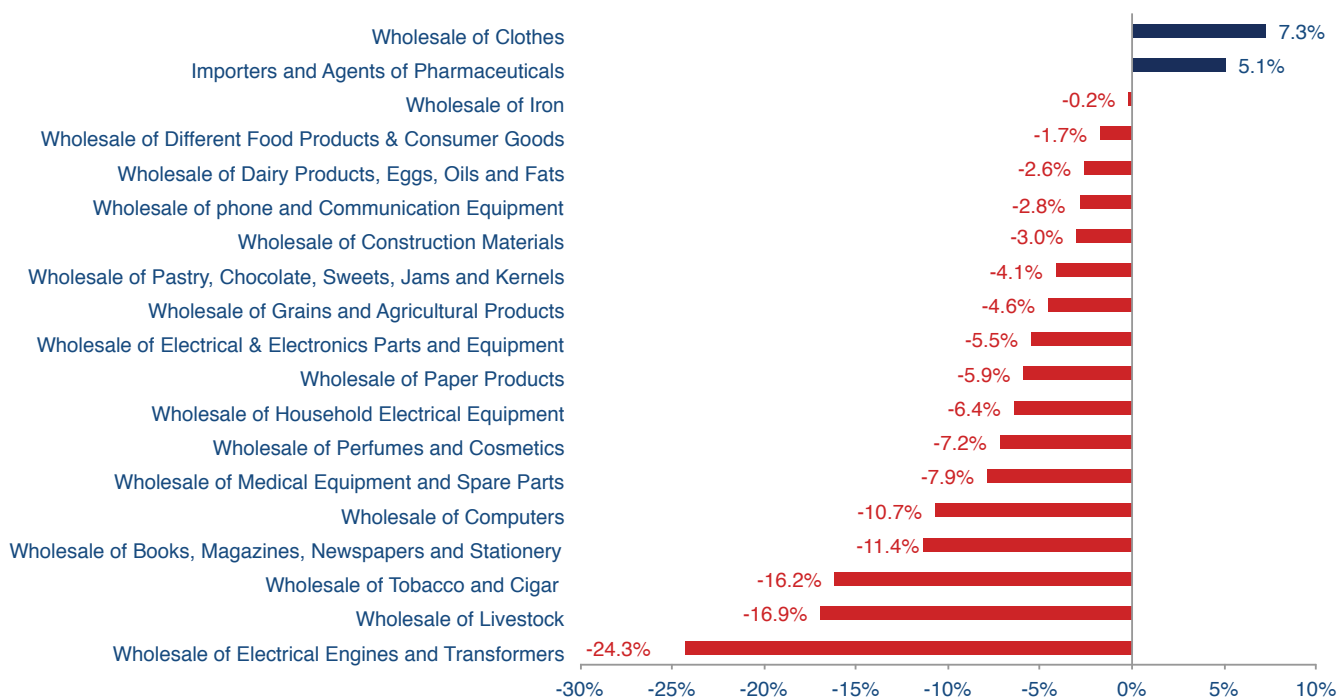
Other sectors witnessed a real yearly decline of less than 10%, including:

- Perfumes and Cosmetics Sector -7.18%
- Grains and Agricultural Products Sector -4.56%
- Construction Materials Sector -3.01%
- Phones and Communication Equipment Sector -2.8%
- Different Food Products & Consumer Goods Sector -1.78%
- Dairy Products, Eggs, Oils and Fats Sector -2.69%

These figures indicate the following:

- A decrease in the level of consumption of meat, where wholesale of livestock dropped by an annual 25%. This indicates a deterioration in the purchasing power of households, who are following austerity measures with respect to their daily consumption.
- A noticeable decline in the wholesale of grains and agricultural products as well as in the wholesale of dairy products, eggs, oils, and fats, which signals an accelerated decline in the living standard of Lebanese families.
- Accordingly, the Books, Magazines, Newspapers and Stationery Sector, the Computer Sector, and the Perfumes and Cosmetics Sector deteriorated by more than 10%.
- The slight slowdown recorded in the Construction Materials sector is mainly a circumstantial decline.

**Turnover Component for First Quarter 2014 Compared to First 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, as in the previous two quarters, there are no clear intentions to disinvest in the wholesale trade sector in the near future despite the negative results recorded in most sectors during the beginning of 2014.

- The computed figure for the “Intention to Invest Component” in the first quarter of 2014 reached 0.1915 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.
- The component recorded in the previous quarter (i.e. fourth quarter of 2013) where it amounted to 0.2365, was slightly better than the one recorded in this quarter.
- This figure is normalized into the range [0 , 100] where it amounts to 53.19. 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 first quarter of this year.

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

- Sectors that show willingness to significantly decrease investments:

- o Computers Sector, which has been witnessing consecutive declines in activity, revealed a strong willingness to decrease investment recording a value of 25.0;
- o Electrical & Electronics Parts and Equipment and Magnetic Disks Sector, where the willingness to decrease investment recorded a value of 46.58 after it recorded 43.5 in the previous quarter. This is a direct result of the maintained deterioration in this sector's activity.

- Sectors that do not show willingness to increase or decrease investments:

- o Livestock Sector
- o Tobacco and Cigars Sector
- o Different Food Products & Consumer Goods Sector
- o Perfumes and Cosmetics Sector
- o Construction Materials Sector
- o Grains and Agricultural Products Sector
- o Clothes, Textile, Shoes and Leather Items Sector

- Sectors that show positive intentions to invest:

- o Dairy Products, Eggs, Oils and Fats Sector, which recorded a willingness to invest of a value of 84.0, despite the negative results in the first quarter of 2014,
- o Importers and Agents of Pharmaceuticals which recorded a willingness to invest of a value of 66.67;
- o Books, Magazines, Newspapers and Stationery Sector which recorded a willingness to invest of 56.67 despite the negative sales results recorded in several consecutive quarters.

In conclusion, it is revealed that wholesalers maintain their morale and are looking forward to overcome the current challenging situation by expressing their desire, even if modest, to continue investing in the future.

## DISCLAIMER

The material contained herein is being provided by BankMed sal and Beirut Traders Association 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. BankMed sal and Beirut Traders Association 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. BankMed, sal