

BEIRUT TRADERS
ASSOCIATION
bankmed
INVESTMENT INDEX

First Quarter of 2015



“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 “Turnover Component,” which tackles the activity during the first quarter of 2015, reflects a continued slowdown in commercial activity within most sectors. The computed results for most of the wholesale market recorded a nominal decline of (4.86%) in comparison with the first quarter of 2014. Similarly, the level of the overall real decline remained negative, recording -1.64%, despite the deterioration in the cost of living indicator that was witnessed during this period (between the first quarter of 2014 and the first quarter of 2015) and which declined by -3.38%.

It is worth noting that the cost of living indicator had previously recorded a decline of -0.71% during the fourth quarter of 2014, in comparison with the fourth quarter of 2013.

The downturn in the commercial activity continued during this period despite a weakened euro –the main currency for import– and falling oil prices. This signifies that the consequences of fluctuations in global markets and prices may have a limited influence on the local activity when their impact fails to reach the local market in time.

Year-on-Year Percentage Change in First Quarter of 2015		
	First Quarter 2014	First Quarter 2015
Nominal Turnover Component	100	95.14
% Change in Nominal Turnover Component		-4.86%
Real Turnover Component - excluding liquid fuel	100	98.36
% Change in Real Turnover Component - excluding liquid fuel		-1.64%

According to the Central Administration of Statistics, inflation in all sectors, between March 2014 and March 2015, reached 3.38%.

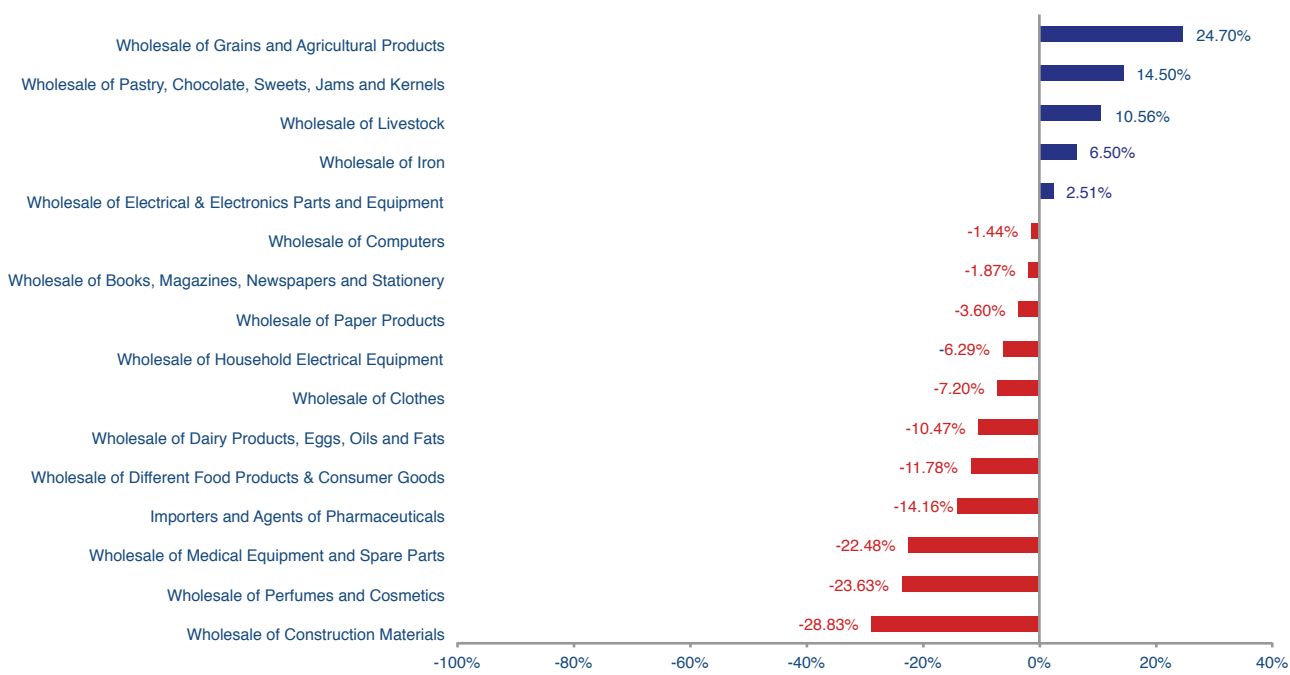
A close examination of these results reveals that the fluctuations in wholesale business numbers, between the last quarter of 2014 and the first quarter of 2015 –specifically around the Easter season when activity had been expected to pick up– witnessed a sharp decline after it had witnessed the slight improvement in the previous quarter.

Quarter-on-Quarter Percentage Change in First Quarter of 2015							
	Third Quarter 2013	Fourth Quarter 2013	First Quarter 2014	Second Quarter 2014	Third Quarter 2014	Fourth Quarter 2014	First Quarter 2015
Nominal Turnover Component	100	96.43	90.78	96.09	93.34	99.63	89.4
% Change in Nominal Turnover Component		-3.57%	-5.86%	+5.85%	-2.75%	6.74%	-10.27%
Real Turnover Component	100	94.40	89.15	96.55	92.03	99.70	90.34
% Change in Real Turnover Component		-5.60%	-5.25%	+7.40%	-4.52%	8.33%	-9.39%

- Inflation in all sectors, between December 2014 and March 2015, reached -0.98% according to the Central Administration of Statistics.
- The real Turnover Component for the first quarter of 2015, which reached 90.34 is a result of computing the percentage decline, which reached -9.39% over the real sales component for the fourth quarter, which had reached 99.70.

A detailed assessment of the first quarter of 2015 results, in comparison with the first quarter of 2014, reveals that the increase witnessed in vital sectors such as Wholesale of Grains and Agricultural Products Sector (+24.70%), Wholesale of Pastry, Chocolate, Sweets, Jams and Kernels Sector (+14.50%), as well as Wholesale of Livestock Sector (+10.65%) was curbed by significant declines in other sectors, especially those that were expected to witness increased activity around the festive period such as Wholesale of Clothes, or even wholesale of primary goods such as: Wholesale of Different Food Products and Consumer Goods, which witnessed a tangible decline due to deflation conditions as well as the continued downturn in the purchasing power of domestic consumers. In addition, the retailers’ inability to bear the risk of overstocking as well as overcome the controversial relationship with wholesalers –with respect to financing– also played a major role in contributing to this decline.

Turnover Component for First Quarter 2015 Compared to First Quarter 2014



INTENTION TO INVEST COMPONENT

The “Intention to Invest Component” indicates the wholesalers’ willingness to increase or decrease their investment activities in the upcoming period. Contrary to the previous quarters, the calculated results reveal that there is an intention –though modest– to disinvest in the wholesale trade sector in the near future.

It is worth noting that while most sectors did not show any intention to increase or decrease investments, the Wholesale of Consumer Goods Sector –despite the deterioration it witnessed during this quarter–presented an intention to increase investment along with the Wholesale of Sanitary Paper and Napkins Sector, which also witnessed deterioration in activity, albeit to a lesser extent.

On the other hand, there are sectors that presented a clear intention to decrease investment and these include: Wholesale of Electrical and Electronics Parts and Equipment, Wholesale of Dairy Products, Eggs, Oils, and Fats as well as Wholesale of Medical Equipment.

The computed result of “The Intention to Invest Component” for the first quarter of 2015 reached 0.00023 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 computed result for all sectors that was recorded in the previous quarter (fourth quarter of 2014) had been higher, where it reached 0.171127. This highlights –to a certain extent– the unlikelihood of increasing investment in near or even distant future.
- This figure is normalized into the range [0 , 100] where it amounts to 48.28, compared to 52.85 in the previous quarter. Given that the normalized “Intention to Invest Component” dropped below the 50-level by two points reveals that the willingness to invest became incoherent during this quarter, as it is characterized by some negativity. Apparently, these adverse conditions will continue to weigh down on demand in the retail sector, and consequently the wholesale sector, unless drastic local and regional solutions put an end to this situation.

DISCLAIMER

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