

BEIRUT TRADERS
ASSOCIATION
BANKMED
INVESTMENT INDEX

FOURTH QUARTER OF 2013



“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, witnessed an overall real deterioration amounting to 9.78% in comparison with the same quarter of 2012.

It is noteworthy that this real decline is approximately equivalent to twice the decrease recorded in the third quarter of the year compared to the same quarter of 2012.

Year-on-Year Percentage Change in Fourth Quarter of 2013		
	Fourth Quarter 2012	Fourth Quarter 2013
Nominal Turnover Component	100	91.22
% Change in Nominal Turnover Component		-8.78%
Nominal Turnover Component	100	90.21
% Change in Nominal Turnover Component		-9.78%

Inflation in all sectors between December 2012 and December 2013 at 1.1% according to the Central Administration of Statistics

Likewise, the “Turnover Component” fell by 5.6 % in comparison with the third quarter of 2013.

Quarter-on-Quarter Percentage Change in Fourth Quarter of 2013		
	Fourth Quarter 2012	Fourth Quarter 2013
Nominal Turnover Component	100	96.43
% Change in Nominal Turnover Component		-3.57%
Nominal Turnover Component	100	94.40
% Change in Real Turnover Component		-5.60%

Inflation in all sectors between September 2013 and December 2013 at 2.1% according to the Central Administration of Statistics

The aforementioned deterioration, whether in comparison with the same quarter of last year or the preceding quarter of the same year, reflects the accelerated decline witnessed in commercial activity. This decline is attributed to the weakened purchasing power of domestic consumers and the deteriorating security situation that led to the absence of visitors and tourists, especially Gulf tourists, who usually contribute significantly to the vibrancy of the Lebanese commercial markets. This again led to the contraction of retailers' sales, causing an accumulation of their stock, and consequently resulted in a decline of retailers' orders.

A detailed assessment of the results of each sector reveals a discrepancy among these sectors. The Liquid Fuel Sector witnessed a year-on-year drop in its "Turnover Component" that exceeded 8% in amounts. In addition, other sectors observed sales drop as follows:

- Electrical Engines and Transformers Sector -33.5%
- Perfume and Cosmetics Sector -20.5%
- Plumbing and Construction Materials Sector -13.7%
- Computer Parts Sector -10.8%
- Household Electrical Equipment Sector -8.0%
- Grains and Agricultural Products Sector -7.5%

Other sectors witnessed a decline between 1% and 5%, including:

- Clothes, Textile, Shoes and Leather Items Sector,
- Medical Equipment and Spare Parts Sector,
- Books, Magazines, Newspapers and Stationery Sector,
- Pastry, Chocolate, Sweets, Jams and Kernels Sector,
- Electrical & Electronics Parts and Equipment and Magnetic Disks Sector.

These figures indicate the following:

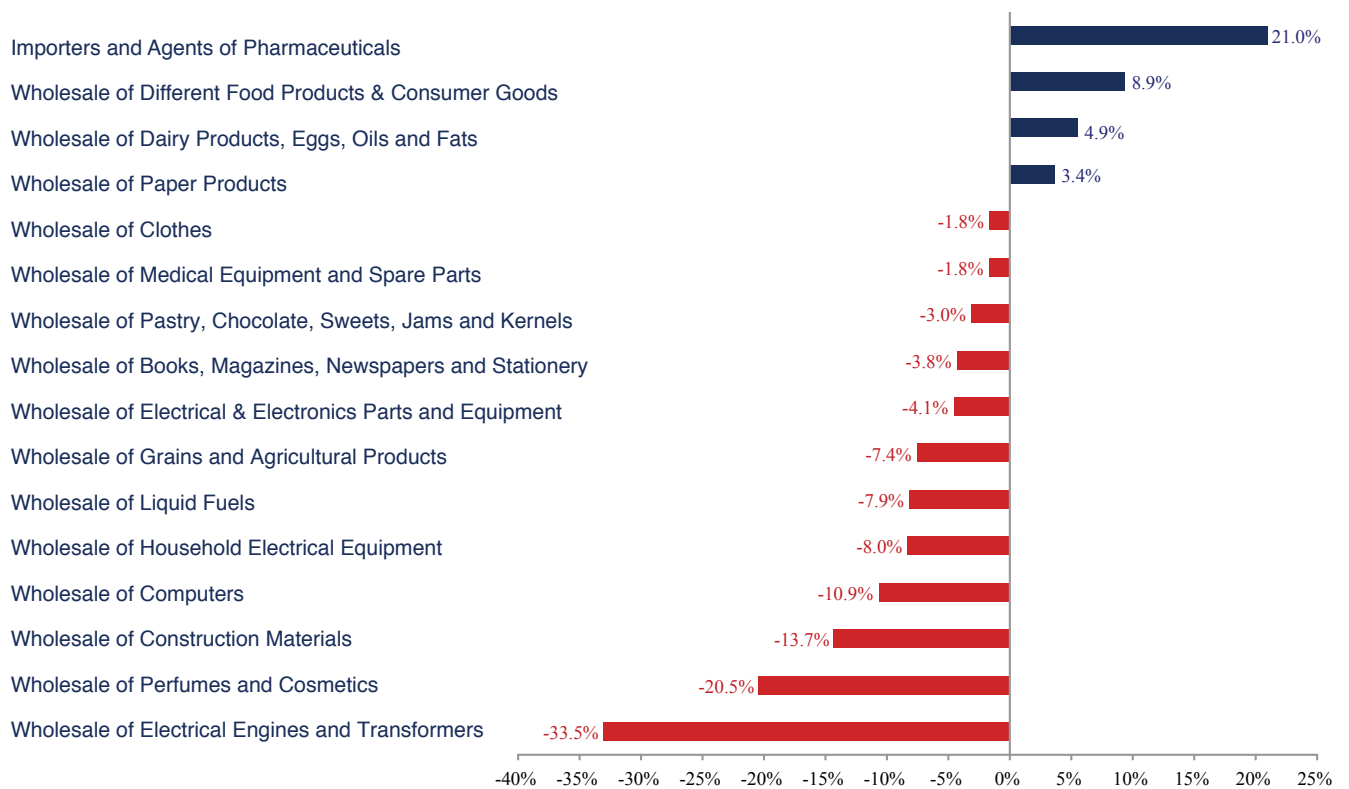
- Lebanese citizens are being austere when it comes to consumption of personal items and self-care supplies, home electrical appliances and computers, as well as cultural and leisure purchases;
- Decline in sales of construction materials after the improvement that this sector witnessed in the previous quarter, which indicates a contraction in investment spending;
- A decrease in fuel sales despite the large number of incoming cars as a result of the situation in Syria;
- Decline in sales of grains and agricultural products. This is attributed to climatic conditions on one hand and the challenge to export crops to neighboring countries on the other hand. This challenge is due to the difficulty of land-transport and the high cost of sea and air shipping;
- Many retail traders have closed their shops forming a negative value in the business and the trade equation as a whole.

On the other hand, other sectors registered a relative improvement in comparison with the same quarter of last year, namely:

- Importers and Agents of Pharmaceuticals Sector 21.0%,
- Different Food Products and Consumer Goods Sector 8.8%,
- Dairy Products, Eggs, Oils and Fats Sector 4.8%.

These figures indicate a significantly higher demand for pharmaceutical products along with increased demand for basic food items due to the high numbers of displaced people from Syria to Lebanon, which dictates an increase in the basic living requirements.

Turnover Component for Fourth Quarter 2013 Compared to Fourth Quarter 2012



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 there is no clear intention to disinvest in the wholesale trade sector in the near future; however, some sectors plan to increase investment despite the figures observed during the fourth quarter of 2013:

- The computed figure for the “Intention to Invest Component” in the fourth quarter of 2013 reached 0.2365 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 component is better than that recorded in the previous quarter (i.e. third quarter of 2013) where it reached 0.1642.
- This figure is normalized into the range [0 , 100] where it amounts to 53.94. 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 fourth 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 Perfume and Cosmetics Sector which showed strong willingness to reduce investment. The sector recorded a value of 25 in this quarter after it witnessed a 20.5% quarter-on-quarter real decline in sales in the fourth quarter of 2013,
 - o Clothes, Textile, Shoes and Leather Items Sector, which recorded a willingness to decrease investment recording a value of 33.33 after several consecutive quarters of sales decline,
 - o Electrical & Electronics Parts and Equipment and Magnetic Disks Sector where the willingness to decrease investment recorded a value of 43.5 after the sector saw 4% year-on-year decline in sales during the fourth quarter of 2013.
- Sectors that do not show willingness to increase or decrease investments:
 - o Plumbing and Construction Materials Sector despite the remarkable decline in sales during the fourth quarter of 2013 (-13.75%),
 - o Grains and Agricultural Products Sector,
 - o Books, Magazines, Newspapers and Stationery Sector.
- Sectors that show positive intentions to invest:
 - o Household Electrical Equipment Sector, which recorded the highest willingness to invest of a value of 90.5,
 - o Computer Parts Sector which showed willingness to invest of a value of 80 despite the slowdown in activity during the fourth quarter of 2013.
 - o Different Food Products and Consumer Goods Sector and Dairy Products, Eggs, Oils and Fats Sector where the willingness to invest exceeded a value of 70,
 - o Importers and Agents of Pharmaceuticals Sector which recorded a willingness to invest of a value of 57.

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