

BEIRUT TRADERS  
ASSOCIATION  
**BANKMED**  
INVESTMENT INDEX

SECOND 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, came in line with the results of the same quarter of the previous year, where it witnessed a slight real deterioration of 0.53%, compared to the same quarter of 2013.

The return of wholesale activity to its previous levels, after retailers had been cautious in rebuilding their stocks from wholesalers in the first quarter, which is usually the re-stocking season, is not surprising since it coincided with the formation of a government in Lebanon and the relative improvement in the security situation.

The positive developments that Lebanon witnessed encouraged some retailers to increase their purchases, especially as the holy month of Ramadan and summer vacations approached. The wholesale sector witnessed positive activity due to rising consumption of residents, expatriates, and Arab tourists, especially following the uplifting of travel bans. Similarly, the consumption of basic goods rose due to the increase in the number of refugees in addition to having a number of NGOs purchase their basic goods from the local market or issue ration vouchers, which enable refugees to purchase basic goods from retailers in their area of residence. The positivity experienced by wholesalers was reflected in the investment in basic maintenance, specifically in transportation and storage warehouses.

Year-on-Year Percentage Change in Second Quarter of 2014		
	Second Quarter 2013	Second Quarter 2014
Nominal Turnover Component	100	102.01
<b>% Change in Nominal Turnover Component</b>		<b>+2.02%</b>
Real Turnover Component	100	99.47
<b>% Change in Real Turnover Component</b>		<b>-0.53%</b>

*Inflation in all sectors between June 2013 and June 2014 at 2.5% according to the Central Administration of Statistics.*

The real “Turnover Component” reflected the positive improvement in the local market, recording a significant increase of 7.4% compared to the previous quarter, when wholesales previously recorded a real 5.25% decline, compared to the fourth quarter of 2013.

Quarter-on-Quarter Percentage Change in Second Quarter of 2014				
	Third Quarter 2013	Fourth Quarter 2013	First Quarter 2014	Second Quarter 2014
Nominal Turnover Component	100	96.43	90.78	96.09
<b>% Change in Nominal Turnover Component</b>		<b>-3.57%</b>	<b>-5.86%</b>	<b>+5.85%</b>
Real Turnover Component	100	94.40	89.15	96.55
<b>% Change in Real Turnover Component</b>		<b>-5.60%</b>	<b>-5.25%</b>	<b>+7.40%</b>

*Inflation in all sectors between March 2014 and June 2014 at 0.48% according to the Central Administration of Statistics.*

It is worth noting that the positive results witnessed during the second quarter of 2014, whether in comparison with the same quarter of last year or the preceding quarter which is in this case the first quarter of 2014, reflect a significant growth in activity among some wholesale sectors. This led to the total improvement in the calculated results, thus offsetting the deterioration witnessed in other sectors, especially those classified as luxury. This indicates that retailers in some active sectors, shortly after the formation of a new government and the improvement in the security situation, have predicated a rise in sales in the near future. Thus, they increased their purchases, despite the falling purchasing power of Lebanese households.

A detailed assessment of the results of each sector reveals a discrepancy in their response to the improved operating environment.

Some sectors, especially those related to food products, saw a real improvement when compared to the same quarter of the previous year, especially:

- Dairy Products, Eggs, Oils and Fats Sector +15.33%
- Different Food Products & Consumer Goods Sector +14.59%
- Livestock Sector +7.19%

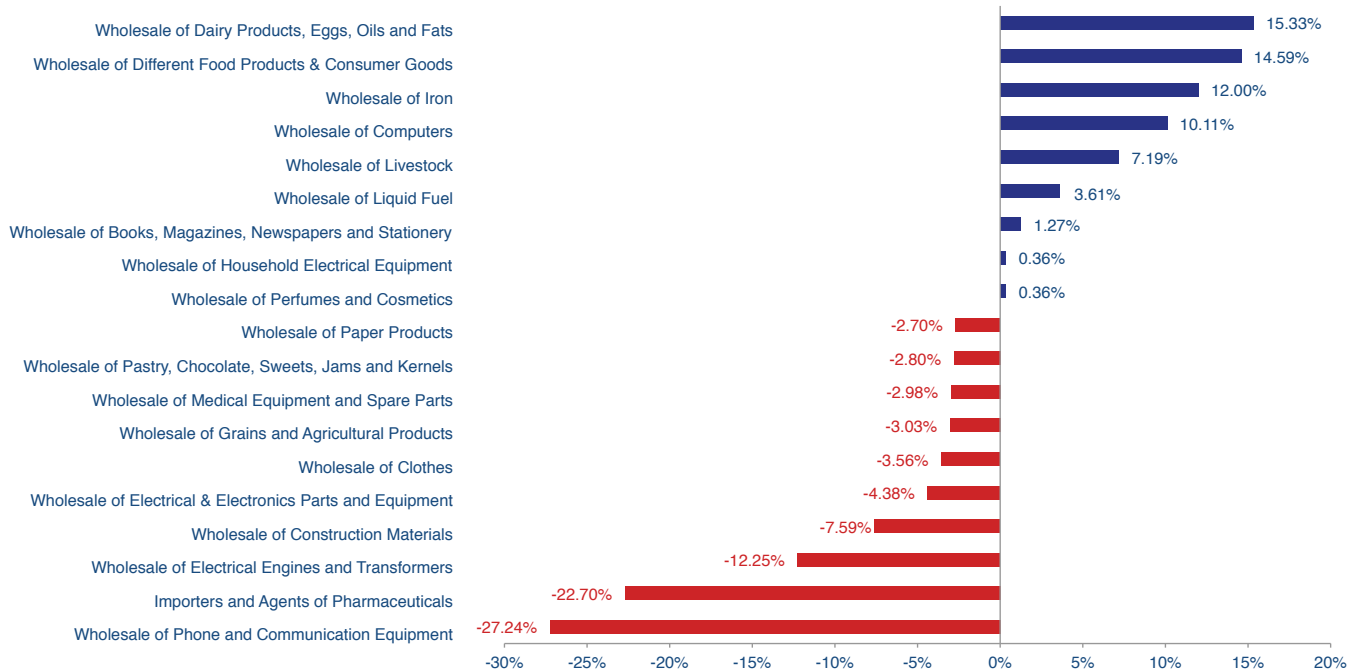
On the other hand, other sectors maintained the same level of activity of the second of 2013 and recorded a slight improvement compared to the first quarter of 2014, specifically:

- Paper Products Sector
- Perfumes and Cosmetics Sector
- Tobacco and Cigars Sector
- Household Electrical Equipment Sector

Some other sectors, especially Clothes Sector, Pastry, Chocolate, Sweets, Jams and Kernels Sector, as well as Construction Sector, recorded a decline in its sales.

In comparison with the second quarter of 2013, the biggest decline was recorded in the Importers and Agents of Pharmaceuticals Sector (-22.7%) and Phone and Communication Equipment Sector (-27.4%). According to the caretakers of these sectors, this decline is attributed to structural factors rather than situational ones; such as the restructuring of medicines' prices by the Ministry of Public Health and the absence of new mobile phone releases during that period.

**Turnover Component for Second Quarter 2014 Compared to Second 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 quarters, there are no clear intentions to disinvest in the wholesale trade sector in the near future. This component, although positive, does not reflect the improvement in activity. It recorded a decline in comparison with the previous quarters.

– The computed figure for the “Intention to Invest Component” in the second quarter of 2014 reached 0.0428 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. first quarter of 2014) where it amounted to 0.1915, was better than the one recorded in this quarter.

– This figure is normalized into the range [0 , 100] where it amounts to 50.71. Given that the normalized “Intention to Invest Component” exceeded the 50-level reveals that the willingness to invest is still characterized by some positivity with the overall increase in business that was observed in the wholesale sector during the second 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 Livestock Sector (the willingness recorded 24.03 despite the improvement in sales);
  - o Phone and Communication Equipment Sector (with a willingness to decrease investment recorded of a value of 24.03);
  - o Medical Equipment and Spare Parts Sector (where the willingness to invest declined to a value of 35.96).
- Sectors that do not show willingness to increase or decrease investments:
  - o Construction Materials Sector
  - o Iron Sector
  - o Electrical Engines and Transformers Sector
  - o Electrical & Electronics Parts and Equipment and Magnetic Disks Sector
  - o Grains and Agricultural Products Sector
  - o Perfumes and Cosmetics Sector
  - o Household Electrical Equipment Sector
  - o Clothes, Textile, Shoes and Leather Items Sector
- Sectors that show positive intentions to invest:
  - o Papers Products Sector, which recorded a willingness to invest of a value of 66.67;
  - o Importers and Agents of Pharmaceuticals, which recorded a willingness to invest of a value of 57.69;
  - o Different Food Products & Consumer Goods Sector, which recorded a willingness to invest of 52.42.

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