

BEIRUT TRADERS
ASSOCIATION
bankmed
INVESTMENT INDEX

Second 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 second quarter of 2015, reported an accelerated slowdown in commercial activity within most sectors. The computed results reveal a nominal decline of 7.16% in comparison with the results of the second quarter of 2014.

It is worth noting that this trend remained negative despite the fact that the cost of living indicator recorded a decline for the third consecutive quarter (where it reached -3.37% between the second quarter of 2014 and the second quarter of 2015). The real figures of the “Turnover Component” for the second quarter of 2015 recorded a decline of 4% compared to the results of the second quarter in 2014, while it recorded a real deterioration of -1.64% in the previous quarter (Q1 of 2015).

This continued downturn is a direct reflection of the negative results that were recorded in the retail sector in the beginning of 2015 (an annual -5.05%) in addition to deteriorating activity in most wholesale sectors during the second quarter.

Year-on-Year Percentage Change in Second Quarter of 2015		
	Second Quarter 2014	Second Quarter 2015
Nominal Turnover Component	100	92.84
% Change in Nominal Turnover Component		-7.16%
Real Turnover Component - excluding liquid fuel	100	95.97
% Change in Real Turnover Component - excluding liquid fuel		-4.03%

Inflation in all sectors between June 2014 and June 2015 is at -3.37% according to the Central Administration of Statistics

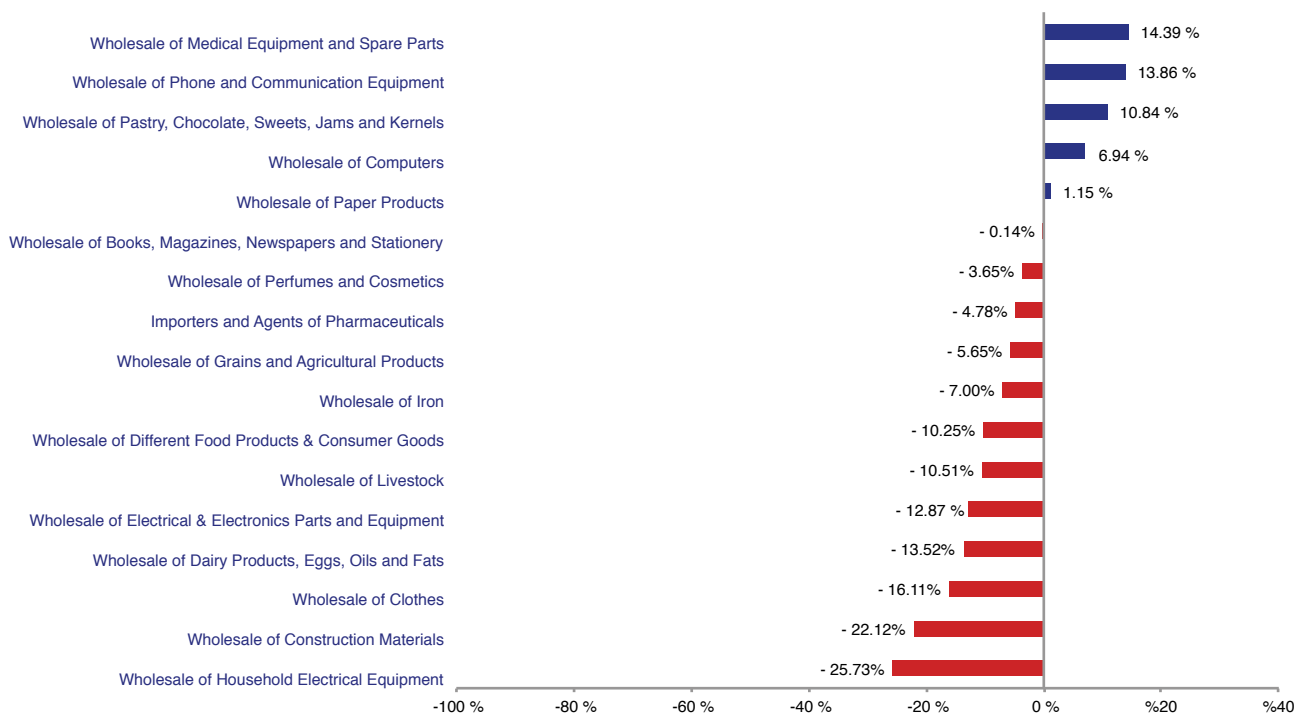
With respect to business development between the first and the second quarter of 2015, it can be noted that the computed results for all wholesale sectors remained almost constant (+0.76%) in the light of a relative decline in the cost of living indicator, which reached -1.12% during this period.

Quarter-on-Quarter Percentage Change in Second Quarter of 2015								
	Third Quarter 2013	Fourth Quarter 2013	First Quarter 2014	Second Quarter 2014	Third Quarter 2014	Fourth Quarter 2014	First Quarter 2015	Second Quarter 2015
Nominal Turnover Component	100	96.43	90.78	96.09	93.34	99.63	89.40	89.08
% Change in Nominal Turnover Component		-3.57%	-5.86%	+5.85%	-2.75%	6.74%	-10.27%	-0.36%
Real Turnover Component	100	94.40	89.15	96.55	92.03	99.70	90.34	91.02
% Change in Real Turnover Component		-5.60%	-5.25%	+7.40%	-4.52%	8.33%	-9.39%	0.76%

- Inflation in all sectors, between March 2015 and June 2015, reached -1.12% according to the Central Administration of Statistics.
- The real Turnover Component for the second quarter of 2015, which reached (91.02) is a result of computing the percentage increase, which reached +0.76% over the real sales component for the first quarter, which reached 90.34.

The detailed analysis of the second quarter of 2015 in comparison to the second quarter of 2014 indicates a decline within most sectors, including the vital ones, as shown in the graph below:

Turnover Component for Second Quarter 2015 Compared to Second 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.

The computed results reveal that the trend that was witnessed during the first quarter of 2015 and which revealed an intention to disinvest within most wholesale sector, remains prevalent during this quarter.

However, it can be noted that the Wholesale of Different Food Products and Consumer Goods Sector as well as the Wholesale of Sanitary Paper and Napkins Sector revealed a clear intention to invest. (These two sectors had revealed similar intentions during the first quarter).

The computed results of “The Intention to Invest Component” for the second quarter of 2015 reached -0.059 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.

- It is worth noting that this is the second time where an intention to disinvest is recorded.
- This reveals – to a certain extent – these adverse conditions will continue to weigh down on demand in the retail sector in the present and the long run.
- This figure is normalized into the range [0 , 100] where it amounts to 49.26, compared to 48.82 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 is still characterized by some pessimism within the unfavorable conditions.

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