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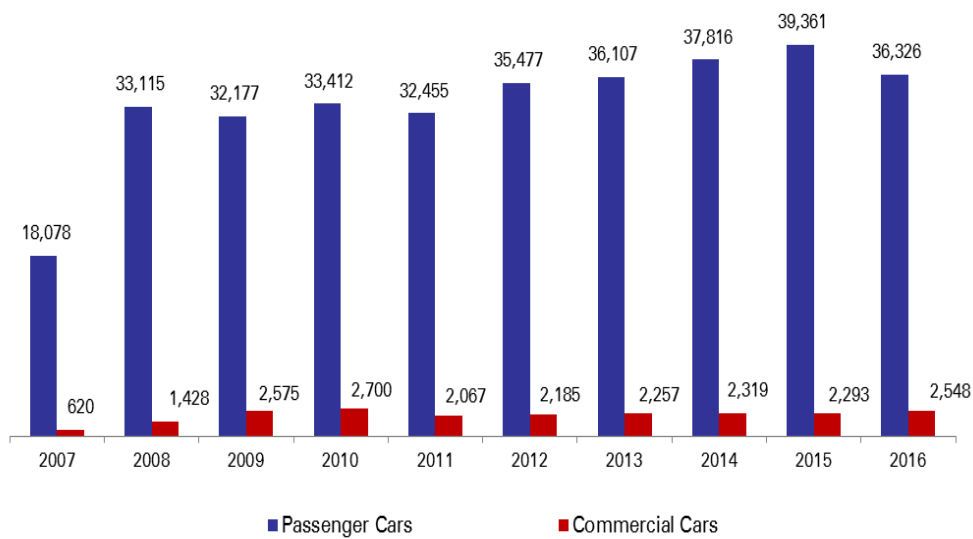
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Number of New Registered Passenger and Commercial Cars



In 2016, the registration of new passenger and commercial cars witnessed its first drop since 2011¹. According to data from the Association of Car Importers in Lebanon (AIA), the number of new registered passenger and commercial cars dropped by an annual 6.67% to 38,874 in 2016. In details, the number of registered new passenger cars totaled 36,326 in 2016, down by 7.71% compared to 39,361 new registered cars in 2015. The AIA's monthly statement lists the poor economic context as a main reason behind the subdued registrations.

The decline in the number of registered new passenger cars overshadowed the upturn in commercial cars. The number of new registered commercial cars increased by 11% yearly to 2,548 in 2016. This is the most pronounced upturn in registered new commercial cars since 2009, which was a year of exceptional growth where real GDP grew by 10%. However, this rise should be considered in relative terms; in 2015 the registration of new commercial cars barely moved, slipping by 1%. This means that this growth should be looked at over a two-year span and is therefore considered a small growth. The registration of commercial cars in Lebanon is also getting a share of the market's slump. Moreover, the registration of commercial cars is burdensome and bureaucratic, acting as a further deterrent to growth.

Consumers' leaning towards small, cost-efficient cars is still the dominant trend in 2016. According to the AIA, the absence of an adapted and structured public transport system explains why consumers have been choosing to purchase small cars. The statement notes that 90% of the registered cars are small cars with a price tag below \$15,000.

Since the start of the downturn in the car market, car importers attempted to adapt. The car importers engaged in promotional campaigns, invested in advertising, offered attractive after-sale services in an effort to preserve their market shares and lock-in as much of their profit margin as they can. These attempts proved to be successful with the registration of new cars recording upturns in the years 2012, 2013, 2014 and 2015.

After four years of resiliency, the market slump took the upper hand and new passenger car registrations eventually dropped in 2016. The fall in the registration of new passenger cars could be matched by a drop in imported used cars or could be compensated by an increase in imported used cars. An assessment on this point remains inconclusive since data on imported used cars is no longer provided by the AIA.

The gap between the top players' market shares has decreased. When looking at the market shares of the top five car importers in Lebanon, we can conclude that the gap between the top market player and the fifth-ranking market player went from around 18.93% in 2011 to 8.91% in 2016. This shows that market shares are now more evenly distributed across players due to higher competition between car importers.

As market conditions got tougher, all the market players headed towards the same strategy. After the economy slowed and the consumer's priority became less about luxury and more about price and size conveniences, all car importers sought to offer affordable yet sleek-looking models, attractive after-sale services and invested in advertising. Players like Natco, Century Motor Co and Rymco who initially offered price-attractive vehicles saw their market shares fall over the period 2011-2016 mainly due to general market conditions. However, Natco consistently ranked first across the period because its offer was and still is suitable for the money-sensible consumer and that is where the market is centered today. BUMC and Bassoul Heneine also achieved a successful adaptation to the market's changing tides with BUMC scoring a double-digit market share starting 2014 and Bassoul Heneine registering its highest market share since at least 2010 in the years 2015 and 2016.

¹ The figures in this report are only relevant to new cars. It is not to be confused with previous editions of this report where reference was made to figures for both new and used imported cars.

Importer	Brand	2011	2012	2013	2014	2015	2016
NATCO	Kia	24.06%	25.18%	24.27%	20.80%	18.07%	18.22%
Century Motor Co	Hyundai	15.89%	17.65%	18.31%	18.13%	14.60%	13.93%
RYMCO	Nissan	18.56%	16.60%	14.18%	13.25%	11.54%	12.38%
	GMC						
	Infiniti						
	Lotus						
	Renault Trucks UD Trucks						
Bassoul Heneine	Alfa Romeo	7.34%	8.35%	6.91%	7.41%	9.32%	9.31%
	BMW						
	Dacia						
	Mini						
	Renault Rolls Royce						
BUMC	Toyota	5.13%	5.88%	6.90%	13.08%	16.08%	13.30%
	Lexus						

(*) In November 2016, Gargour Automotive Company and Saad & Trad agreed to assign Fiat, Fiat Professional and Abarth brands to Gargour Automotive Company.

Source: AIA

Japanese cars still account for the largest market share. In 2016, Japanese cars represented 37.02% of total new passenger cars' registration and totaled 13,447 cars, down from 15,166 in 2015. The decline was mainly led by the fewer Toyota registrations, which dropped from 6,271 in 2015 to 4,660 in 2016. Nissan registrations also fell from 4,092 in 2015 to 3,571 in 2016. However, Suzuki registrations were up by 15% from 1,383 in 2015 to 1,597 in 2016, Mitsubishi registrations also rose by 9% from 1,300 in 2015 to 1,419 in 2016. Infiniti and Lexus also saw higher registration in 2016 with respective increases of 44% and 74% to 359 and 169, respectively.

JAPAN	2015	2016	% chg.
DAIHATSU	204	142	-30%
HONDA	410	371	-10%
INFINITI	249	359	44%
LEXUS	97	169	74%
MAZDA	854	853	0%
MITSUBISHI	1,300	1,419	9%
NISSAN	4,092	3,571	-13%
SUBARU	306	306	0%
SUZUKI	1,383	1,597	15%
TOYOTA	6,271	4,660	-26%
Total	15,166	13,447	-11%

Korean cars came in second place after Japanese cars. In 2016, Korean cars represented 34.26% of total new passenger cars' registration and totaled 12,445 cars, down from 13,542 in 2015. Hyundai and Kia registrations also declined; Hyundai saw 658 fewer cars registered while Kia saw 444 fewer registrations.

KOREA	2015	2016	% chg.
HYUNDAI	5,964	5,306	-11.03%
KIA	7,525	7,081	-5.90%
SSANG YONG	53	58	9.43%
Total	13,542	12,445	-8.10%

American cars were, along the Chinese cars, the only ones to register an upturn in 2016. In 2016, the number of new registered American cars rose from 2,272 in 2015 to 2,603 in 2016. 318 additional new Chevrolet cars were registered in 2016 bringing the grand total to 1,615 compared to 1,297 in 2015. GMC registrations also increased from 127 in 2015 to 258 in 2016, the renewed appetite for large cars could be linked to the subdued oil prices. Cadillac registrations also rose from 151 in 2015 to 203 in 2016. Chinese car registrations are not substantial but they still increased from 264 in 2015 to 274 in 2016.

USA	2015	2016	% chg.
CADILLAC	151	203	34.44%
CHEVROLET	1,297	1,615	24.52%
CHRYSLER	3	2	-33.33%
DODGE	31	41	32.26%
FORD	459	236	-48.58%
GMC	127	258	103.15%
JEEP	198	248	25.25%
LINCOLN	6	0	-100.00%
Total	2,272	2,603	14.57%

Stricter car loan regulations have lowered the value of car loans. According to statistics from the Central Bank of Lebanon, the value of car loans dropped from \$1.35B in 2015 to \$1.27B by October 2016. In an effort to contain the growth of retail loans, the Central Bank imposed a 20% mandatory down-payment for car loans.

For sellers of new cars, the biggest hope lies in a true rebound of market demand. Seeing registrations of new cars fall despite the advertising and after-sale services undertaken by market players could signal that the key to unlocking the consumers' wallets is higher economic growth rather than attractive promotions. The election of a president in 2016 and the ensuing efforts to reform might just boost the confidence of Lebanese consumers in their economy. The answer to whether or not this confidence will translate into higher consumption will be revealed by next year's statistics.

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