



« BTA-Fransabank Retail Index » for Q1 of 2013

The « BTA-Fransabank Retail Index », that was announced for the first time in September 2012, is a joint partnership between Beirut Traders Association and Fransabank, with the technical support of the Central Administration of Statistics of Lebanon (CAS).

This index, based on a sample reflecting the pulse of all active business sectors in the local trade retail market, and which is differentiated from other indicators through its methodology and communication, is the first-of-its-kind retail index in Lebanon, and is announced on a quarterly basis.

This retail index will have an effective contribution in improving the trade and overall economic sectors in Lebanon.

PRESS RELEASE

Mr. Nicolas Chammas, Chairman of Beirut Traders Association, announces the « BTA-Fransabank Retail Index » for the first quarter of 2013.

BTA announces that, due to the non-publication of official Consumer Price Index (CPI) figures by the Central Authority of Statistics for the 5th consecutive month since January 2013, the Association has resorted to academic tools for forecasting the missing CPI figures (year to year inflation rate between March 2012 and March 2013, and quarterly inflation rate for Q1 2013) – based on the official monthly time series published by CAS starting January 2009, 2010, 2011 and 2012.

BTA shall duly amend and announce any published figure based on its own forecasts, as soon as any official figures are released by CAS, when and if needed.

Starting with the year to year results and comparative analysis (i.e. Q1 – 2013 as compared to Q1 – 2012), the retail trade sector performance during the 1st quarter of 2013 reveals the following:

Q1 2013 to Q1 2012			
	Q1 2012	Q1 2013	
Nominal Year to Year Variation	100.00	96.30	
BTA Estimated CPI between Q1'12 and Q1 '13		11.10%	
Real Year to Year Variation	100.00	85.60	-14.40%

The above figures do translate a faster pace in the deterioration that the retail commercial sector is witnessing since the beginning of 2013: While the nominal figure for the first quarter

of this year posts a decrease of about 3.70% in comparison with the first quarter of 2012, **the real figure shows an acute fall that stands at -14.40% after taking into consideration the BTA estimated inflation rate for the retail trade sector between these two periods, i.e. 11.10%.**

The reasons for such drop in activity in comparison to the same period of 2012 are attributable to both exogenous and endogenous factors:

1. Exogenous Factors:

- a. The positive effects of the nomination of Mr. Tamam Salam to form a new cabinet were short-lived, and were soon reversed again to the worst in light of the absence of the formation of any new government so far, combined with the failure to adopt a new electoral law, and further subdued by the maintaining of the travel ban to Lebanon by a certain number of Gulf states authorities.
- b. Over and above, the continuing regional unrest, especially in neighboring Syria – and its dramatic evolution into a situation that is having direct repercussions on Lebanon:
 - i. not only with regards to the fast escalating numbers of refugees from Syria to Lebanon – the majority of whom do not even have the necessary purchasing power that might contribute to the revival of some consumption sectors – especially the basic vital products sectors.
 - ii. but also with regards to the volatile and fragile security situation it is evolving, especially in the border regions.

- 2. Endogenous Factors:** Lebanese households appear to have maintained – if not further strengthened, their sharp restraint in spending, for basic consumables as well durable goods. Such restraint has resulted in a drop of activity during a period where traders offer sales and price discounts, to encourage consumers' spending.

The overall worrying performance that the retail trade sectors continued to witness during the first quarter of 2013 comes as a clear indicator that the crisis situation that was building up progressively throughout 2012 is reaching today alarming proportions.

In this respect, it is important to look at the details of the performance of retail trade sectors during the first quarter of 2013 (without addressing respective inflation rates in every sector):

- o The level of **consumption of basic goods** (for which demand is supposed to be constant irrespective of the economic ups and downs) has declined (sharply in some sectors), in comparison to the level of consumption of the same basic goods in Q1 of 2012. Most noticeable declines were witnessed for pharmaceuticals, clothing, construction material, beverages & alcoholic drinks, and food products (despite the influx of refugees from Syria and the normally expected rise in the demand for food products).
- o The level of **consumption of durable goods** (especially those goods that are traditionally acquired or purchased during sales and discounts) reflects the same pattern than the one for basic goods, i.e. noticeable declines especially in the following sectors: electronics, home appliances and equipment, communication (telephones & communication equipment), toys and also books and stationery.

Such results clearly demonstrate that Lebanese households have further reinforced the self-austerity measures already detected in the previous period. It has become clear that such self-imposed discipline is applied not only to durable goods (furniture,

electronics, etc...) but also to basic consumer goods (such as medicines, food and beverages, etc...).

- o In parallel, it is important to note that the only sector that was so far unaffected by the declining consumption trend – namely the petroleum sector, has witnessed during the first quarter of 2013 a drop of ~ 3.50% in the volume of sales as compared to the volume of Q1 2012.

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a BTA quarterly inflation rate estimate of 1.29% between March 2013 and December 2012, We hereby announce that the “BTA-Fransabank Retail Index” is:

89.66 for the first quarter of the year 2013.

BTA-Fransabank Retail Trade Index for Q1 of 2013 (Base 100 : Q4 2011)

	Q4 '11	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13
Nominal Index - w/out inflation	100.00	95.77	100.55	108.54	112.66	90.83
Real Index - w/ inflation	100.00	94.24	101.65	99.97	102.88	89.66

In other words, the overall retail trade activity has witnessed, during the first quarter of 2013, a severe drop of more than 10% from the previous quarter (Q4 '12): this decline is equivalent to double the decline that was posted in Q1 2012 in comparison with Q4 2011.

This decline can be attributed to the fact that the exogenous factors that affect local consumption remained unchanged since end-2011, namely: the internal political unrest, the deteriorating political and security situation in the region, and last but not least the sharp decline in the number of foreign visitors – especially the ones from the Gulf states.

Based on the above, it is important to note that the decline in consumption that has been affecting retail trade markets since early 2012, and that been rapidly gaining momentum since, heralds a harsh and difficult way out of the crisis, a resurfacing that will certainly extend over many quarters, especially in light of the fact that the Syrian crisis, whose effects were so far circumstantial, has become today an integral part of the Lebanese equation, to the extent that it represents today a serious threat to the Lebanese economic and social security.

