

“BTA-Fransabank Retail Index”

for the first quarter of 2014 (Q1-2014)

Beirut, May 28, 2014

Decline in activity continues to affect sharply retail trade sectors

Retail markets in Lebanon stepped into the year 2014 by experiencing further slowdown in activity and a continued decline in sales figures of most sectors. Lingering negative factors for over two years now, especially political and social factors, have continued to undermine retail markets momentum and put heavy pressure on their viability, despite relatively receding security hazards albeit the continued crisis in neighboring Syria and the accumulated heavy impact of refugees on the Lebanese economic scene.

Retail markets results for the first quarter of 2014 do reflect the continued slowdown in demand, and the persisting dangerous downtrend that has become part of the prevailing retail trade scenery in Lebanon for more than two years now: a downtrend that has started by being circumstantial, but quickly turned to become intrinsically structural.

A detailed study of the data collected for the first quarter of 2014 shows, in comparison to the first quarter of 2013, a 7.20% decline that remains extremely worrisome (while noting that activity in the first quarter of 2013 had already posted a 14.40% decrease in comparison to the same quarter of 2012).

Yearly Variation between Q1 – 2013 and Q1- 2014			
	Q1 - 2013	Q1 - 2014	
Nominal Year to Year Variation	100.00	94.688	
CAS Official Inflation Rate between Q1 '13 and Q1 '14 (as per the official CAS figures)		2.00%	
Real Year to Year Variation	100.00	92.795	-7.20%

The main factors that have contributed to further deterioration of consumption are:

- A build up in complications and complexity prevailing over the election of a new president, in addition to a widening cleavage on the political scene.
- Successive syndicates strikes on the background of their claims related to the salary grid: although such claims are fair and righteous on the one hand, their proposed financing scheme proves to be irrational for the Lebanese economy on the other hand. The only impact of this series of ongoing strikes has been to paralyze the markets and the commercial activity, resulting in additional heavy losses incurred by retail traders.



- Obviously, such prevailing situation was further affected by the persisting absence of Gulf visitors who do have an important weight in the local consumption balance. This absence comes over and above the receding number of Lebanese emigrants visiting their home country during this period, as well as with the continued paralysis of road transport and of the touristic and commercial activities that are usually generated via the Syrian territory.
- o Acceleration in the rise of the unemployment rate, which has exceeded 20% according to the latest reports. This rise is accompanied by further decline in the purchasing power resulting from deterioration in the Lebanese households' income, as a result of a wider spread of illegal competition from the incoming Syrian workforce, in a certain number of sectors, including the trading sector.

By scrutinizing the results for each retail trade sector, evidence reveals that most of these have experienced slowdowns, quite sharply in some of these sectors, as per the following:

- o A real decline of 25% in the value of liquor and spirits sales, and 15% in the value of tobacco sales.
- o A real drop of 15.5% in the sales of footwear and 2.5% in the sales of clothing (despite very heavy discounts offered in these two sectors during the period under study).
- o A 3% drop in the sales of supermarkets and food shops, in spite of the accelerating influx of Syrian refugees to the Lebanese territory and the natural increased demand on basic subsistence commodities).
- o Another sharp decline also of 12.5% in the sector of bookstores and stationery, and of 10% in the retail sales of electronics, electrical equipment and home accessories, that fall under the durable goods.
- o Sectors such as restaurants and snacks have also witnessed a 10% decline in sales, while the sports equipment sector posted a drop of 7.5%.

On the other hand, it is worth mentioning that:

- o The volume of petroleum sales has increased by 3.8%.
- o While the value of retail sales of pharmaceutical products has increased by 20% during this same period.

Moreover, a comparison between the levels of activity of Q4 of 2013 and Q1 of 2014 shows that the aggregated level of activity of the retail trade sector has witnessed a quarterly decline of 13.44%, a decline that exceeds what might have been expected as a result of seasonal factors, especially of year end season, although the 2013 year end results were gloomy and very disappointing.

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of 1.3% for the first three months of 2014, as per the official CAS report,



We hereby announce that the “BTA-Fransabank Retail Index” is:

58.90 for the first quarter of the year 2014.

BTA-Fransabank Retail Trade Index for Q1 - 2014 (Base 100 : Q4 - 2011)

	2011	2012				2013				2014
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Nominal Index - w/out inflation	100.00	95.77	100.55	108.54	112.66	90.83	87.85	78.60	65.87	59.68
Real Index - w/ inflation	100.00	94.24	101.65	99.97	102.88	89.66	86.88	78.23	64.52	58.90

In conclusion, it is legitimate to say that retail trade activity has continued to experience persisting recessionary pressures and that the positive impact resulting from the formation of a new government and from the relatively more serene security atmosphere ensuing this formation was not sufficient to reverse the adverse effects experienced by the retail trade markets.

This clearly points out to the critical need for a return to a normal institutional situation, and for the implementation of an economic work team that would address and resolve the prevailing long lasting crisis, with the objective of regaining the trust and confidence of the Lebanese and the Gulf consumer as a first and essential step towards reinstating a long awaited recovery in the retail trade sectors in Lebanon.



For more information

Beirut Traders Association
Tel: 01-747886
Fax: 01-747887
E-mail: contact@beiruttraders.org
Website: www.beiruttraders.org