



“BTA-Fransabank Retail Index” for the first quarter of 2015 (Q1-2015)

**The downtrend is back again ...
After a slight rebound at the end of 2014.**

The positive momentum generated by a slight revival in demand that gave some breathing space to the markets around the end of 2014 did not extend to the first quarter of 2015. The last quarter of 2014 had actually witnessed a real improvement in sales of almost 3% in comparison to the last quarter of 2013, and the “BTA-Fransabank Retail Index” had, after consecutive declines for almost 3 years, registered for the first time an increase from 54.45 in Q3 of 2014 to 58.42 in Q4.

However, the majority of the retail trade sectors seem to have experienced renewed pressures that have undermined the level of economic activity during the first quarter of 2015, and hence resulted into lower levels of real sales.

Thus, and despite the enforcement of drastic security measures that have avoided the occurrence of any major incident in the country, and also in spite of the semi-homogeneity that has prevailed at the government level and the wave of cautious optimism accompanying the various political parties’ bilateral negotiations, demand – and hence the markets, remained highly affected by the worrying dangers of the surrounding threats at the eastern borders and of the ongoing conflicts in the region, in addition to the paralysis concerning the election of a new president and the nomination of new officers in high ranking security posts.

Attention must be drawn to the fact that the CPI, as published by the Central Administration of Statistics monthly, has revealed an drop of 3.38 % in prices between the first quarter of 2014 and the first quarter of 2015, and also a drop of 0.98 % between the fourth quarter of 2014 and the first quarter of 2015.

Mere economics indicate that a decline in CPI is a direct reflection of a decline in demand on consumer products that results automatically in lower prices for those products. Yet, such unhealthy situation only prevails for a short term, and a pick up is supposed to follow as lower prices do fuel a re-strengthening of demand and a revival of the markets, provided that no other negative factors emerge and affect the normal course of economic activity.

It is important to note here that inflation (yearly and quarterly) is posting negative values for the second quarter in a row, as detailed in the table below:

CPI (source: CAS)	
4th Quarter of 2014 vs. 4th Quarter of 2013	- 0.71 %
4th Quarter of 2014 vs. 3rd Quarter of 2014	- 1.49 %
1st Quarter of 2015 vs. 1st Quarter of 2014	- 3.38 %
1st Quarter of 2015 vs. 4th Quarter of 2014	- 0.98 %

However, what we are witnessing today for the first quarter of 2015 is that despite an improvement in the volume of sales of liquid fuels, as well as in the real sales of a few other basic commodities, the aggregate results for all the retail trade sectors show a real decline of – 5.05 % between the first quarter of 2014 and the first quarter of 2015 (excluding the fuel sector where a 13.02 % increase in volume was reported for the same period).

And the question remains about the plausible underpinning effect of the drop in the CPI for the second consecutive quarter and its ability to fuel up market activity in the coming period, or, on the contrary, the prevalence of stronger undermining factors that have been dominating for a while now and pressuring gradually but steadily on the Lebanese households purchase power.

Yearly Variation between 1 st Quarter of 2014 and 1 st Quarter of 2015			
	Q1 - 2014	Q1 - 2015	
Nominal Year to Year Variation (incl. Liquid Fuels)	100.00	97.95	
Nominal Year to Year Variation (excl. Liquid Fuels)	100.00	91.84	
CAS Official Inflation Rate between Mar '14 and Mar '15 (as per the official CAS figures)		- 3.38 %	
Real Year to Year Variation (incl. Liquid Fuels)	100.00	101.26	1.26 %
Real Year to Year Variation (excl. Liquid Fuels)	100.00	94.65	- 5.05 %

The main sectors where an improvement in real value was noticed between the 1st quarter of 2014 and the 1st quarter of 2015 were, in addition to the afore-mentioned Fuel sector, Bakeries and Pastry (+19.41%), Food Products (+6.56%), Liquor & Spirits (+16.10%), Tobacco (+14.94%), as well as Home Appliances & Electrical Equipment (+9.85%).

But the picture differs when it comes to the quarterly variations of sales in these very same sectors, as they all posted lower real sales during the 1st quarter of 2015 in comparison to real sales during the last quarter of 2014, and the rates of decline reported clearly exceed the normal seasonal slowdown.

Bakeries & Pastry experienced a decline of -19.60%, Food products -18.32%, Liquor & Spirits -31.33%, Tobacco -8.65% and Home Appliances & Electrical Equipment -11.64%.

On the other hand, many other sectors, such as Pharmaceuticals, Clothing, Footwear, Furniture & House Equipment, Books & Magazines, , have experienced drops ranging from -10 to -14% in their real sales value during the 1st quarter of 2015 in comparison to their sales during the 1st quarter of 2014, whereas the Fast Food & Restaurants sector reported a less drastic drop of -4.14%.

Finally, it should also be noted that the above-mentioned sectors did report even higher rates of real decrease in sales as compared to the last quarter of 2014.

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of -0.98% for the first quarter of 2015, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included):

52.78 for the first quarter of the year 2015

BTA - FRANSABANK Retail Index For Q1 - 2015 (Base 100 : Q4 - 2011)														
	2011	2012				2013				2014				2015
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Nominal Index - w/out inflation	100	95.77	100.55	108.54	112.66	90.83	87.85	78.6	65.87	59.68	55.30	55.22	57.57	51.51
Real Index - w/ inflation	100	94.24	101.65	99.97	102.88	89.66	86.88	78.23	64.52	58.9	55.56	54.45	58.42	52.78

The above results are a clear indication that the first quarter of 2015 has witnessed a rapid comeback of the long prevailing recessionary trend despite a drop for two consecutive quarters in the CPI. They are also revealing that the undermining effects of a collection of negative factors have again been exerting a contracting pressure on demand and consumption in multiple sectors of the retail trading markets, albeit some positive dynamics in the basic commodities markets (especially Fuel and Bakeries). Such negative factors have thus demonstrated that their impact is stronger than the natural economic forces that govern the economy and that would have – in this special case, precluded a revival in demand and consumption in response to lower prices.

In light of the above, it is necessary to call on all political forces to address the critical current economic issues efficiently and without any delay, and to be up to their responsibilities in the sense of activating all measures deemed necessary for the revival of the overall business climate in the country, especially that the summer season is about to start. It is about time that all sectors regain their traditional vigor and energy, and have a crucial and positive impact on the national economy.

