



Beirut Traders Association – Fransabank Retail Index
For The Second Quarter 2012
Beirut, September 4, 2012

Explanatory Note

The level of retail trade activity at the beginning of 2012 was relatively acceptable, with a nominal increase of + 11.5% during the first quarter of the year in comparison to the first quarter of 2011.

However, the inflation rate for the concerned retail trade sectors (included in the sample) stood – according to the Central Administration of Statistics, at + 4% between the 1st quarter of 2011 and the 1st quarter of 2012. Thus, we should consider that the real improvement in the retail trade sectors' activity stood at + 7.5%.

Explanations of such relative improvement in comparison to the same period of 2011 reside in the following:

1. Exogenous Factors:
 - a. Everybody is aware of the very negative effects that the paralysis of public institutions, caused by the absence of a government in Lebanon during the first quarter of 2011, had on retail trade activity. These negative effects also coincided with the start of regional unrest.
 - b. It is also important to note that the improvement witnessed during the first quarter of this year came as an extension or continuation of the momentum built during the last quarter of 2011.
2. Endogenous Factors: Whereby the retail trade sectors that carry a heavy weight in the sample are the ones that posted a remarkable performance during the first quarter of 2012 (such as the fuel sector + 18.9%, and the clothing sector + 16.27%). These increases contributed into boosting the overall increase of the retail trade index for this period.

Performance of the retail trade sectors during the second quarter of 2012 was much less encouraging, with a nominal increase of only + 3.7%.

Further, and if the official rate of inflation between the second quarter of 2011 and the same quarter of 2012 is taken into consideration (+ 2.1%), we should then consider that the real improvement between these two periods stood at only + 1.6%. This slowdown in the retail trade activity during the second quarter of this year reflects unfortunately a slowdown in the overall economic activity during the same period resulting from the dramatic events that occurred in the North of Lebanon as well as widespread security incidents throughout the country. All the above did naturally translate into a decrease in consumers' spending in general despite the adjustment of wages that occurred around the end of the first quarter of this year.

At this stage, we may zoom into detailed retail trade sectorial results for Q2 of 2012 and notice that:

- o The level of consumption of basic goods and commodities as compared to Q2 of 2011 continued to grow relatively, despite the computed inflation in prices:
 - ✓ Fuel + 7.11% (bearing in mind that for this sector the increase was calculated for volumes and not values to smooth out the effects of fuel price weekly fluctuations),
 - ✓ Tobacco + 6.97%,
 - ✓ Pharmaceuticals + 4.19%,
 - ✓ Bakery and Pastry products + 2.85%,
 - ✓ While the food sector witnessed a sharp deterioration with activity declining by -10.32%.

- On the other hand, Luxury items and Equipment witnessed a sharp decline, that translated as follows:
 - ✓ Alcohol – 19.22%,
 - ✓ Furniture – 8.84%,
 - ✓ Clothing – 8.5%,
 - ✓ Communications and Cellular phones – 7.27%,
 - ✓ Household Equipment / Items – 7.06%,
 - ✓ Electronics – 5.26%,
 - ✓ It is however worth noting that New Cars Sales posted a solid increase, mainly in small and economic vehicles, with a + 9.63% performance.

As a result, and by fixing our base index 100 at the fourth quarter of 2011, I announce to you that the “BTA-Fransabank Retail Index” is: 100.6 for the second quarter of the year 2012. In other words, the retail trade activity has increased by a mere 0.5% since the fourth quarter of 2011. Based on the above, and given that the commercial sector represents an important element of our GNP, notwithstanding the effects of seasonality, overall economic growth during the second quarter of 2012 is bound to witness a slowdown, and confirm the warnings we had voiced out earlier during the year.