



« BTA-Fransabank Retail Index » for Q2 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 second quarter of 2013.

BTA announces that, after the publication of the official Consumer Price Index (CPI) figure for June 2013 by the Central Authority of Statistics, without the publication of monthly CPI figures for the first six months of 2013, the Association has resorted to academic tools for forecasting the missing CPI figures (quarterly inflation rates for Q1 and Q2 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. Q2 – 2013 as compared to Q2 – 2012), the retail trade sector performance during the 2nd quarter of 2013 reveals the following:

Q2 2013 to Q2 2012			
	Q2 2012	Q2 2013	
Nominal Year to Year Variation	100.00	96.99	
CAS Official Inflation Rate between Q2'12 and Q2 '13		8.80%	
Real Year to Year Variation	100.00	88.45	-11.55%

The fall witnessed in the performance of the retail commercial sector during the second quarter of 2013 wraps up a full year of negative dynamics that have started to affect this

sector since the third quarter of 2012: While the nominal figure for the second quarter of this year posts a decrease of about 3.01% in comparison with the second quarter of 2012, **the real figure shows a sharp fall that stands at -11.55% after taking into consideration the CAS Official Inflation Rate between these two periods, i.e. 8.80%.**

The reasons for such drop in activity in comparison to the same period of 2012 have become familiar, and include both exogenous and endogenous factors:

1. Exogenous Factors:

- a. The sustained enforcement of the travel ban issued by Gulf states to its nationals on visiting Lebanon, and the semi-total abidance by this decision, continued to reflect directly and negatively on a number of sectors that are most related to the level of touristic activity and to the level of purchases that are effected by Gulf nationals. It is important to note here that the purchases of Gulf nationals do represent, in those sectors, 45% of the total turnover as reflected in the VAT refunds figures.
- b. The reduced number of Lebanese emigrants who visited Lebanon during this period, despite the strong promotional campaigns that were conducted by the relevant concerned authorities. H.E. the Minister of Tourism himself has declared lately that this year was the worst since the end of the Lebanese war.
- c. The sustained war in Syria, and the difficulties encountered for traveling inside the Syrian territory, which paralyze the land transport of goods as well the influx of tourists by land to Lebanon – mainly Jordanian and Iraqi nationals.

2. Endogenous Factors:

- a. The deteriorating purchase power of resident Lebanese households, and their sustained restraint – or even caution, in spending, for basic consumables as well durable goods, in light of the recurring internal security incidents, and the paralyzed institutional activity resulting from the incapacity of forming a new government.
- b. The heavy pressure caused by the large influx of refugees that reached about 1.2 million Syrians and 60,000 Palestinians, a pressure deeply affecting the local economic performance due to the lack of official external support, and due to the fact that these refugees do not have the necessary purchase power that would contribute to effectively influence the level of basic goods consumption at least.

In this respect, it is important to look at the details of the worrying performance of retail trade sectors during the second quarter of 2013:

- a. The level of **consumption of basic goods** (for which demand is supposed to be constant irrespective of the economic ups and downs, because of daily subsistence needs of households) continued to decline (sharply in some sectors), in comparison to the level of consumption of the same basic goods in Q2 of 2012. Most noticeable declines were witnessed for food products (-1.1%), beverages & alcoholic drinks (over 50% decline), tobacco (almost -15.0%), clothing (around -5.0%), footwear and shoes (-15.0%), etc...
- b. The level of **consumption of durable goods** also continued to reflect the same sharp declines witnessed for basic goods, i.e. noticeable declines especially in the

following sectors: electronics, home appliances & equipment, communication (telephones & communication equipment) – with declines ranging between -10.0% and -15.0%, and also the toys and books & stationery sectors that experienced similar declines.

Such results clearly demonstrate that Lebanese households continued to apply self-austerity measures - that have become part of their lifestyle lately, not only to durable goods (furniture, electronics, etc...) but also to basic consumer goods (such as food and beverages, etc...).

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a BTA quarterly inflation rate estimate of 1.1% between March 2013 and June 2013, We hereby announce that the “BTA-Fransabank Retail Index” is:

86.88 for the second 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	Q2 '13
Nominal Index - w/out inflation	100.00	95.77	100.55	108.54	112.66	90.83	87.85
Real Index - w/ inflation	100.00	94.24	101.65	99.97	102.88	89.66	86.88

In other words, the overall retail trade activity has witnessed, during the second quarter of 2013, a continued decline in comparison to the previous quarter (Q1 '13), and can be considered as the lowest since the end of 2011.

If this trend persists, and if the main seasonal and festive periods continue to be lost opportunities for retail traders, Beirut Traders Association’s projection for economic growth for this year is zero percent, because of the importance of the weight of the commercial sector in the GDP, a projection that concurs with estimates revealed by a certain number of reliable foreign agencies.

