

“BTA-Fransabank Retail Index” for the second quarter of 2015 (Q2-2015)

Massive Sales Offers ... but ... Poor Sales Figures

Despite further decrease in the CPI and very generous discounts in all sectors, market drivers are still in slow motion ...

Prices have gone down, and major discounts were offered in all sectors of the retail markets during the second quarter of 2015, but the momentum did not pick up accordingly, and activity remained subdued without any significant improvement from the modest levels to which markets have been forced to adapt.

Yet, the retail trade markets are still awaiting the classical reactive effects to a decrease in prices, and hoping that the new downtrend in prices will eventually end up by re-activating demand and the commercial cycle.

It seems however that the non-economic exogenous factors, local as well as regional such factors, that are prevailing and undermining any regain of activity in the markets, are still dominant and refraining any pick up in the levels of consumption.

On the local scene, security forces have been able to maintain a reasonable level of stability in the country with the exception of few and isolated incidents, but political controversies persisted amongst major blocks, which affected very negatively the efficacy and efficiency of the performance of the government of national unity, combined with the long lasting vacancy of the presidency of the republic, and with the paralysis of numerous vital socio-economic initiatives, leave alone the persisting crisis related to the Lebanese army and security forces hostages.

At the regional level, and in the wake of the persisting heavy pressure that the numbers of Syrian refugees are exerting on the Lebanese economy, be it at the level of excessive utilization of the existing infrastructure in the country and of its water and energy resources; or because of the massive influx of workforce to the local labor market, in all sectors, at wages much lower than the prevailing remunerations of their Lebanese counterparts. The result is an alarmingly increasing rate of unemployment in Lebanese households that represent the skeleton of local consumption, while the refugees' consumption patterns and levels are scarce and noticeably much less dynamic, especially in the so-called vital – or basic commodities sectors.

On the other hand, and as indicated earlier in this report, the CPI maintained its downtrend and posted, for the third consecutive quarter, a noticeable decrease, for both the yearly prices (Q2 to Q2) and the quarterly prices (Q1 to Q2).

The CPI between Q2 of 2014 and Q2 of 2015 has regressed by – 3.37 %, while the regression between Q1 and Q2 of 2015 has settled at – 1.12 %, as per the following table:

CPI (source: CAS)	
4th Quarter of 2014 vs. 4th Quarter of 2013	- 0.71 %
1st Quarter of 2015 vs. 1st Quarter of 2014	- 3.38 %
2 nd Quarter of 2015 vs. 2 nd Quarter of 2014	- 3.37 %
4th Quarter of 2014 vs. 3rd Quarter of 2014	- 1.49 %
1st Quarter of 2015 vs. 4th Quarter of 2014	0.98 %
2 nd Quarter of 2015 vs. 1 st Quarter of 2015	- 1.12 %

Thus, and with all highlighted details above, the consolidated figures for the second quarter of 2015 were found to reflect a persisting stagnation in the retail markets, albeit a modest increase in real sales that stood at around 2 % as compared to the second quarter of 2014 (excluding Liquid Fuels) and despite the – 3.37 % decrease in the CPI for this same period.

It should also be noted that the sales figures of the second quarter of 2014 had already recorded an almost 15 % drop from their previous year levels.

Such results depict the persisting state of stagnation of the overall consumption activity in the local retail markets for many years now...

In spite of the worrying overview detailed above, few real positive results were registered in some sectors related to basic commodities and recreational activities as well during the period under review.

This is a clear reflection of the gradual transformation in the consumption patterns of Lebanese households in general, and the re-shuffle of priorities in consumption needs, as shown in the detailed results below:

- ✓ + 4.90 % in Food Products and + 10.26 % in Bakeries (with a – 1.69 % drop in the CPI for this sector between Q2 of 2014 and Q2 of 2015).
- ✓ + 41.33 % in Pharmaceutical Products (with a – 4.80 % drop in the CPI for this sector between Q2 of 2014 and Q2 of 2015).
- ✓ + 13.74 % in Cellular Phones (with a – 3.51 % drop in the CPI for this sector between Q2 of 2014 and Q2 of 2015).
- ✓ + 14.28 % in Sports Equipment and Sportswear (with a – 0.26 % only drop in the CPI for this sector between Q2 of 2014 and Q2 of 2015).
- ✓ And + 2.93 % in Toys (with also a – 0.26 % drop in the CPI for this sector between Q2 of 2014 and Q2 of 2015).

Concurrently, many other sectors witnessed disturbing drops in their Q2 of 2015 real sales figures as compared to their results in the same quarter of 2014, as detailed below:

- ✓ While the Clothing sector posted a – 5.53 % decline, sales of Shoes and Footwear fell by – 19.95 %.
- ✓ In the Multistores sector, figures dropped by – 15.63 %.
- ✓ As for Home Appliances, the drop stood at – 10.51 %.
- ✓ In the Perfumes and Cosmetics sector, figures decreased by – 7.88%.
- ✓ Also, in the Restaurants and Snacks sector, results fell by - 4.31 %.

It is worth noting that the liquid fuel sector witnessed an increase of + 5.00 % in volume during the same period.

Yearly Variation between 2nd Quarter '14 and 2nd Quarter '15			
	Q2 - 2014	Q2 - 2015	
Nominal Year to Year Variation (incl. Liquid Fuels)	100.00	100.45	
Nominal Year to Year Variation (excl. Liquid Fuels)	100.00	98.64	
CAS Official Inflation Rate between Mar '14 and Mar '15 (as per the official CAS figures)		- 3.37 %	
Real Year to Year Variation (incl. Liquid Fuels)	100.00	103.84	+ 3.84 %
Real Year to Year Variation (excl. Liquid Fuels)	100.00	101.97	+ 1.97 %

On the other hand, the quarterly fluctuations in sales figures of the retail trade sectors did reflect, for most sectors, the same trends as those of the yearly figures.

These quarterly changes reflected an improvement in some sectors such as the Food Products (+ 6.65 % between Q1 and Q2 of 2015), Pharmaceutical Products (+ 15.17 %), Cellular Phones (+ 3.35 %), Toys (+ 5.85 %), and Restaurants and Snacks (+ 9.04 %), while Bakeries registered a drop of – 1.12 %.

Other sectors where more severe drops were witnessed include Clothing (- 9.03 %), Shoes and Footwear (- 19.03 %), Perfumes and Cosmetics (- 4.64 %), Home Appliances (- 5.19 %), Books and Magazines (- 3.39 %), and Sports Equipment (- 17.20 %).

It is also worth noting that sales of Tobacco receded by – 4.41 % between Q1 and Q2 of 2015.

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of – 1.12 % for the second quarter of 2015, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included):

53.82 for the second quarter of the year 2015

BTA - FRANSABANK Retail Index For Q2 - 2015 (Base 100 : Q4 - 2011)															
Description	2011	2012				2013				2014				2015	
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
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	55.30	55.22	57.57	51.51	51.94
Nominal Index - w/Inflation	100.00	94.24	101.65	99.97	102.88	89.66	86.88	78.23	64.52	58.90	55.56	54.45	58.42	52.78	53.82

In conclusion, it could be clearly stated that recovery is not anymore bound to economic factors alone, such as a decrease in prices or massive sales offers to which traders are resorting, or even weaker levels of some currencies ... Recovery is rather mainly linked to the political, security and social situation that is prevailing in the countries of the region in general, and more specifically in the neighboring countries. This reality is consolidating the new austerity trend that is characterizing the current consumption patterns.

Such subjective effects are further substantiated by the persisting refrain of gulf visitors and other tourists to come to Lebanon, at least not at the same pace that used to be, and by the pressures exerted by the numbers of Syrian and other neighboring countries refugees – with all what these numbers mean in terms of affecting the income of Lebanese households because of their invasion of the labor market while having very weak expenditures locally.

All such negative factors do not predispose for any recovery of the Lebanese markets in the foreseeable future, unless a comprehensive political, financial, and economic salvation plan is adopted urgently at the national level, with a dual punctual as well as strategic perspective.

جمعية تجار بيروت
فرانسابنك
مؤشر تجارة التجزئة

53.82



BEIRUT TRADERS ASSOCIATION
FRANSABANK
RETAIL INDEX

53.82

