



« BTA-Fransabank Retail Index » for Q3 of 2012

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.

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.

We are here today for the announcement of the “BTA--Fransabank Retail Index » for the third quarter of 2012.

Year to Year Variation for the third Quarter - Q3 of 2012			
	Q3 2011	Q3 2012	
Nominal Year to Year Variation	100.000	102.154	
CAS Official Inflation Rate between Sep 2011 & Sep 2012		10.30%	
Real Year to Year Variation	100.000	91.630	-8.37%

It is important to note that calculations take into consideration the official Consumer Price Index (CPI) for the concerned retail trade sectors, as officially announced by the Central Administration of Statistics, as follows:

+1.60% for Q1 2012

-1.10% for Q2 2012

+8.40% for Q3 2012

As for the yearly inflation rate between September 2011 and September 2012, it stood at 10.30%.

The level of retail trade activity during the third quarter of 2012 showed a significant drop : although the nominal figure shows a +2.15% increase for the same quarter year to year, **the real figure displays a sharp drop of almost 8.5% when the inflation rate for the concerned retail trade sectors (10.3%) – according to the Central Administration of Statistics, is taken into account.**

Explanations of such drop in activity in comparison to the same period of 2011 reside in the following:

1. Exogenous Factors:

- a. Everybody is aware of the very negative effects of the local unrest and the missed high shopping seasons opportunities (summer, eids, ...) – the hostages

situation, the ban on travel to Lebanon for Gulf nationals, Grades and Salaries Grid episodes, etc..

b. And obviously the continuing regional unrest, especially in neighboring Syria, and its repercussions..

2. Endogenous Factors: Today it has become obvious that consumers are displaying sharp restraint in their spendings in vital trade sectors.

The overall poor performance of the retail trade sectors during the third quarter of 2012, that carries on the dark picture we have started to watch during the second quarter of this year, and that reinforces our projection for a slowdown in the overall economic activity during 2012, **is only the normal translation of very careful consumers' spending and of the very high sensitivity of the Lebanese economy to the effects of regional unrest and its reliance on Gulf visitors spending.**

At this stage, we may zoom into detailed retail trade sectorial results for Q3 of 2012 and notice that:

- o The level of **consumption of basic goods and commodities** as compared to Q3 of 2011 **displays sharp declines in sectors such as:**
 - ✓ Clothing -20%
 - ✓ Educational spend (Bookstores) -18%
 - ✓ Alcoholic Beverages -17%
 - ✓ Footwear -16.5%
 - ✓ Tobacco -5.7%
 - ✓ And last but not least on food, with spend in supermarkets declining by 6.6%
 - ✓ One more declining sector is the elegant sector of Cosmetics and Fragrances sector, that posts a drop of 5.8%.
- o The level of **consumption of durable goods reflects the same pattern and posts even sharper decreases,** for example:
 - ✓ Furniture and Home Decoration -38%
 - ✓ Electronics and Home Appliances -19%

A simple look at these figures relays a picture of self-austerity measures that Lebanese households are applying, a self-imposed discipline that is extended not only to durable goods (furniture, electronics, etc...) but also to seasonal purchases (clothing, etc...), as well as basic staples (food, beverages, tobacco, etc...).

The cultural and educational spheres have also been affected, with Bookstores activity dropping by 18%.

- o On the other hand, **the only major sector that shows an increase during the third quarter of 2012 is the petroleum sector, with a +7.11% real increase in the volume of fuel consumed.** That can be directly related to a drop in fuel prices during that period, which demonstrates that price elasticity is high in the petroleum sector.

As a result, and by fixing our base index 100 at the fourth quarter of 2011, We hereby announce to you that the "BTA-Fransabank Retail Index" is:

99.97 for the third quarter of the year 2012.

BTA-Fransabank Retail Trade Index for Q3 of 2012 (Base 100 Q4 2011)

	Q4 '11	Q1 '12	Q2 '12	Q3 '12
Nominal Index - w/out inflation	100.000	95.771	100.550	108.54
CAS official Quarterly compounded Inflation Rate		1.60%	-1.10%	8.40%
Real Index - w/ inflation	100.000	94.239	101.656	99.97

In other words, **the retail trade activity has not only stagnated, but has started to witness a recessionary trend since the beginning of the current calendar year.**

It is important to note that the energy sector has pushed upwards an otherwise sinking index.

Based on the above, and given that the commercial sector represents a vital component of the Lebanese GDP (almost 1/3rd), and notwithstanding the effects of seasonality, overall economic growth will not even be able to post the modest 1 or 2 % growth as previously feared, but shall translate into 0% growth at best: this downwards trend unfortunately echoes the alarming warnings we had voiced out earlier during the year.

