

Press Release – 12 November 2013

“BTA-Fransabank Retail Index” for the third quarter of 2013 (Q3-2013)

Mr. Nicolas Chammas, Chairman of Beirut Traders Association, announces the « BTA-Fransabank Retail Index » for the third quarter of 2013.

The combination of multiple negative factors has continued to undermine strongly the retail trading sector for the fifth consecutive quarter (i.e. starting on Q3 of 2012).

We have been sending warning signals for some time now about the fact that the Lebanese trading sector is left with much little room to withstand its positions, in the absence of any drastic change in the local and regional political and economic situation.

Reality is that deterioration is still the name of the game, and such deterioration is reflected in the following data and statistics.

Firstly, it is noted that the activity of the retail trading sector during the third quarter of 2013 has witnessed a sharp drop of 15.05% in comparison to the same quarter of the previous year, bearing in mind that this same level of activity had already witnessed a 7.5% drop in Q3 of 2012 in comparison with the third quarter of 2011.

Yearly Variation between Q3 – 2012 and Q3 - 2013		
	Q3 - 2012	Q3 - 2013
Nominal Year to Year Variation	100.00	85.57
CAS Official Inflation Rate between Q3 '12 and Q3 '13 (as per the official CAS)		0.73%

figures)			
Real Year to Year Variation	100.00	84.95	- 15.05%

This is the very reason why we have been describing - in the previous weeks, the month of September of this year as the Black September, since it was one of the toughest on the activity of the retail trade sector. It is worth mentioning here that the year to year rate of inflation for this period comes to strengthen this argument, as it narrowed down to almost zero percent (0.73%), a fact that indicates clearly that the Lebanese economy is on the verge of recession.

The main factors undermining consumption were:

- o The threats concerning a western military action against Syria which provoked fears and turmoil in Lebanon. These threats have vanished, but the Lebanese commercial markets remained at a standstill ...
- o Other negative factors that have been affecting the retail trading sector for more than a year continued their undermining pressure:
 - The absence of Gulf visitors, whose purchases represent 45% of the total turnover of the retail market subject to VAT refund.
 - The persisting fighting situation in Syria and the resulting difficulties encountered for traveling inside the Syrian territory, a fact that heavily paralyzes the land transport of goods as well the influx of tourists from the Arab inland – mainly Jordanian and Iraqi nationals.

- The receding number of visiting Lebanese emigrants who refrained from coming to Lebanon or did so for a very short stay during that period.
- o All the above prevailed under the specter of heightened pessimism resulting from:
 - a failure to form a government despite all efforts and pressures exerted locally and regionally,
 - a setback in the security situation in different areas,
 - a drain of confidence in the national economy.
- o Over and above, this period witnessed also further deterioration of the Lebanese households' purchase power, and an increase in unemployment to worrying levels especially amongst the youth, in the wake of the influx of the Syrian workforce to Lebanon and the lessening of work regulations for these.

In light of all such factors, it is important to look at the details of the worrying performance not only in the basic goods sectors but also in the durable and luxury goods arenas during the third quarter of 2013, among which for example:

- o The retail trade of textiles, clothes, shoes and footwear and other leather goods that witnessed a drop of more than 20%.
- o The retail trade of books, newspapers and magazines, stationery and office supplies, which witnessed a decrease of about 20% despite the fact that prices in this sector have posted an increase of around 15% according to official CAS figures.
- o Finally, it is also important to note that turnover in supermarkets and food shops has remained stable in

comparison to the same quarter of last year, although prices in this sector have witnessed a 3.2 % decline.

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of 0.47% between June 2013 and September 2013,

We hereby announce that the “**BTA-Fransabank Retail Index**” is:

78.23 for the third quarter of the year 2013.

BTA-Fransabank Retail Trade Index for Q3 of 2013 (Base 100 : Q4 2011)								
	Q4 '11	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13	Q3 '13
Nominal Index - w/out inflation	100.00	95.77	100.55	108.54	112.66	90.83	87.85	78.60
Real Index - w/ inflation	100.00	94.24	101.65	99.97	102.88	89.66	86.88	78.23

In other words, it is legitimate to say that retail trade activity has continued to experience recessionary pressures during the third quarter of 2013, as compared to the same quarter of the previous year.

And the more this downtrend gains momentum, in light of the persisting deterioration of the local and regional situation, the more we fear – once again, the main seasonal and festive periods will continue to be lost opportunities for retail traders.

In other words, a regain of vitality in the retail markets during the last quarter of this year appears to be unrealistic, and hence a

regain of dynamism in the overall economic performance also looks improbable, because of the importance of the weight of the commercial sector in the GDP.

Thus, Beirut Traders Association's forecast for any economic growth for this year remains quite pessimistic, in line with the projections of a certain number of reliable foreign agencies.

