



Press Release

Beirut Traders Association - Fransabank Retail Index For The Fourth Quarter 2012

Beirut, February 28, 2013

« BTA-Fransabank Retail Index » was announced for the first time in September 2012 as a joint partnership between Beirut Traders Association and Fransabank, with the technical support of the Central Administration of Statistics of Lebanon to reflect the pulse of all active business sectors in the local trade retail market.

This retail index is since announced on a quarterly basis and has an effective contribution in improving the trade sector as well as overall economic sectors in Lebanon.

Mr. Nicolas Chammas, Chairman of Beirut Traders Association, announces and comments on the “BTA--Fransabank Retail Index » for the fourth quarter of 2012.

Starting with the retail trade sector performance during the 4th quarter of 2012, BTA Chairman says: the year to year results and comparative analysis (i.e. Q4 – 2012 as compared to Q4 – 2011) reveal the following:

Q4 2012 to Q4 2011			
	Q4 2011	Q4 2012	
Nominal Year to Year Variation	100.00	97.55	
CAS Official CPI		10.10%	
Real Year to Year Variation	100.00	87.70	-12.30%

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

+1.6% for Q1 2012

-1.1% for Q2 2012

+8.4% for Q3 2012

+1.01% for Q4 2012

As for the yearly inflation rate between September 2011 and September 2012, it stood at 10.10%.

Thus, the level of retail trade activity during the fourth quarter of 2012 continued to witness an alarming slowdown: while the nominal figure shows a decrease of almost 2.5% for the same quarter year to year, **the real figure displays a sharp decrease of 12.3% taking into consideration the inflation rate for the concerned retail trade sectors of (10.1%)** – according to the Central Administration of Statistics.

The reasons for such drop in activity in comparison to the same period of 2011 are attributable to both exogenous and endogenous factors:

1. Exogenous Factors:

- a. The very negative effects of the local political bickering and unrest, especially the assassination of a top security figure, the maintained ban on travel to Lebanon for Gulf nationals, unresolved socio-economic claims and disputes, etc.. were further sharpened by yet another missed high shopping season opportunity (Adha, Christmas and end of year),
- b. And obviously the continuing regional instability, especially in neighboring Syria, and its heavy repercussions...

2. **Endogenous Factors:** Consumers appear to have maintained – if not strengthened, their sharp restraint in spendings, not only in vital trade sectors, but also in sectors that do witness traditionally their best results during the festive period, among them, we list: clothing and footwear, home accessories, decoration, gifts, toys, ... - while the inflow of a high number of refugees from Syria did not translate into a spur of consumption – even in basic vital sectors.

The overall poor performance of the retail trade sectors during the fourth quarter of 2012 continued to reflect the poor and deteriorating picture we had started to watch during the second and third quarters of this year: for us, this does not come as a surprise, as we had already announced our outlook for an overall slowdown in economic activity during 2012. This pattern is only the normal translation of very thrifty consumer spending and of the very high sensitivity of the Lebanese economy to the effects of regional instability and its reliance on Gulf visitors shopping.

At this stage, looking at the details of retail trade sectoral results for Q4 of 2012 reveals that:

- o The level of **consumption of basic goods** (for which demand is supposed to be constant irrespective of the economic ups and downs) as compared to Q4 of 2011 **displays spectacular declines in sectors such as:**
 - ✓ Footwear & Shoes ~ - 42 %
 - ✓ Clothing ~ - 35 %

While other basic sectors witness milder – yet worrisome, declines:

- ✓ Alcoholic Beverages - 8.5%
- ✓ Food, with real sales in supermarkets declining by 0.60 % (despite the influx of a considerable number of refugees from Syria on the Lebanese territory and the ensuing basic food consumption expected).
- o The level of **consumption of durable goods** (especially those goods that are traditionally acquired or purchased as gifts for Christmas and new year) **reflects the same pattern and posts even sharper decreases**, for example:
 - ✓ Home accessories - 58 %
 - ✓ Toys - 52 %
 - ✓ Telecommunications (Cellular phones and parts) - 15 %
 - ✓ Electronics and Home Appliances - 7.5 %
 - ✓ Furniture and Home Decoration - 4.5 %

A simple reading of these figures clearly demonstrates that Lebanese households are applying stricter self-austerity measures, a self-imposed discipline that is extended not only to durable goods (furniture, electronics, etc...) but also to seasonal and festive purchases (toys, clothing, etc...), as well as basic staples (food, beverages, etc...).

- o Another important repercussion lies in the severe fall of spending for cultural and educational purposes, with Bookstores activity dropping by more than 25%.
- o In contrast, **the only sector that shows a relatively noticeable increase during the fourth quarter of 2012 is the tobacco sector, with an almost 5% real increase**, notwithstanding the new law passed for the ban of smoking in public places.

As a result, and with our base index 100 fixed at the fourth quarter of 2011, We hereby announce that the “BTA-Fransabank Retail Index” is:

102.88 for the fourth quarter of the year 2012.

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

	Q4 '11	Q1 '12	Q2 '12	Q3 '12	Q4 '12
Nominal Index - w/out inflation	100.00	95.77	100.55	108.54	112.66
Real Index - w/ inflation	100.00	94.24	101.65	99.97	102.88

In other words, the overall retail trade activity has witnessed, during 2012 a 2.88% growth, this growth being only the reflection of:

- A solid commercial showing during the first semester of 2012 (excluding seasonality effects), which faltered thereafter,
- A sustained activity of the car sector, albeit with a trend towards smaller vehicles.

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, we do maintain that overall economic growth will translate into an almost 0% growth at best for 2012: this downwards trend unfortunately echoes the alarming warnings we had voiced throughout 2012.



End of Press Release

For more information

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