

## Press Release – February 20, 2014

**“BTA-Fransabank Retail Index” for the fourth quarter of 2013 (Q4-2013)**

**Chairman of Beirut Traders Association Nicolas Chammas :**

**35.5% decline in retail trade activity over the last two years**

A state of continuous slowdown continued to prevail in the Lebanese trade markets, as all undermining factors not only persisted but even deteriorated further and continued to affect quite severely the level of activity in these markets for more than 18 months now.

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.

With the absence of any noticeable change in the prevailing political and security atmosphere, notwithstanding the deterioration of the internal security situation and the total paralysis at the political and institutional levels, the level of activity in the commercial markets has continued to recede in spite of the end of year festive season: Lebanese traders were building high expectations on what this season would carry in terms of a relative revival of sales and a partial relief of their long lasting deteriorating situation, and more so following the good sales momentum that started to build up in early

December, with sales figures catching up with the figures achieved in December 2012 .. However, the bombing that targeted late minister Mohamed Chatah broke this momentum dramatically, and the retail trade sector experienced a renewed down trend that led to the negative overall statistics posted for the last quarter of 2013.

It is important to note that such real negative figures would have been even worse if the inflation figures between the 4<sup>th</sup> quarter of 2012 and the 4<sup>th</sup> quarter of 2013 had been higher than the actual 1.12% announced by the Central Administration of Statistics.

The results of the Q4 activity levels do confirm, once again, that the aggregating decline of activity that has been prevailing for a long while has lead the economy to a near deflationary status today, and calls for an urgent appreciation and resolve of this critical situation are more than appropriate.

Firstly, the compiled data pertaining to the activity of retail trade sectors during the fourth quarter of 2013 as compared to the fourth quarter of 2012 reveal that such activity has witnessed a sharp 13.415 decline; it is worth noting that the level of activity during the fourth quarter of 2012 had already witnessed a 12.3% decline as compared to the same quarter of 2011.

<b>Yearly Variation between Q4 – 2012 and Q4 - 2013</b>			
	<b>Q4 - 2012</b>	<b>Q4 - 2013</b>	
<b>Nominal Year to Year Variation</b>	<b>100.00</b>	<b>87.565</b>	
<b>CAS Official Inflation Rate between Q4 '12 and Q4 '13 (as per the official CAS figures)</b>		<b>1.12%</b>	
<b>Real Year to Year Variation</b>	<b>100.00</b>	<b>86.585</b>	<b>- 13.415%</b>

The main factors that have contributed to further deterioration of consumption are:

- The assassination of late minister Mohamed Chatah, the recurring bombings in all Lebanese regions and the cascade of rumors and news about numbers of booby trapped cars circulating in various Lebanese regions, in addition to a very tense and aggressive tone in political declarations and statements.
- It is also worth mentioning that the above mentioned tensions occurred while the country was still witnessing a failure to form a government despite all efforts and pressures exerted locally and regionally.
- Obviously, such prevailing situation resulted into:
  - A persisting absence of Gulf visitors whose purchases are estimated to account for 45% of the total retail trade activity that is subject to the VAT.
  - A decline in the number of visiting Lebanese emigrants who chose alternative destinations for their holidays, or whose visits were very brief to the country.
  - A continued paralysis of road transport and of the touristic and commercial activities that are generated by neighboring Arab countries visitors, such as from Jordan and Iraq.
  - An increase in unemployment to worrying levels, accompanied by further decline of the Lebanese households' purchase power resulting from a deterioration in households' income, in the wake of increased competition for jobs created by the influx of

the Syrian workforce to Lebanon and the lessening of work regulations for these.

A closer analysis of each retail trade sector reveals that, while some sectors succeeded in maintaining the same level of activity that in Q4 of the year 2012, others have experienced sharp declines, as per the following:

- A fall in the sales of Liquid Fuels in terms of volume, posting a – 7.90% figure (despite the high numbers of Syrian vehicles currently circulating on the roads in Lebanon).
- A drop of 25% in the sales of pharmaceutical products, especially in the para pharmaceutical sector.
- A real decline of – 8.30% in the sales of bakeries, pastry, chocolate, sweets, jams and kernels, and a real decline of – 5.75% in the sales of Supermarkets and Food Stores (despite the fact that prices in this sector have posted a + 2.90% increase as per the Central Administration of Statistics latest CPI figures release). The Snacks and Restaurants activity level has also dropped by – 16%.
- A sharp - 7.75% was witnessed in the Toys sector (a sector that usually witnesses its highest levels of activity during the Christmas and End of Year season).
- And another – 5% in the Bookstores and Stationery sector.
- A nominal fall by – 25.75% in the Construction Material sector,
- And finally a – 15% in the sales of the Electronics, Electrical Equipment and Home Appliances.

On the other hand, it was noticed that sales in the Cosmetics and Perfume sector, as well as in the Clothing sector, have maintained an almost equal level of activity than in Q4 of 2012,

because of the very high price discounts that these sectors have been obliged to offer, while the Shoes sector has been witnessing an approximate – 20% sales drop.

Finally, and despite the fact that the fourth quarter of the year is traditionally a period of gifts and celebrations, it was noticed that the sales of Liquor and Spirits have declined by 7.50% and the sales of tobacco by – 1.25%.

On the other hand, a comparison between the levels of activity of Q3 and Q4 of 2013 shows that, despite the important seasonal factors and pressure for consumption that push usually for higher consumption levels during the last quarter of the year, the aggregated level of activity of the retail trade sector has witnessed a quarterly decline of 2.50% during Q4 of 2013.

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of 2.05% between September 2013 and December 2013,

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

**64.52** for the fourth quarter of the year 2013.

### BTA-Fransabank Retail Trade Index for Q4 of 2013

(Base 100 : Q4 2011)

	2011	2012				2013			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Nominal Index - w/out inflation</b>	100.00	95.77	100.55	108.54	112.66	90.83	87.85	78.60	65.87
<b>Real Index -</b>	100.00	94.24	101.65	99.97	102.88	89.66	86.88	78.23	<b>64.52</b>

w/ inflation

In other words, it is legitimate to say that retail trade activity has continued to experience persisting recessionary pressures during the year 2013 as compared to the previous year, that lead to a very dangerous accumulated decline during the last two years of 35.5%.

In other words, and because of the importance of the weight of the commercial sector in the GDP, it is urgent to undertake drastic measures to revitalize the markets and help spark a much needed re-awakening of this sector, and through this an imperative rescuing of the Lebanese economy as a whole.

