
“BTA-Fransabank Retail Index” for the fourth quarter of 2014 (Q4-2014)

Despite a twitch at the end of the year, Markets did not witness any noticeable switch in their activities.

No serious signals anticipating a long awaited recovery were to be detected by the retail trading markets during the last quarter of 2014, bearing in mind that the level of activity in these markets has been subdued relentlessly for almost three long years now.

The retail markets did not either benefit from any positive factor that might have underpinned the consumption trend, except the end of year festive season’s drive that was reflected by a twitch in the level of activity during the second half of December.

In fact, the markets experienced some revival in the last days of the year, mainly resulting from a relative stability at the security level as compared to the end of year 2013, but also driven by the positive momentum that the multiple bilateral dialogues between the main political parties have started to generate.

Yet, and in light of the latest figures related to the fourth quarter of 2014, this “last minute” twitch did not have the necessary amplitude to make up for the losses that were accumulated, not only during the last quarter of the year, but throughout the whole year, nor did it prelude for a revival of consumption and a switch in the trend in the foreseeable future.

Getting back to the subjective and negative factors that have continued to undermine the activity of retail trade markets, it is necessary to re-state that these factors do still emanate from a combination of political and security concerns:

The political concerns, on one hand, being still instigated by the repetitive scenario of lack of quorum at the parliament to allow for the election of a President, resulting in a dragging vacancy at the head of the state, accompanied by a semi-harmony at the level of the government decision-taking process.

The security concerns, on the other hand, which continued to be fuelled by the (increasing – yet at a lower pace) settling of Syrian refugees in Lebanon, and what such presence entails in terms of heavy pressures and threats at the social and human points of view, leave alone the persisting tragedy of the military and security soldiers who are still abducted by parties known to everybody, and the lack of apparent progress for their liberation.

The cumulative effects of these prevailing negative factors, combined with very heavy strains on the purchase power of Lebanese households (*that come as a natural result of the growing Syrian labor force in Lebanon and the continuous invasive flow of this labor force into the Lebanese labor market*), and with a persisting absence of Arab and other foreign visitors to Lebanon, as well as of the Lebanese diaspora, did drastically subdue the possibilities for better turnovers in the various retail trade sectors during the last quarter of 2014, as compared to their levels during the same quarter of 2013.

As a result, retail trade sectors did witness during quarter four of 2014 an aggregate increase in activity of only 2.84% in comparison to the same quarter of the previous year, bearing in mind that this same level of activity had been posting during the 4th quarter of 2013 and 2012 declines of about 12.5% on a year to year same quarter turnovers. In short, this indicates that retail trade markets have still a long way to go to regain their end of 2011 levels of activity.

Yearly Variation between Q4 – 2013 and Q4- 2014			
	Q4 - 2013	Q4 - 2014	
Nominal Year to Year Variation	100.00	102.11	
CAS Official Inflation Rate between December '13 and December '14 (as per the official CAS figures)		- 0.71%	
Real Year to Year Variation	100.00	102.84	+ 2.84%

The scrutiny of the real figures for every sector of the retail trade market reveals a very well defined pattern of consumption priorities and a clear cut disparity in consumption behavior as related to every particular sector. Hence, and while some few sectors did actually experience an increase in activity between Q4 of the year 2014 and Q4 of 2013, most other areas of retail trade activity had to face persisting slowdown in activity for the same period.

Amongst worst hit sectors, where cumulative decline levels are becoming alarming, we can point out to:

- o The clothing and the footwear sectors, where declines of 19.50% and 34.15% were reported respectively,
- o Household items, where sales dropped by 18.75% ,
- o Bookstores and Stationery with a 13.50% decline,
- o Fast Food and Restaurants which experienced a decline of 9.15%,
- o Toys where sales dropped by 9.10%,
- o And also electronics, Electrical Equipment and Home Appliances posting figures lower by 5.80%.

And whilst consumption in the Petroleum sector (in terms of volume) increased during Q4 of 2014 by 7.82% in comparison to consumption levels during Q4 of 2013, other sectors witnessed, in real value terms, slightly better improvements. These improvements had a positive impact on the aggregate results as mentioned above, posting an average +2.84% real increase in general retail trade market turnover. Main sectors where improved activity was recorded are:

- o Jewelry and Watches, with an increase of sales of 13.50% as compared to the last quarter of 2013,
- o Chocolates and Sweets, where the figures increased by 11.75% (while Supermarkets and Food Shops posted a raise of 2.75% only),
- o Perfumes and Cosmetics where real sales value increased by 11.00%,
- o Pharmaceutical Products where a 10.15% rise was registered.

The above figures, negative or positive, when scrutinized, offer a very clear indication on how and where households are exerting restraints, by avoiding spending – on one hand, on a group of goods (some of these being goods of basic necessity, such as clothing, footwear, household items and home appliances,

books, etc...), while - on the other hand focusing their consumption on items of subsistence, mainly food and pharmaceutical products, where increases in spending were reported – albeit modest. It should also be noted that during this festive season the trend went towards the purchase of gifts that bear an intrinsic resale value, such as watches and jewelry, instead of the option of toys and/or electronics.

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of -1.49% for the fourth quarter of 2014, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is:

58.42 for the fourth quarter of the year 2014.

BTA - FRANSABANK Retail Index For Q4 - 2014 (Base 100 : Q4 - 2011)

	2011	2012				2013				2014			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Nominal Index - w/out inflation	100	95.77	100.55	108.54	112.66	90.83	87.85	78.6	65.87	59.68	55.3	55.22	57.57
Real Index - w/ inflation	100	94.24	101.65	99.97	102.88	89.66	86.88	78.23	64.52	58.9	55.56	54.45	58.42

In conclusion, we could say that the above quarterly figures reveal some twitch that was experienced only in few sectors of the retail trade market, but yet there are no signs of any clear switch in the overall activity trend in the foreseeable future.

The undermining effects of negative factors on the overall economy in general, and on the trading sector in particular, are still noticeable and affecting the local economy structurally. Yet, we are still confident that the current situation is not desperate, and that solutions may and can be applied out, provided the markets benefit from a minimum level of positive and encouraging regional and local elements.



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