



“BTA-Fransabank Retail Index” For the Third Quarter of 2019 (Q3-2019)

The summer of lost opportunities in retail markets

Summer was full of promises and opportunities this year, and traders were looking forward for all the best, in terms of regain in activity and sales, that would allow to wipe off some of the losses they have been incurring for so many quarters now because of the recessionary trend.

Unfortunately, the Qabrshmoun incident took place and brought back immediately concerns and worries.

Concurrently, the government’s decisions relative to new protectionist measures and tariffs imposed on a very wide range of imported products, and deliberations about these laws in the parliament, had a very negative impact on the outlook for a further deterioration of households purchasing power and the direct effects of such deterioration.

As a result, and instead of having a summer season characterized with high numbers of tourists and visitors and robust activity in all trade sectors, tourists and visitors did not come, and residents were all concerned with the measures taken by the government to curb the deficit instead of focusing on shrinking the volume of public expenditure and reducing the number of public servants, a number that has exceeded today levels the Lebanese economy cannot bear.

For all these reasons, results of the third quarter of 2019 posted further deterioration as compared to their levels for the same quarter a year before, and the number of shops and companies that have decided to cease activities and terminate the services of their employees has witnessed a noticeable increase: the consequence of this was clear and expected, and translated into a more difficult working environment for traders, lower levels of consumption, thus refraining all prospects for growth in the economy, while we all know that growth represents the sole way to salvage our faltering economy.

This deteriorating situation in the retail trading sectors is directly linked to the recessionary trend witnessed in the overall economy, an economy is affected to a large extent by the economic and political instability factors, including the deterioration of public finances, and public expenditures that appear to be unleashed and that have inflated to the detriment of the private sector which constitutes the prime and most essential engine of activity and growth in the economy.

Thus, markets activity and consumption momentum were weak during the summer of 2019: over and above the aforementioned factors, and on top of the falling purchasing power of Lebanese households because of the recession and because of the increasing unemployment levels accompanied with decreasing income, such activity and consumption momentum were also affected by the poor number of Arab and other tourists to Lebanon, and of Lebanese emigrants returning for summer holidays as usual, a fact that had an additional very negative impact on the turnover figures of shops and companies.

As a result, some traders continued to face the situation and resist the pressure, despite the sharp declines in their turnover figures, while others have decided to finally give up and close their shops or companies.

It should also be noted that the CPI between the third quarter of 2018 and the third quarter of 2019 as per the official CAS figures, posted a low + 1.09 % figure, and meaning that the impact of new taxes and customs rates had not yet fully reached the markets and had not started to impact significantly the prices of goods in the markets.

However, if sectoral inflation levels are scrutinized, it should be noted that inflation did reach some high levels in few sectors, and did reach – for the period under review the following:

- + 13.05 % in the clothing and footwear sector,
- + 6.83 % in the recreation, amusement, and culture sector,

- + 6.54 % in the furniture & decoration sector,
- + 5.08 % in the education sector.

Moreover, the food and non-alcoholic beverages accounted for only + 0.48%, while prices in restaurants increased by +1.19%.

CPI (as per CAS official results)	
Q4 '14 / Q4 '13	- 0.71 %
Q1 '15 / Q1 '14	- 3.38 %
Q2 '15 / Q2 '14	- 3.37 %
Q3 '15 / Q3 '14	- 4.67 %
Q4 '15 / Q4 '14	- 3.40 %
Q1 '16 / Q1 '15	- 3.57 %
Q2 '16 / Q2 '15	- 0.98 %
Q3 '16 / Q3 '15	+ 1.03 %
Q4 '16 / Q4 '15	+ 3.14 %
Q1 '17 / Q1 '16	+ 5.12 %
Q2 '17 / Q2 '16	+ 3.48 %
Q3 '17 / Q3 '16	+ 4.15 %
Q4 '17 / Q4 '16	+ 5.01 %
Q1 '18 / Q1 '17	+ 5.35 %
Q2 '18 / Q2 '17	+ 7.61 %
Q3 '18 / Q3 '17	+ 6.53 %
Q4 '18 / Q4 '17	+ 3.98 %
Q1 '19 / Q1 '18	+ 4.08 %
Q2 '19 / Q2 '18	+ 1.69 %
Q3 '19 / Q3 '18	+ 1.09 %
Q4 '14 / Q3 '14	- 1.49 %
Q1 '15 / Q4 '14	- 0.98 %
Q2 '15 / Q1 '15	- 1.12 %
Q3 '15 / Q2 '15	- 1.18 %
Q4 '15 / Q3 '15	- 0.16 %
Q1 '16 / Q4 '15	- 1.15 %
Q2 '16 / Q1 '16	+ 1.54 %
Q3 '16 / Q2 '16	+ 0.82 %
Q4 '16 / Q3 '16	+ 1.93 %
Q1 '17 / Q4 '16	+ 0.74 %
Q2 '17 / Q1 '17	- 0.04 %
Q3 '17 / Q2 '17	+ 1.47 %
Q4 '17 / Q3 '17	+ 2.78 %
Q1 '18 / Q4 '17	- 1.06 %
Q2 '18 / Q1 '18	+ 2.10 %
Q3 '18 / Q2 '18	+ 0.45 %
Q4 '18 / Q3 '18	+ 0.32 %
Q1 '19 / Q4 '18	+ 1.16 %
Q2 '19 / Q1 '19	- 0.25 %

Q3 '19 / Q2 '19	- 0.14 %
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As a result, the consolidated real retail turnover figures (i.e. after applying the inflation rate weight on the nominal results) have posted a decline of – 6.18 % between the third quarter of 2018 and the third quarter of 2019, in comparison to the – 6 % posted for the previous quarter.

By excluding the fuel sector results (where a drop of – 2.18 % in volume was reported between the levels of Q3 '18 and Q3 '19), the real consolidated turnover drop reaches – 7.19 % in comparison to the Q3 '18 figures (also excluding fuel), against – 9.01 % for the previous quarter.

Yearly Variation between 3 rd Quarter '18 and 3 rd Quarter '19			
	Q3 - 2018	Q3 - 2019	
Nominal Year to Year Variation (incl. Liquid Fuels)	100.00	94.86	
Nominal Year to Year Variation (excl. Liquid Fuels)	100.00	93.83	
CPI between Sep '18 and Sep '19 (as per the official CAS figures)		1.09 %	
Real Year to Year Variation (incl. Liquid Fuels)	100.00	93.82	- 6.05 %
Real Year to Year Variation (excl. Liquid Fuels)	100.00	92.81	- 7.19 %

* CAS – CPI – Sep '19

The above figures clearly display a sustained deterioration in consumption levels, with the continued prevalence of negative factors undermining the commercial activity, of which essentially the falling purchasing power of Lebanese households and its direct impact on the volume of their general expenditure, that is mainly geared towards essential sustainability products. This fall in the purchasing power is a direct result of the increasing number of entities that are deciding to close and cease their activities, and the resulting termination of employees from their jobs and the accompanying stop in those employees income, in addition to the inevitable rise in the prices of products in the markets as a result of the new measures. Consumption levels were also affected by the drop of transfers from abroad that the Lebanese working abroad are used to effect to their parents or relatives in Lebanon. All this is happening because of the uncertainty surrounding the prospects for the near future in the country, especially that no clear positive signs were emerging concerning the support that the international community pledged for Lebanon in the CEDRE conference, and in the absence of any public or private, local or international, investments in Lebanon.

One should not also forget the absence of the contribution of foreign visitors and tourists to the overall consumption in our local markets, a contribution that all traders usually rely on to make up for their weak turnovers.

The analysis of the performance during the third quarter of this year, and of the various retail trade market sectors, clearly translates the downtrend in the overall turnover figures, and shows that austerity has become normality in the spending pattern of Lebanese households, with selective consumption channeling main spending to basic necessities.

As a result, real figures (i.e. weighed with the respective CPI figures for every sector of the retail trade activities) posted by the main sectors where declines were registered during the third quarter of 2019 in comparison to the third quarter of 2018 included (in addition to the fuel sector where a drop in volume by – 2.18 % was recorded):

- Furniture (- 42.57 % against - 14.41 %)
- Cellular Phones (- 41.24 % against - 51.25 %)
- Shoes and Leather Products (- 23.92 % against - 54.78 %)
- Toys (- 19.77 % against - 28.78 %)

- *Construction Equipment (- 16.41 % against - 38.51 %)*
- *Clothing (- 13.36 % against - 14.10 %)*
- *Household Electrical Equipment (- 12.16 % against - 22.15 %)*
- *Commercial Shopping Centers (- 11.21 % against - 13.27 %)*
- *Watches and Jewelry (- 8.69 % against - 2.63 %)*
- *Pharmaceuticals (- 8.51 % against - 15.57 %)*
- *Musical Instruments (- 6.83 % against - 53.55 %)*
- *Silverware and Decoration (- 6.54 % against - 27.18 %)*
- *Home Accessories (-5.88 % against - 7.78 %)*
- *Optical and Hearing Aid Instruments (- 4.57 % against - 19.37 %)*
- *Supermarkets and Food Shops (- 4.19 % against - 5.69 %)*
- *Liquor & Spirits (- 3.97 % against + 8.47 %)*
- *Sports Items & Equipment (- 3.72 % against - 2.89 %)*
- *Silverware and Decoration (3.27% against -10.15%)*
- *Used Cars Dealers (- 1.01 % against + 4.03 %)*
- *Medical Equipment (- 0.03 % against + 2.64 %)*

The sectors that witnessed better results were:

- *Tobacco (+ 12.86 % against + 7.01 %)*
- *Books & Stationery & Office Supplies (+ 11.14 % against - 12.88 %)*
- *Bakeries & Pastries (+ 4.43 % against + 1.50 %)*
- *Restaurants and Snacks (+ 0.28 % against + 7.37 %)*
- *Perfumes and Cosmetics (+ 0.18 % against - 2.41 %)*

On the other hand, and despite the fact that the CPI between Q2 '19 and Q3 '19 indicated a drop in prices (- 0.14 %), the third quarter figures of retail trade sectors do reflect disparity between some sectors where a real quarterly improvement was experienced (Malls, Shoes, Clothing, Fuel, Home Electrical Appliances, Optical Instruments, ...) because of natural seasonal factors, and other sectors where sharp drops were posted (especially Construction Equipment and Furniture).

Lower turnovers were thus experienced in sectors that are not considered as vital, while other sectors, in addition to fuel, saw some increases, because of seasonal reasons (Air Conditioners, Clothing ..) and probably also because of continued extremely generous offers on prices conceded by traders to sustain their trading cycle.

As a result, the overall consolidated real result for the third quarter was only slightly negative, and displayed a real decrease of - 0.84 % as compared to the previous quarter (excluding Liquid Fuels, where a + 10.83 % increase was reported in terms of volume).

Sectors where declining activity was reported included:

- *Furniture (- 31.52 %)*
- *Construction Equipment (- 29.61 %),*
- *Books & Stationery & Office Supplies (- 6.46 %)*
- *Pharmaceuticals (- 2.83 %)*
- *Supermarkets and Food Shops (- 1.75 %)*
- *Silverware and Decoration (- 1.31 %)*

Positive results were posted, in addition to the fuels sector (+ 10.83 %) and to the Malls (+ 4.26 %), in the following sectors:

- *Optical Instruments (+ 13.56 %)*
- *Toys (+ 7.44 %)*

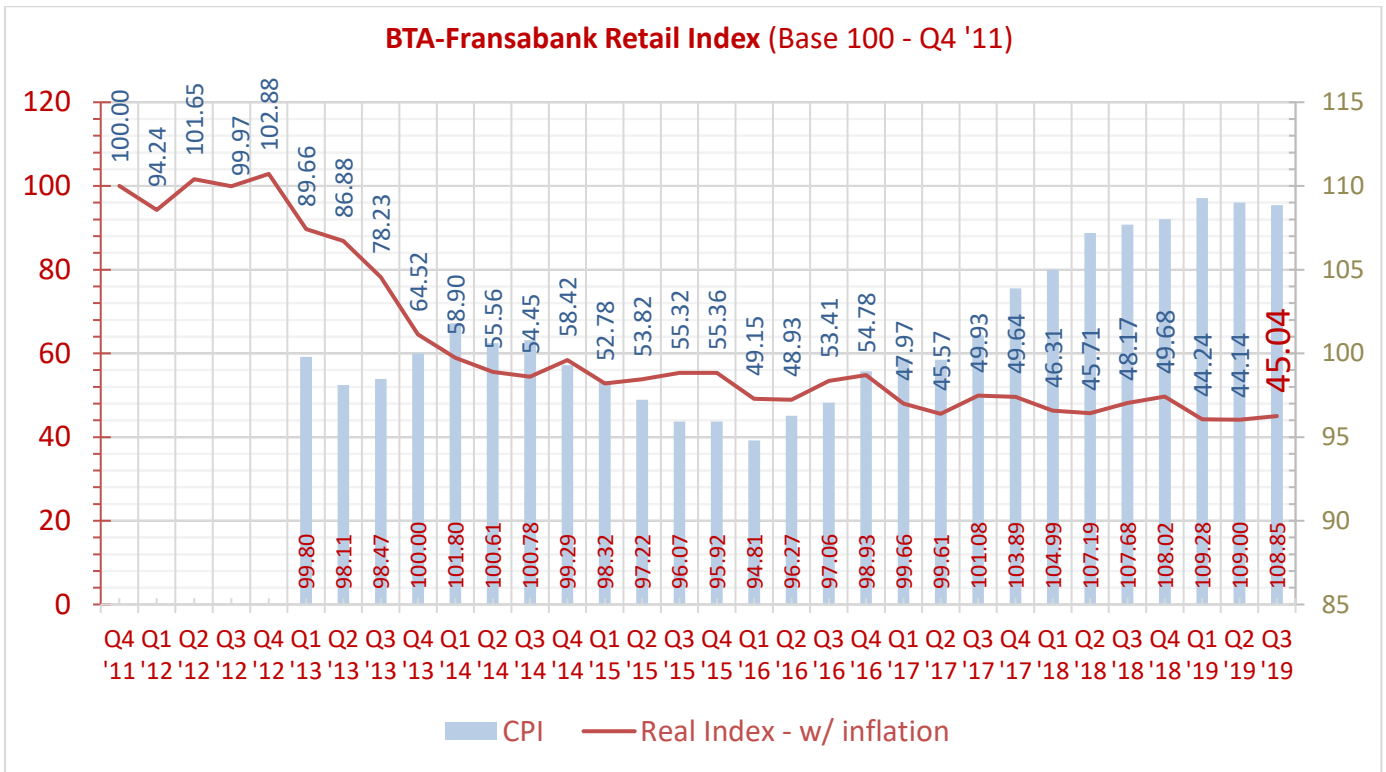
- Shoes and Leather Products (+ 6.65 %)
- Clothing (+ 4.71 %)
- Perfumes and Cosmetics (+ 4.09 %)
- Tobacco (+ 3.56 %)
- Bakeries & Pastries (+ 2.49 %)
- Cellular Phones (+ 2.97 %)
- Sports Items & Equipment (+ 1.86 %)
- Liquors (+ 1.56 %)
- Restaurants and Snacks (+ 1.29 %)
- Used Cars Dealers (+ 1.12 %)
- Watches and Jewelry (+ 0.74 %)
- Household Electrical Equipment (+ 0.53 %)

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of – 0.14% for the third quarter of 2019, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included): **45.04 for the third quarter of the year 2019**. This figure compares to the level of 44.14 for the second quarter of 2019.

BTA - FRANSABANK Retail Index For Q3 - 2019

(Base 100 : Q4 - 2011)

	2011	2012				2013				2014			
	Q4 '11	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	Q4 '14
Nominal Index - w/out inflation	100	95.77	100.6	108.5	112.7	90.83	87.85	78.6	65.87	59.68	55.3	55.22	57.57
Real Index - w/ inflation	100	94.24	101.7	99.97	102.9	89.66	86.88	78.23	64.52	58.9	55.56	54.45	58.42
CPI	-	-	-	-	-	99.80	98.11	98.47	100.00	101.80	100.61	100.78	99.29
		2015				2016				2017			
		Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17
Nominal Index - w/out inflation		51.51	51.94	52.77	52.91	46.27	46.79	51.49	53.86	47.51	46.76	52.00	53.17
Real Index - w/ inflation		52.78	53.82	55.32	55.36	49.15	48.93	53.41	54.78	47.97	45.57	49.93	49.64
CPI		98.32	97.22	96.07	95.92	94.81	96.27	97.06	98.93	99.66	99.61	101.08	103.89
		2018				2019							
		Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19					
Nominal Index - w/out inflation		49.09	49.49	52.38	54.25	48.88	48.65	49.57					
Real Index - w/ inflation		46.31	45.71	48.17	49.68	44.24	44.14	45.04					
CPI		104.99	107.19	107.68	108.02	109.28	109.00	108.85					



The “BTA-Fransabank Retail Index” for the third quarter of 2019 displays a very slight improvement, mainly attributed to an improvement in the inflation figure, on one side, and to natural seasonal factors on the other.

Introduction

The “BTA-Fransabank Retail Index” is the pioneer of indices that the private sector has started to produce (as it was launched in late 2011) with the main objective of addressing the long lasting non-availability of regular cyclical data and information relative to the activity of specific sectors of the Lebanese economy.

The main objective of the “BTA-Fransabank Retail Index” is to provide the trading community with a scientific tool that reflects the trend that is witnessed at the level of retail trade on a quarterly basis, bearing in mind that that this index is calculated based on actual data collected from a representative sample of companies distributed into all retail goods and services trading sectors (45 sectors as per the Central Administration of Statistics nomenclature).

This index should be considered as a good reference, bearing in mind that:

- Companies were asked to provide their turnover on a yearly basis by brackets (in millions of USD). They also are asked to provide the quarterly percent change of their turnover for the quarter under review, compared to the same quarter of the previous year, and to the previous quarter of the same year.

Percent change of turnover of current quarter compared to same quarter last year (Q1 - 2011) =

$$\frac{\text{turnover of the current quarter} - \text{turnover of same quarter last year}}{\text{turnover of same quarter last year}}$$

Percent change of turnover of current quarter compared to previous quarter of the same year =

$$\frac{\text{turnover of the current quarter} - \text{turnover of previous quarter}}{\text{turnover of previous quarter}}$$

Index Methodology



For each sampled establishment the percent change of the turnover is first assigned a weight based on its relative turnover compared to the turnover of the other establishments within the same activity sector (ISIC¹ 6 digits).

An aggregation is then done within each activity sector (ISIC 6 digits) to calculate a percent change of turnover for this specific activity sector.

We then obtain as many indices as the number of activity sectors (ISIC 6 digits) taken into account.

On a second stage, ISIC level indices are then aggregated using weights based on the cumulated VAT turnover for each activity sector as provided by the Ministry of Finance.

This aggregation provided the final “Beirut Traders Association – Fransabank Retail index” of the commercial activity for the quarter under review.



¹ ISIC- International Standard Industrial Classification