



“BTA-Fransabank Retail Index”

For the first quarter of 2017 (Q1-2017)

Beirut, May 17, 2017

Despite all the good will and wishful thoughts, no signals were detected with regards to an agreement on a new electoral law between the various parties. At the same time, apprehensions subsisted towards the voting of a package of new taxes to cover the extra expenditure to be incurred by the government, should the new salary grid be adopted, as well as, to cover the growing deficit between public revenues and public expenditures as per the new budget project submitted, while no efforts seem to be exerted towards the adoption of serious measures to fight waste and refrain corruption in public institutions, in particular in the Electricity and Customs sectors.

The above undermining situation is unfortunately coinciding with the failure of public authorities to enforcing any serious and efficient measures so far to protect and preserve the Lebanese labor market and refrain its invasion by the ever-growing Syrian labor force. At the same time, no positive results were achieved with regards to receiving financial help and support from the international community to face the burden implied by the Syrian refugees to Lebanon, while international organizations continued to exert relentless pressure on Lebanese official parties to facilitate the absorption of the Syrian labor force into all sectors of the Lebanese economy.

A natural result of all the above undermining factors was an increased pressure on the purchase power of Lebanese households, on top of the inflationary pressures sparked by the spontaneous wave of optimism that followed the election of a president, the nomination of a prime minister and the formation of a new government, as well as by the renewed increase in fuel prices with effects radiating at all levels of the economy – an economy that had been subject to recession for a certain number of quarters now. All the above has naturally resulted in a weaker level of markets activity with households setting priorities in their patterns of consumption, while the volume of consumption of refugees in local markets remains very low.

Needless also to mention that the lack of transparency and/or vision in the local political, economic and financial arenas continued to refrain the emergence of any new public or private projects and investments – neither local nor foreign. And hopes are still clearly built on the eventuality of the return of tourists and visitors – especially from the gulf countries, to Lebanon this coming summer.

Yet, and until all problems are resolved and the situation regains a long awaited serenity, most retail trade sectors continued to experience undermining recessionary pressures. Turnover figures persisted in their downward trend in many sectors, especially in real terms i.e. after applying the official CPI figures announced by the Central Administration of Statistics for the period under review.

It is important to note here that the CPI has maintained in the first quarter of 2017 its upward trend – a trend that had started in mid-2016, and that of course helps reveal further the increasing weakness of activity in the markets.

The average consolidated nominal drop between the first quarter of 2016 and the first quarter of 2017 has reached – 4.17 % (inclusive of the – 3.08 % result in the Liquid Fuels sector in terms of volume). The real consolidated drop (i.e. after applying the + 5.12 % inflation rate as published by CAS for this period) stood at – 9.08 %.

If we exclude the variations in the Liquid Fuels sector, the consolidated nominal decrease stands at – 4.56 %, and the real consolidated drop reaches – 9.44 % between the first quarter of 2016 and the first quarter of 2017.

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 %
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 %

Yearly Variation between 1st Quarter '16 and 1st Quarter '17			
	Q1 - 2016	Q1 - 2017	
Nominal Year to Year Variation (incl. Liquid Fuels)	100.00	95.83	
Nominal Year to Year Variation (excl. Liquid Fuels)	100.00	95.44	
CPI between Mar '16 and Mar '17 (as per the official CAS figures)		+ 5.12 %	
Real Year to Year Variation (incl. Liquid Fuels)	100.00	90.92	- 9.08 %
Real Year to Year Variation (excl. Liquid Fuels)	100.00	90.56	- 9.44 %

It should be noted here that the consolidated results experienced by the markets – either from year to year or from quarter to quarter, are the weakest that were reported for many quarters back.

Yet, and as usual, all sectors of retail trade were not affected similarly, although drops were reported in the majority of such sectors, while just a few experienced sustained, or even improved, levels of activity, as detailed below:

The main sectors that continued to post weaker real results, as compared to Q1 2016, in addition to the Liquid Fuels sector (- 3.08 % in volume), the Building Equipment sector, and the Cellular Phones sector (were the sharpest drops were reported), included:

- Shoes and Leather Products (- 21.11 % after a short lived relapse in the previous quarter that stood at + 7.24 %)
- Musical Instruments (- 20.56 % after a - 4.47 % in the previous quarter)
- Furniture (- 18.24 % after a - 9.86 % in the previous quarter)
- Used Cars Dealers (- 14.03 % after a - 13.51 % in the previous quarter)
- Home Accessories (- 13.11 % after a - 9.94 % in the previous quarter)
- Clothing (- 11.30 % after a - 8.91 % in the previous quarter)
- Tobacco (- 8.39 % after a - 4.65 % in the previous quarter) and Liquor & Spirits (- 1.39 % after a - 0.27 % in the previous quarter)
- Supermarkets and Food Shops (- 5.25 % after a slight - 0.61 % in the previous quarter)
- Bakeries & Pastries (- 3.69 % after many quarters of improved results)
- Construction Material (- 1.13 %)

- Watches and Jewelry (- 0.68 %)
- Restaurants and Snacks (- 0.56 % only after a - 7.26 % drop in the previous quarter)
- Perfumes and Cosmetics (- 1.98 %)

On the other hand, the sectors that witnessed sustained levels of activity or improvement in their real figures, included (in addition to malls + 5.00 %):

- Household Electrical Equipment (+ 15.32 %)
- Books & Stationery & Office Supplies (+ 13.49 %)
- Household Equipment (+ 12.91 %)
- Pharmaceuticals (+ 12.30 %)
- Medical Equipment (+ 8.89 %)
- Sports Items & Equipment (+ 2.96 %)
- Toys (+ 1.45 %)

But if we analyze the results of the various sectors in terms of quarterly variations between the last quarter of 2016 and the first quarter of 2017, and even after taking into consideration seasonal factors, a quickly escalating deterioration is noticed, and commercial activity is displaying an alarming state of weakness. On one side, the level of decline in the consolidated nominal turnover has exceeded the – 12 % level between the last quarter of 2016 and the first quarter of 2017, and on the other side there appears to be no positive signs of improvement of the current situation as long as no drastic actions are implemented by concerned public parties.

The analysis of detailed figures shows that all retail trade sectors (with the exception of the Sports Equipment sector where a + 3.19 % improvement was reported) have recorded a drop in their real sales figures during the first quarter of this year, as compared to the previous quarter, with some sharp decreases in some of the sectors.

While the volume of Liquid Fuels sales remained almost unchanged during this first quarter, as compared to the volume of sales during the last quarter of 2016 (-0.37%), and in addition to the Furniture sector and the Building Equipment sector where declines were the sharpest, results are as detailed below:

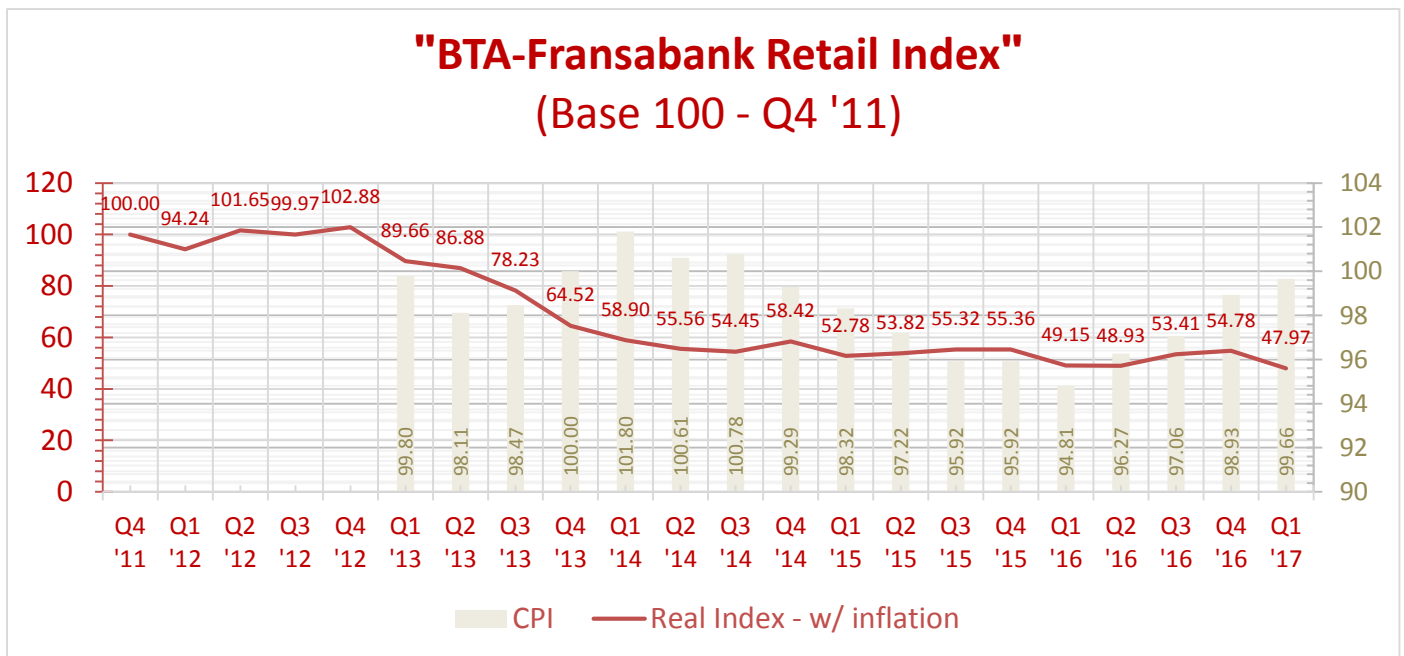
- Home Decorative Items (- 55.87 %)
- Liquors (- 40.45 %)
- Malls (- 29.00 %)
- Musical Instruments (- 20.56 %)
- Optical Instruments (- 20.42 %)
- Toys (- 18.51 %)
- Cellular Phones (- 17.59 %)
- Shoes and Leather Products (- 17.13 % after a - 18.23 % drop in the previous quarter)
- Books and Stationary (- 16.94 %)
- Perfumes and Cosmetics (- 15.91 %)
- Watches and Jewelry (- 15.33 %)
- Tobacco (- 15.30 % after a - 21.43 % in the previous quarter)
- Pharmaceuticals (- 15.29 % after a - 24.01 % in the previous quarter)
- Medical Equipment (- 15.20 %)
- Supermarkets and Food Shops (- 15.08 %)
- Bakeries & Pastries (- 13.28 % after a - 5.78 % in the previous quarter)
- Household Electrical Equipment (- 8.78 % after a - 1.98 % in the previous quarter)
- Used Cars Dealers (- 5.76 %)
- Clothing (- 3.37 % after a - 3.76 % in the previous quarter)
- Restaurants and Snacks (- 0.17 % after a - 10.52 % in the previous quarter)

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of + 0.74 % for the first quarter of 2017, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included):

47.97 for the first quarter of the year 2017

This figure compares to the level of 54.78 for the fourth quarter of 2016. This means that our index has again dropped below the 50 mark as was the case during the first two quarters of 2016.

BTA - FRANSABANK Retail Index For Q1 - 2017 (Base 100 : Q4 - 2011)																							
	2011		2012				2013				2014				2015				2016				2017
	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	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	
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	51.51	51.94	52.77	52.91	46.27	46.79	51.49	53.86	47.51	
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	52.78	53.82	55.32	55.36	49.15	48.93	53.41	54.78	47.97	
CPI						99.80	98.11	98.47	100.00	101.80	100.61	100.78	99.29	98.32	97.22	95.92	95.92	94.81	96.27	97.06	98.93	99.66	



Today, our hopes are building high on the positive signs that have started to emerge lately, especially with regards to reaching an agreement for a new electoral law, and with the budget project under study, but also in light of a steadily quiet security situation and the expectation of seeing tourists coming back to Lebanon as of this summer. All these positive indicators are supposed to have a positive impact on markets and on consumers, and the level of activity is expected to regain its vitality and the wheel of the economy should turn again, redirecting the “BTA-Fransabank Retail Trade Index” towards an upward trend.

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