



“BTA-Fransabank Retail Index”

For the third quarter of 2014 (Q3-2014)

Beirut, November 24, 2014

- Markets are lacking the basic constituents that would allow for an even modest recovery -

The combination of subjective factors that continued to prevail during the third quarter of 2014 maintained an undermining pressure on the level of activity in commercial markets, hence depriving most retail sectors from any breathtaking opportunity.

These coinciding subjective factors consisted firstly of political factors, whereby successive sterile sessions at the parliament did not succeed in electing a president of the Republic,

But consisted also of security factors, at the regional and local levels, whereby dramatic escalation of terrorist acts were witnessed in various regions of the country, specifically in Tripoli and in Ersal where soldiers from the Lebanese army were taken as hostages,

As well as factors related to the living conditions of Lebanese households, that translated into mounting pressures on the purchase power of these households as a result of the continuous growth of the Syrian workforce in Lebanon and the competition of this workforce with its Lebanese counterpart in all the sectors of the economy,

Leave alone the quasi absence during the summer of 2014 of any gulf or foreign tourists and holidaymakers, and a sharp drop in the numbers of visiting Lebanese emigrant families to their homeland during their annual vacations.

It is important to note that the prevailing sentiment, until today, is that the trading sector in Lebanon witnessed the hardest and most difficult times during the past three years. However, the persistence of the vacancy of the presidency coupled with the effects of the Syrian refugees' crisis as well as of the escalating security issues, on one hand, and the escalating political cleavage, on the other hand, were more than sufficient to generate heavier negative pressures on the economy as a whole, and especially on the trading sector. All this negativism came despite the initial positive atmosphere that accompanied the formation of the new cabinet, and the heroic stance of the Lebanese army to counter the terrorist activities in the country.

In light of all the above, it is noted that the commercial sector witnessed a very modest improvement of 0.75% during the third quarter of 2014 as compared to the third quarter of 2013, bearing in mind, however, that the sector witnessed a dramatic 15.05% drop in turnover during the third quarter of 2013 in comparison to the same quarter of 2012, and also a 7.5% drop in the third quarter of 2012 as compared to the same quarter of 2011. This negative situation points out to the fact that in case the overall situation does not witness



any improvement, at all levels, the persistence of negative results will lead to a structural economic fragility, although taking into consideration all potential seasonal factors.

Yearly Variation between Q3 – 2013 and Q3- 2014			
	Q3 - 2013	Q3 - 2014	
Nominal Year to Year Variation	100.00	103.17	
CAS Official Inflation Rate between September '13 and September '14 (as per the official CAS figures)		2.34%	
Real Year to Year Variation	100.00	100.75	+ 0.75%

Furthermore, if we scrutinize the comparative figures between Q3 of 2014 and Q3 of 2013 in real value, for every sector, we can identify two main streams of results, whereas the decline is worrying in some of the basic commodities sectors, especially if we do take into consideration the cumulative decline witnessed during the same quarters of the previous years, such as in:

- Clothing and footwear, where the real drop reached about 18% and 35% respectively,
- Electronics and electrical equipment, where the real decline stood at 4.5%, whereas home appliances declined by 14%,
- The perfumes and cosmetics sector dropped by 11%,
- The restaurants sector witnessed a continued decline in its activities.

Such results are a clear indicator of the Lebanese households' tendency for further austerity in their consumption habits, by avoiding spending on a wide range of products, even some basic products such as clothes, self-care or home accessories and appliances.

Other vital sectors have, on the other hand, witnessed a slight improvement, thus minimizing – although very moderately, the overall decline reported by the trading sector as a whole. These sectors include:

- Supermarkets and foodstuff, where sales figures improved by an average real value of 3%, while the bakeries and sweets sector posted a real increase of 9%,
- Tobacco where a real 14.5% increase was reported,
- Pharmaceutical products where the real increase reached 9%,
- And finally the toys sector saw a real improvement of 5%.

The above positive results, although quite modest, do point out to the fact that households are concentrating their spending on basic / vital necessities, especially food and pharmaceuticals, and to a certain extent to the fact that some NGOs are now resorting to purchasing such basic / vital commodities from the local market.

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of 1.4% for the third quarter of 2014, as per the official CAS report, We hereby announce that the “BTA-Fransabank Retail Index” is:

54.45 for the third quarter of the year 2014.

BTA - FRANSABANK Retail Index For Q3 - 2014 (Base 100 : Q4 - 2011)												
	2011	2012				2013				2014		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Nominal Index - w/out inflation	100.00	95.77	100.55	108.54	112.66	90.83	87.85	78.60	65.87	59.68	55.30	55.22
Real Index - w/ inflation	100.00	94.24	101.65	99.97	102.88	89.66	86.88	78.23	64.52	58.90	55.56	54.45

In conclusion, we can say that these quarterly figures, that compare the retail trade activity from quarter to quarter, and in this case, from the second quarter to the third quarter of 2014, pointed out to a continued downward trend.



End of Press Release

For more information

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