"BTA-FRANSABANK RETAIL INDEX" FOR THE THIRD QUARTER OF 2015 (Q3-2015)

Introduction

The "BTA-Fransabank Retail Index" is the pioneer of indices that the private sector has started to publish (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) =

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

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

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

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 (ISIC[1] 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

The Retail Trade Sector … in slow motion mode

The persisting fall in the Consumer Price Index for the fourth consecutive quarter did not have the positive impact that economists as well as traders and entrepreneurs were eagerly awaiting, an impact that should have been reflected by a regain of activity momentum and an improvement of consumption levels in the various retail trade sectors.

For this reason, the turnover figures witnessed during the third quarter of 2015 do actually reflect a relative standstill in some of the retail trade sectors, but also a persisting downtrend in some other sectors, a situation to which markets have become familiar by now unfortunately.

Only few sectors have, however, experienced a slight improvement in their real sales results as compared to the sales of the third quarter of 2014.

Thus, the overall picture suggests that in the absence of any developments, be it on the Lebanese political scene, or in the regional conflicts, or even in the expectations for any major positive changes in the foreseeable future, and in spite of the very attractive offers and generous facilities that merchants continued to concede to their customers, the level of activity in the markets, if any, remained subdued, and the momentum of consumption continued to be restrained, while no clear perspective for the future could be detected, in the absence of any encouraging factor that may have a revitalizing effect on markets activity, apart from the declining CPI:

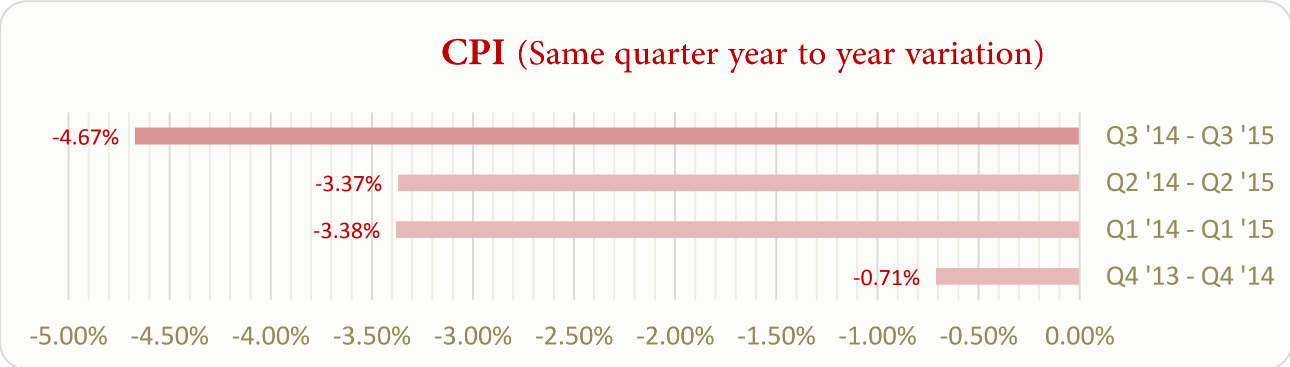
Unemployment figures are on the rise, purchase power of Lebanese households is under heavy strains, and emigration calls for better living conditions abroad are finding more and more positive echoes amongst the different socio-cultural layers of the society.

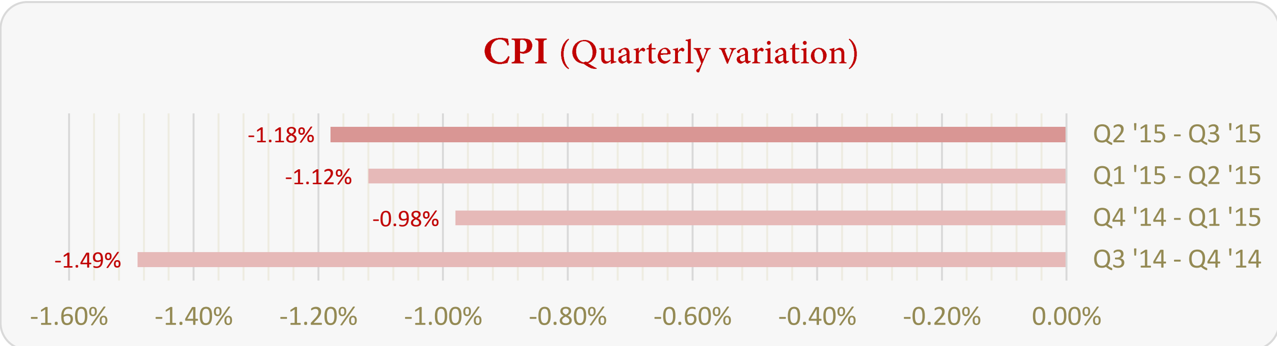
All the above also coincides with a lack of real impact on the markets activity by the consumption of visiting Lebanese immigrant families who came back to Lebanon for summer vacations, and in the wake of the persisting absence of Gulf and Arab tourists.

Otherwise, it is important to note that the Consumer Price Index has registered, according to the results released by the Central Administration of Statistics, relatively high negative values for the fourth consecutive quarter, with a – 1.18 % quarterly CPI (Q2 to Q3 of 2015), and an unprecedented rate of – 4.67 % for the same quarter/year to year CPI (Q3 of 2014 to Q3 of 2015), as detailed in the following table and charts:

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 '14 / Q3 '14	**- 1.49 %**
Q1 '15 / Q4 '14	**- 0.98 %**
Q2 '15 / Q1 '15	**- 1.12 %**
Q3 '15 / Q2 '15	**- 1.18 %**

Thus, in spite of the persisting decline in the Consumer Price Index for a full year, and of the massive sales and discounts offered by the whole spectrum of retailers, the market was not capable of regaining any momentum as would have been expected. This clearly indicates a structural erosion of the factor of demand for consumption.





As a result, the consolidated results for the third quarter of 2015 translated a nominal decline that reached the level of – 3.60 % in comparison to the results posted for the third quarter of 2014.

When the sharp decline in the CPI between these two quarters is applied (-4.67%), the real figure stands at a mere + 0.90 %, reflecting a modest overall improvement in the consolidated turnover level.

It is worth mentioning that if the change in the volume of sales of Liquid Fuels (that reached + 4.72 %) is excluded from the consolidation, the nominal decline for the period under review reaches – 6.31 %, while the real figure (after applying the related inflation factor) would then stand at – 1.93 %.

Yearly Variation between 3rd Quarter '14 and 3rd Quarter '15			
	Q3 - 2014	Q3 - 2015	
Nominal Year to Year Variation (incl. Liquid Fuels)	100.00	96.40	- 3.60 %
Nominal Year to Year Variation (excl. Liquid Fuels)	100.00	93.69	- 6.31 %
CPI between Sep '14 and Sep '15 (as per the official CAS figures)		- 4.67 %	
Real Year to Year Variation (incl. Liquid Fuels)	100.00	100.90	+ 0.90 %
Real Year to Year Variation (excl. Liquid Fuels)	100.00	98.07	- 1.93 %

It is worth mentioning here that most sectors have displayed sharp declines in their posted figures, with the exception of the Liquid Fuels sector where, as mentioned above, the increase in volume reached + 4.72 %.

Among such main sectors where stagnation, or even real recession, were experienced, when the figures of the third quarter of 2015 are compared to the same quarter of 2014, we could find:

- → Construction Material (-39.41%), Decoration & Furniture (-30.81%), Watches & Jewelry (-11.81%), Home Accessories (-9.78%), Pharmaceuticals (-8.12%), Automotive (-7.00%), Shoes & Leather Products (-5.04%), Books & Stationery & Office Supplies (-4.59%), Toys (-3.36%), Liquors (-2.21%), Tobacco (-0.79%), Flowers & Plants (-0.36%), Carpets & Antiques (-0.31%).

At the same time, some other sectors did witness an improvement in their sales figures for the same period under review, mainly:

- → Cellular Phones (+13.16%), Medical Equipment (+12.94%), Restaurants & Snacks (+10.99%), Home Appliances (+10.16%) with Electrical Equipment posting +5.77%, Sports Equipment (+6.31%), Cosmetics & Perfumes (+3.96%), Clothes (+3.20%), Supermarkets & Food Shops (+1.64%).

Scrutiny of these results indicates a sharp drop in the sales performance of the Construction Materials sector for the third consecutive quarter, and a similar drop in the sales figures of Decoration & Furniture, also for the third consecutive quarter; such results are – for the least, not very encouraging in terms of short term prospect for the concerned sectors.
Another noticeable issue is that of the decline in the turnover of essential commodities such as Pharmaceuticals, Books & Stationery, but also in the sectors of Toys, Watches & Jewelry, Liquors and Tobacco.

While this first group of the sectors mentioned above represents so called structural sectors, a second group where the decline was less pronounced is also identified, and this group includes essential sectors related to health, culture, and also to personal luxury items.

Concurrently, a relative improvement in turnover was witnessed in some sectors that could be qualified as daily basic commodities sectors; such long awaited improvement is a natural – and logical, consequence of the sharp decline in the cost of living index for four consecutive quarters.

Thus, and despite the above, sectors such as Supermarkets & Food Shops and even the Clothing sector were found to have posted quite modest increases in their sales figures; it is worth mentioning that this quarter's increases were much lower than those witnessed in previous quarters.
This observation is in total contradiction with any possible optimistic projections based on a hypothetical positive impact of the continuously growing influx of refugees from neighboring countries. A mere example of such positive impact should have at least appeared in sectors such as Bakeries and even such as the Clothing sector. But it did not.

Yet, at the same time, and after successive quarters of very slow activity, some sectors such as the Home Appliances sector and Recreational goods have witnessed some sort of revival. This regain of activity was mainly due to the declining price index, and also to the very attractive offers and sales, and occurred despite the trend of prioritization in consumption adopted by the Lebanese households lately. This could be described as a breath taking time break, not only for the concerned sectors, but also for the Lebanese households and individuals.

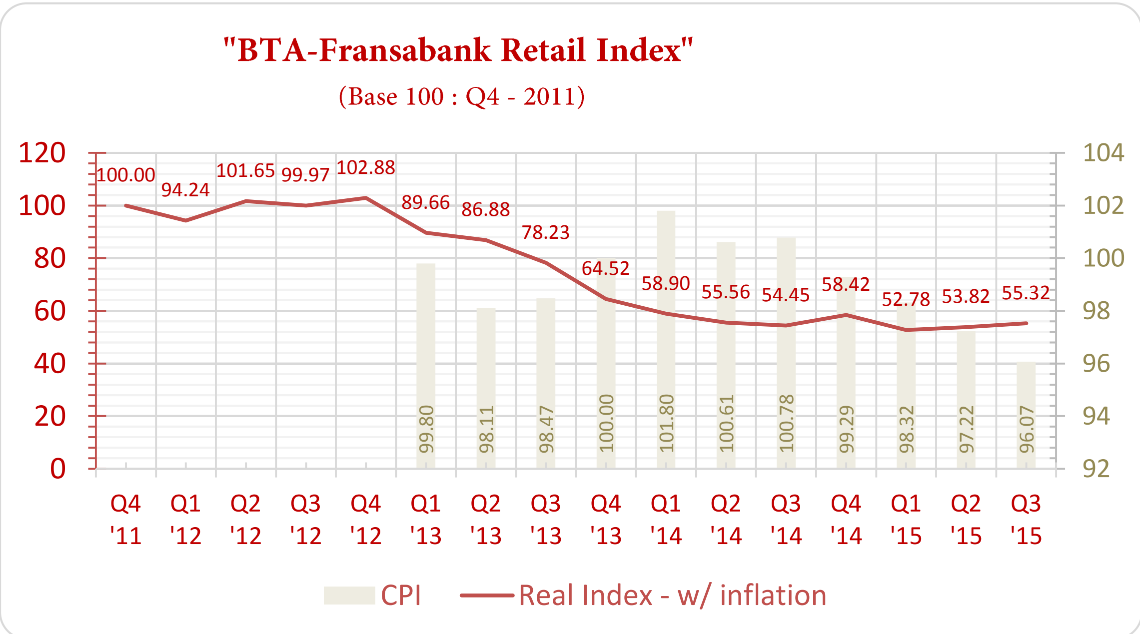
Finally, a comparison between the third quarter results and the results of the previous quarter shows that the consolidated figures depict a nominal improvement due mainly to the classical seasonality factors and to the lower CPI. The nominal increase has reached the level of +1.57%, while in real terms (with a -1.18% CPI figure) this increase stood at +2.77% between the second and the third quarter of 2015.

Amongst the declining sectors, the Pharmaceuticals sector turnover for instance, where a -26.76% fall was registered, or the Construction materials sector, with a fall of -22.16%.

On the other hand, other sectors have experienced an improvement in their sales figures, such as the Tobacco sector (+20.37%), Liquors (+14.37%), Shoes and Clothes (+32.74% & +21.18% respectively). Even Household Appliances and Restaurants & Snacks saw their figures increase (+11.05% & +24.10% respectively). Such topical improvements are obviously mainly driven by seasonal factors as well as the coincidence of Adha Eid during this period.

In conclusion, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of –1.18 % for the third quarter of 2015, as per the official CAS report, we hereby announce that the "BTA-Fransabank Retail Index" is (with all sectors included): **55.32** for the third quarter of the year 2015 versus 53.82 for the previous quarter.

	BTA - FRANSABANK Retail Index For Q3 - 2015 (Base 100 : Q4 - 2011)															
	2011	2012				2013				2014				2015		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Nominal Index - w/out inflation	100	95.77	100.55	108.54	112.66	90.83	87.85	78.60	65.87	59.68	55.30	55.22	57.57	51.51	51.94	52.77
Real Index - w/ inflation	100	94.24	101.65	99.97	102.88	89.66	86.88	78.23	64.52	58.90	55.56	54.45	58.42	52.78	53.82	**55.32**



The above indicates a slight increase in the “BTA-Fransabank Retail Index” for the third quarter of 2015 (an increase that does not exceed 1.5 points in comparison with the previous quarter).
This increase remains seasonal and topical, and is not a satisfactory economic reflection of the decline in the CPI.
The true wishful thinking is that the positive waves generated by lesser tensions between the various political parties translate into a real positive impact on public institutions, and first and foremost at the level of the Presidency of the Republic, for what it carries in terms of security and assurances of stability for the national economy – especially that we are on the wake of the Christmas and New Year’s season.

جمعية تجار بيروت فرنسبنك مؤشر تجارة التجزئة

55.32

BEIRUT TRADERS ASSOCIATION FRANSABANK RETAIL INDEX

55.32