



## “BTA-Fransabank Retail Index” For the First Quarter of 2018 (Q1-2018)

Beirut, May 28, 2018

The first quarter of 2018 was characterized by a very low level of activity. The lowest actually for quite a long period.

It is also possible to state that, in the wake of a relatively stable political situation, undeterred by any tensions and focused on the preparations for the upcoming parliamentary elections during the second quarter of this year after nine years, and also with the prevailing quiet and secure environment on the Lebanese territory under the total control of Lebanese concerned parties, albeit the ongoing regional turmoil in general and the continued conflicts in Syria in particular, it is natural to state that pure economic factors were the only factors behind such state of recession that has been witnessed in Lebanese retail markets – especially the basic necessities sectors such as the Food Products sector and other essential sectors.

The decision of the outgoing parliament to vote for new and complementary tax and excise laws, at a time when the economy was facing extremely heavy pressures, came as a lethal blow to whatever activity was remaining in the retail trade sectors – especially that the new taxes were applied on prices that were already hit by a very high inflation rate posted for the period between the first quarter of 2017 and the first quarter of 2018.

Another factor that should not be overseen is that such new taxes imposed and the high inflation rate were also accompanied by an increase in interest rates. Such combination resulted into further pressure on the Lebanese households purchase power, households that have been for some time now under heavy competition by their Syrian counterparts in the various sectors of the local labor market. Back to the CPI that was announced by the CAS for the period under review, it is noticed that it points to a general increase in prices between Q1 of 2017 and Q1 of 2018, and increase that stood at 5.35% in comparison with 5.01% for the previous quarter.

While it is not possible to determine the extent of the impact of the inflationary factor on the level of consumption, there is no doubt that it is having a very harmful effect on the overall purchase power of Lebanese households.

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 %
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 '16 / Q4 '17	+ 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 %

As a result, the consolidated real retail turnover figures have posted a sharp decline between the first quarter of 2017 and the first quarter of 2018, reaching – 9.31% (i.e. after applying the inflation rate weight on the nominal results).

By excluding the fuel sector results (where an increase of +2.44 % in volume was reported), the real turnover drop reaches – 11.47% in comparison to the Q1 '17 figures excluding fuel.

Yearly Variation between 1 <sup>st</sup> Quarter '17 and 1 <sup>st</sup> Quarter '18			
	Q1 2017	Q1 2018	
Nominal Year to Year Variation (incl. Liquid Fuels)	100.00	95.82	
Nominal Year to Year Variation (excl. Liquid Fuels)	100.00	93.53	
CPI between Mar '17 and Mar '18 (as per the official CAS figures)		+ 5.35 %*	
Real Year to Year Variation (incl. Liquid Fuels)	100.00	90.69	- 9.31%
Real Year to Year Variation (excl. Liquid Fuels)	100.00	88.53	- 11.47%

\* CAS – CPI – Mar '18

While such poor results are obviously alarming, they are expected to display an improvement during the second quarter – especially after the parliamentary elections, because of all the optimistic hopes and expectations that



are accompanying such elections, and all what they carry in terms of restoration of a long lost confidence in the Lebanese economy, that should lure long awaited investments to the various economic sectors, as well as attract back tourists and visitors to Lebanon, with all what they bear in terms of consumption in the local trade markets in particular and of positive impact on the economic activity in general.

Over and above, a regain in activity should be expected once all concerned internal and external parties re-channel their investments towards all Lebanese economic sectors, with all what results in terms of new job opportunities, improved purchase power, and increased liquidity flow for local consumption. Until then, unfortunately, the results for the first quarter of this year indicate sharp declines in the turnover figures of many retail sectors in comparison to the same quarter of last year, while few other sectors managed to post relatively better results.

Main sectors where declines were registered include:

- Furniture (- 51.80 %)
- Shoes and Leather Products (- 33.72 % after a - 29.69 % in the previous quarter)
- Cellular Phones (- 25.95 %)
- Toys (- 16.50 % after a - 13.70 % in the previous quarter)
- Optical and Hearing Aid Instruments (- 16.29 %)
- Household Electrical Equipment (- 16.17 %)
- Pharmaceuticals (- 15.69 %)
- Clothing (continued decline reaching - 15.05 % after a - 15.70 % in the previous quarter)
- Silverware and Decoration (- 13.61 %)
- Books & Stationery & Office Supplies (- 11.94 %)
- Medical Equipment (- 10.88 %)
- Used Cars Dealers (- 9.57 %)
- Musical Instruments (- 7.90 %)
- Home Accessories (- 7.42 % after a - 3.29 % in the previous quarter)
- Supermarkets and Food Shops (- 5.73 % after a - 8.61 % in the previous quarter)
- Sports Items & Equipment (- 3.78 %)
- Restaurants and Snacks (- 2.74 %)
- Construction Material (- 1.22%)
- Liquor & Spirits (- 0.71 %)

In addition to the noticeable improvement in the activity of Commercial Shopping Centers (+ 9.00 %) and the increase in the volume of fuel (+ 2.44 %), the sectors that witnessed better results were:

- Tobacco (+ 20.73 %)
- Construction Equipment (+ 14.11 %)
- Perfumes and Cosmetics (+6.20 %)
- Bakeries & Pastries (+ 5.23 %)
- Watches and Jewelry (+ 3.33 %)

After the study of year to year comparative results, another scrutiny is also necessary on the quarterly market and sectorial developments between the last quarter of 2017 and the first quarter of 2018.



The picture is also quite gloomy, with almost all sectors (except the Pharmaceuticals and the Optical Instruments sectors) reporting falls in their real sales (i.e. even after the application of the CPI variation of - 1.06 % between the fourth quarter of 2017 and the first quarter of 2018) with a consolidated decline reaching the level of – 6.70 %. Such decline is naturally expected since end of year seasonal factors do usually fuel for more consumption while the start of the year is usually heavy on households purchase propensity.

It is important to note that the Fuel sector (included in the consolidated figures) has registered a – 4.74 % volume decrease during this period. Commercial Shopping Centers also posted a – 8.00 % decline in their figures.

Other sectors where declining activity was reported included:

- Construction Equipment (- 48.18 %) while Construction Materials posted + 0.97 %
- Furniture (- 38.39 %)
- Liquors (- 37.94 %)
- Books & Stationery & Office Supplies (- 29.88 %)
- Sports Items & Equipment (- 26.90 %)
- Cellular Phones (- 26.42 %)
- Antiques (- 24.25%)
- Household Electrical Equipment (- 21.76 %)
- Shoes and Leather Products (- 19.72 %)
- Perfumes and Cosmetics (- 10.70 %)
- Medical Equipment (- 9.00 %)
- Home Accessories (- 7.08 %)
- Watches and Jewelry (-5.99 %)
- Tobacco (- 5.56 %)
- Supermarkets and Food Shops (- 5.21 %)
- Bakeries & Pastries (- 5.09 %)
- Used Cars Dealers (- 4.30 %)
- Toys (- 4.18 %)
- Clothing (- 3.95 %)
- Restaurants and Snacks (- 1.72 %)

Positive results were posted in the following sectors:

- *Pharmaceuticals (+ 25.19 %)*
- *Optical and Hearing Aid Instruments (+ 9.05 %)*
- *Silverware and Decoration (+ 3.53 %)*
- *Musical Instruments (+ 2.72 %)*

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of – 1.06 % for the first quarter of 2018, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included): **46.31 for the first quarter of the year 2018**; this figure compares to the level of 49.64 for the fourth quarter of 2017.



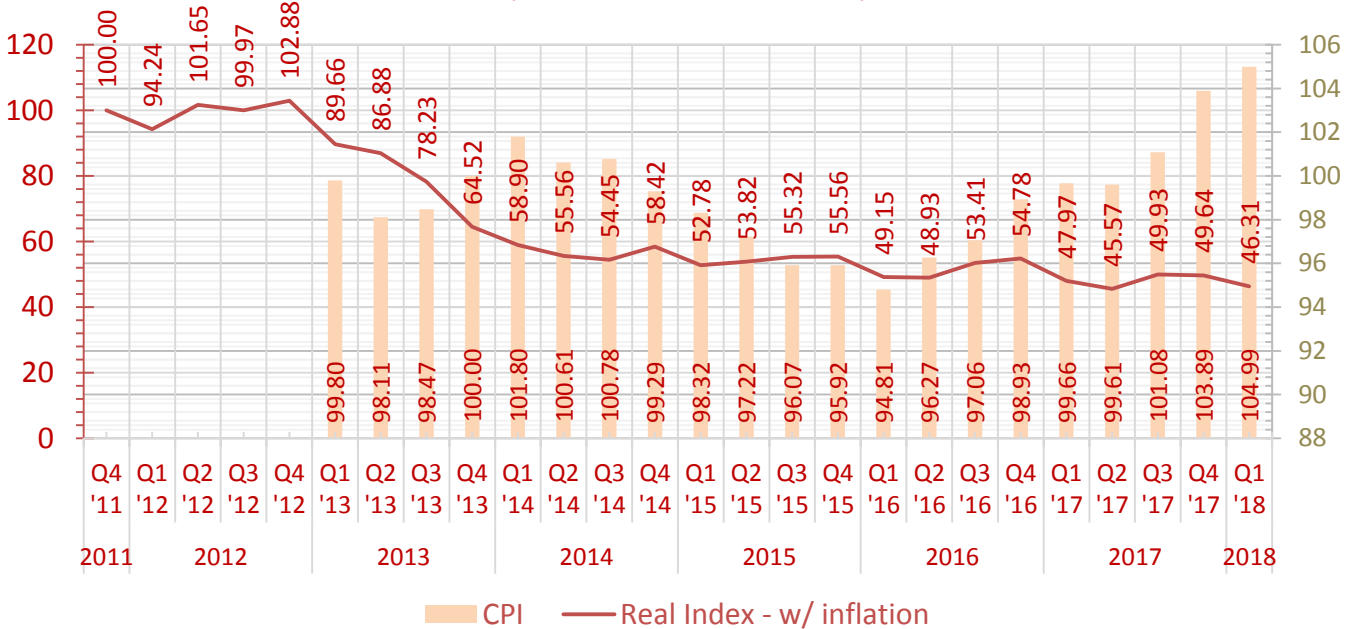
**BTA - FRANSABANK Retail Index For Q4 - 2017**  
(Base 100 : Q4 - 2011)

	2011	2012				2013				2014				2015			
	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
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
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	55.56
CPI						99.80	98.11	98.47	100.00	101.80	100.61	100.78	99.29	98.32	97.22	96.07	95.92

	2016				2017				2018
	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18
Nominal Index - w/out inflation	46.27	46.79	51.49	53.86	47.51	46.76	52.00	53.17	49.09
Real Index - w/ inflation	49.15	48.93	53.41	54.78	47.97	45.57	49.93	49.64	46.31
CPI	94.81	96.27	97.06	98.93	99.66	99.61	101.08	103.89	104.99

**BTA - FRANSABANK Retail Index**  
(Base 100 - Q4 '11)



After deploring such poor results during the first quarter of 2018, it should be noted that attention shall be focusing, during the second quarter, on the extent of the positive impact that the elections are expected to have on the general economic situation in Lebanon, and on the situation in the various commercial sectors in particular. As a result, retailers are placing all their hopes on a quick response of the markets and a gradual – yet prompt, recovery of the consuming pattern.



## 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.

$$\text{Percent change of turnover of current quarter compared to same quarter last year (Q1 - 2011) =} \\ \frac{\text{turnover of the current quarter} - \text{turnover of same quarter last year}}{\text{turnover of same quarter last year}}$$

$$\text{Percent change of turnover of current quarter compared to previous quarter of the same year =} \\ \frac{\text{turnover of the current quarter} - \text{turnover of previous quarter}}{\text{turnover of previous quarter}}$$

## 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.



<sup>1</sup> ISIC- International Standard Industrial Classification