"BTA-Fransabank Retail Index"
For the First Quarter of 2019 (Q1-2019)

Beirut, May 29, 2019

Economic activity continued to deteriorate during the first quarter of 2019, and retail trade markets witnessed a noticeable slowdown – a slowdown that was even stronger than in previous quarters, despite a relatively stable political situation, after the formation of the new government, and also with prevailing quiet and secure environment on the Lebanese territory albeit the ongoing regional turmoil in.

However, no signals appeared during the period under review pertaining to any economic salvation measures that would be taken by the new government, apart news from the ministry of finance concerning its preparation of the 2019 budget, a budget that is supposed to respond to the CEDRE conference pre-requisites.

Tourists were also scarce in Lebanon during that period, especially visitors from the Gulf, despite declarations by the Gulf governments that they were levying travel bans to Lebanon. The absence of these visitors did highly affect the levels of activity in many retail trade markets. The above was also topped by the absence of any concrete measures taken to activate the return of refugees to their country and the alleviation of the burden these refugees are exerting on the Lebanese economy as a whole.

Concurrently, Lebanese households continued to experience a drop in their purchasing power, a situation that forced a large majority to refrain from non-priority consumption, and privilege expenditure on basic commodities. At the same time, companies did drastically slowdown hiring new employees while also reducing their existing human resources. On top of all this, transfers of emigrant Lebanese to their relatives in Lebanon have maintained their downward trend, a fact that also contributed in further curbing the levels of consumption in local trade markets.

As a result, the economic crisis situation continued to be the prime responsible factor for the sharp fall that most trade market sectors have continued to experience, especially the basic necessities sectors such as food and other subsistence products, along with sectors such as clothing, household items & equipment, and even snacks & restaurants...

At the same time, the CPI posted an increase of + 4.08 % for the first quarter of 2019 as compared to the first quarter of 2018, as per the official CAS figures, despite the massive sales and reductions that traders did not stop offering to their clients during this period, and more so in response to the "Fakker B Lebnen" initiative that was launched by BTA from the presidential palace around the end of March, with the prime objective of encouraging the Lebanese population for consuming in local markets, for encouraging Lebanese industries and agricultural products, as well as opt for internal tourism and hiring Lebanese human resources.

It should also be noted that sectorial inflation did reach – for this period:

+ 15.77 % in the clothing and footwear sector,
+ 7.05 % in the housing water, electricity, gas and other fuels sector,
+ 6.86 % in the food and non-alcoholic beverages sector,
+ 6.86 % in the recreation, amusement, and culture sector,
+ 5.40 % in the education sector,
+ 4.85 % in the furniture & decoration sector…

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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 %**
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 %**

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 – 7.21 % between the first quarter of 2018 and the first quarter of 2019.

By excluding the fuel sector results (where an increase of + 2.58 % in volume was reported between the levels of Q1 '18 and Q1 '19), the real consolidated turnover drop reaches – 9.15 % in comparison to the Q1 '18 figures (also excluding fuel).

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Yearly Variation between 1st Quarter '18 and 1st Quarter '19			
	Q1 - 2018	**Q1 - 2019**	
Nominal Year to Year Variation (incl. Liquid Fuels)	100.00	96.74	
Nominal Year to Year Variation (excl. Liquid Fuels)	100.00	94.72	
CPI between Mar '18 and Mar '19 (as per the official CAS figures)		4.08 %	
Real Year to Year Variation (incl. Liquid Fuels)	100.00	92.79	**- 7.21 %**
Real Year to Year Variation (excl. Liquid Fuels)	100.00	90.85	**- 9.15 %**

** CAS – CPI – Mar '19*

Like in previous quarters, retail trade markets tried to face the hard times awaiting with optimism measures that the new government would undertake, and expecting that such measures would send positive messages to the international community concerning the financial and economic reforms that this community is expecting in order to start activating the support measures decided during the CEDRE conference last April, since such measures are highly awaited for the reactivation of the Lebanese economy, and by the same fact the reactivation of consumption and activity in the markets.

Such positive messages are also expected to re-attract local and foreign investments, on one hand, but also to re-attract visitors to Lebanon, among which obviously visitors from the Gulf countries, with their important traditional weight in local markets. There is no doubt that the combination of all the above-mentioned factors will refuel the engines of the Lebanese economy, and result into a U-turn in the growth trend of this economy, growth that would naturally be translated in an improved level of purchase power, and its recurring upward cycle.

The Lebanese consumer is also requested, concurrently, to give preference in his spending choices to buy in Lebanon instead of buying in foreign markets, and the Lebanese employer is requested to give priority to hiring Lebanese, hence contributing in the revitalization of the Lebanese households purchase power, and help in bringing growth back to our economy.

Until this new trend is reached again, the analysis of the performance during the first 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, based on the classic economic theory of spending based on expected and not current revenue.

The main sectors where declines were registered include:

- → Cellular Phones (- 35.03 %)
- → Construction Equipment (- 29.97 %)
- → Shoes and Leather Products (- 25.59 %)
- → Books & Stationery & Office Supplies (- 18.73 %)
- → Commercial Shopping Centers (- 18.25 %)
- → Toys (- 17.97 %)
- → Clothing (- 17.49 % against – 13.28 % in the previous quarter)
- → Household Electrical Equipment (- 15.62 %)
- → Watches and Jewelry (- 13.41 %)
- → Optical and Hearing Aid Instruments (- 13.26 %)
- → Pharmaceuticals (- 11.30 %)
- → Supermarkets and Food Shops (- 8.41 % against - 7.69 % in the previous quarter)

- Silverware and Decoration (- 7.23 %)
- Musical Instruments (- 6.86 %)
- Furniture (- 6.42 %)
- Bakeries & Pastries (- 5.16 % against + 4.71 % in the previous quarter)
- Home Accessories (- 4.61 %)
- Liquor & Spirits (- 1.68 %)
- Perfumes and Cosmetics (- 1.40 %)

The sectors that witnessed better results were, in addition to the fuel sector (+ 2.58 % in volume):

- Used Cars Dealers (+ 4.04 %)
- Sports Items & Equipment (+ 1.88 %)
- Tobacco (+ 1.52 %)
- Restaurants and Snacks (+ 1.42 %)
- Medical Equipment (+ 1.26 %)

On the other hand, and despite the fact that the CPI between Q4 '18 and Q1 '19 did not exceed + 1.16 %, the first quarter figures for the majority of retail trade sectors display an unprecedented drop in comparison to the previous quarter results.

The decline was almost generalized, except for the fuel sector, the construction materials sector and finally the footwear sector.

Part of this decline was expected, because of classical seasonal factors that boost consumption during the last quarter of the year and weaken it the following quarter.

Yet, it was also noticed that unexpected drops in turnover were reported in basic necessities sectors such as supermarkets and food shops (where a – 14.51 % decline was posted against – 5.21 % in the same quarter of last year), or bakeries (- 9.04 % against – 5.09 %), while it is worth noting that the CPI for the food and non- alcoholic drinks sector did post for this period a + 2.27 % figure, against a consolidated CPI of + 1.16 % as per the official CAS figures.

As a result, the overall consolidated real result for the first quarter was negative, and displayed a real deterioration that reached – 14.45% as compared to the previous quarter (excluding Liquid Fuels, where a + 0.38 % increase was reported in terms of volume).

Sectors where declining activity was reported included, in addition to the 33.14 % decline in commercial malls:

- Liquors (- 41.85 % %)
- Cellular Phones (- 35.10 %)
- Household Electrical Equipment (- 30.73 %)
- Sports Items & Equipment (- 30.21 %)
- Books & Stationery & Office Supplies (- 28.92 %)
- Furniture (- 20.04 %)
- Watches and Jewelry (- 17.31 %)
- Used Cars Dealers (- 16.71 %)
- Perfumes and Cosmetics (- 15.28 %)
- Supermarkets and Food Shops (- 14.51 %)
- Tobacco (- 12.21 %)
- Restaurants and Snacks (- 10.05 %)
- Medical equipment (- 9.99 %)
- Bakeries & Pastries (- 9.04 %)
- Pharmaceuticals (- 8.05 %)
- Clothing (- 5.23 %)

- → Toys (- 4.57 %)
- → Musical Instruments (- 4.19 %)
- → Silverware and Decoration (- 3.31 %)
- → Optical Instruments (- 2.92 %)
- → Home Accessories (- 1.63 %)

Positive results were posted, in addition to the fuels sector (+ 1.13%), in the following sectors:

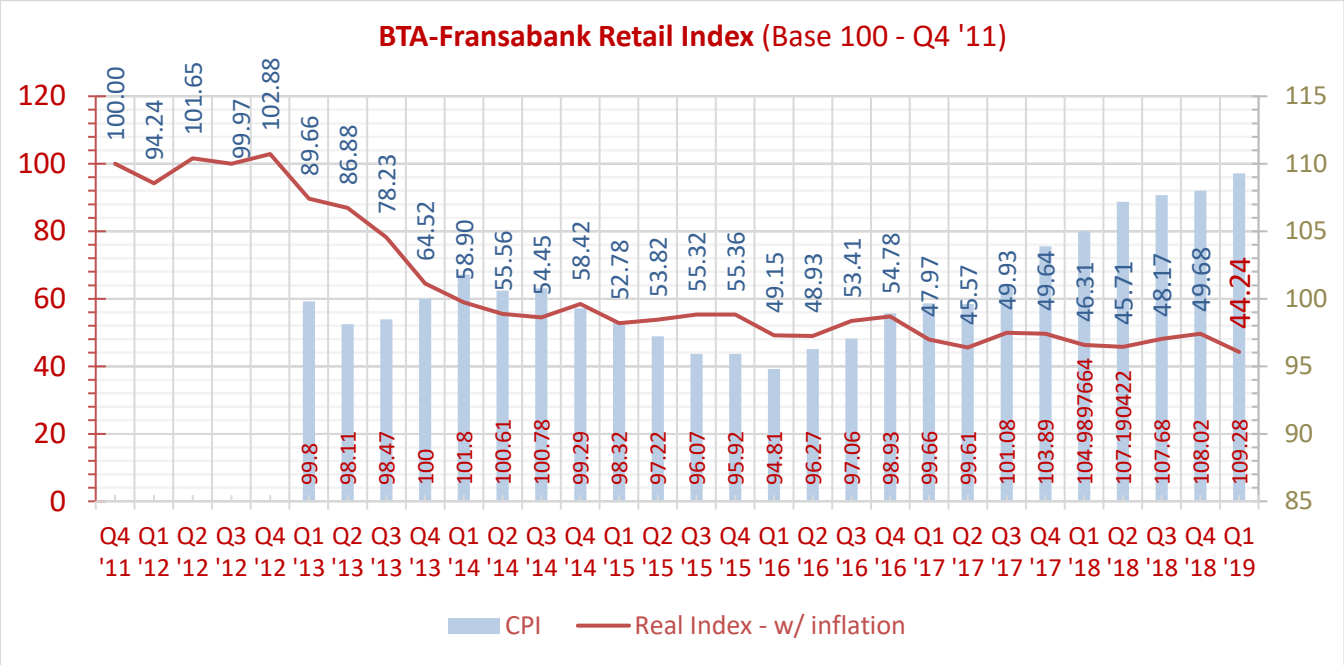
- → Construction Equipment (+ 34.98 % following a – 33.31 % drop in the previous quarter), with construction materials sector remaining almost stable at – 0.75 %
- → Shoes and Leather Products (+ 27.28 % after - 31.66 % drop in the previous quarter)

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of + 1.16 % for the fourth quarter of 2018, as per the official CAS report, we hereby announce that the "BTA-Fransabank Retail Index" is (with all sectors included) **44.24 for the first quarter of the year 2019.** This figure compares to the level of 49.68 for the fourth quarter of 2018.

BTA - FRANSABANK Retail Index For Q1 - 2019
(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	100.6	108.5	112.7	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	101.7	99.97	102.9	89.66	86.88	78.23	64.52	58.9	55.56	54.45	58.42	52.78	53.82	55.32	55.36
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				2019
	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19
Nominal Index - w/out inflation	46.27	46.79	51.49	53.86	47.51	46.76	52.00	53.17	49.09	49.49	52.38	54.25	48.88
Real Index - w/ inflation	49.15	48.93	53.41	54.78	47.97	45.57	49.93	49.64	46.31	45.71	48.17	49.68	44.24
CPI	94.81	96.27	97.06	98.93	99.66	99.61	101.08	103.89	104.99	107.19	107.68	108.02	109.28



The "BTA-Fransabank Retail Index" for the first quarter of 2019 witnessed, due firstly to seasonal factors, but also due to sustained economic pressures, a noticeable fall, to reach its lowest level since inception.

Expectations are today based on the efforts of the new government to issue a budget that corresponds to the various challenges that the Lebanese economy is currently facing, and to draw a clear economic vision for a long awaited revival, and proceed accordingly with a clearly defined plan as announced in the new government's statement, whereby it will be addressing financial and monetary stability, public investments & expenditure, modernization of the public sector, structural & sectorial reforms, and the submission of a new strategy for productive and services sectors, and the materialization of the objectives of sustainable development.

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) =

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

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