



## “BTA-Fransabank Retail Index” For the Third Quarter of 2022 (Q3-2022)

**Around four billion dollars entered the Lebanese market during the summer season, but their impact on the markets was strictly minimal !**

This past summer season was very busy in Lebanon, with very large numbers of Lebanese expatriates as well as tourists from the Gulf and elsewhere spending their holidays in our country.

It was reported that the visitors did spend locally about 4 billion dollars, and there is no doubt that this influx of foreign currency has largely contributed in curbing further deterioration of the LBP exchange rate against the dollar during this period. On the other hand, it was indeed very disappointing to realize that most of the amounts mentioned were spent in restaurants, hotels and other leisure outlets, while very little went to other retail sectors – especially trading sectors, that were expecting some revival and regain of activity to spread in the markets. The largest part of the returns of this expenditure went to either safes at home or were sent abroad, instead of being deposited in banks: would this have happened, it could have contributed in the revival – although at a small scale, of the economic activity in other Lebanese sectors.

Concurrently, the Beirut Traders Association has continued to address the crisis during this period, joining forces with other members of the Lebanese Economic Organizations to elaborate a Recovery Plan that was presented to concerned parties in the government. The objective of this effort being to emerge from the prevailing crisis in utmost urgency, without counting on the ad hoc injection of volatile foreign currency, since such injection will not have any lasting impact on the course of deterioration experienced.

On the other hand, the Ministry of Economy and Trade, the Ministry of Tourism, and the Traders themselves did exert lots of efforts to help curbing further increases in the LBP and make the summer season very flourishing: the Lebanese Pound did manage to maintain some stability against the US Dollar, but further recession did actually hit the markets, with the turnovers of most retail trade sectors continuing to experience lower levels.

This was due, like in the previous quarter, to the consequences of regional and international tensions (especially the Russia-Ukraine war situation), continued to put additional pressures on prices (+ 162.47 % between the Q3 of '21 and the Q3 of '22, while the increase between the Q2 and the Q3 of '22 reached + 25.23%.

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 %
Q2 '19 / Q2 '18	+ 1.69 %
Q3 '19 / Q3 '18	+ 1.09 %
Q4 '19 / Q4 '18	+ 6.96 %
Q1 '20 / Q1 '19	+ 17.46 %
Q2 '20 / Q2 '19	+ 89.74 %
Q3 '20 / Q3 '19	+ 131.05 %
Q4 '20 / Q4 '19	+ 145.84 %
Q1 '21 / Q1 '20	+ 157.86 %
Q2 '21 / Q2 '20	+ 100.64 %
Q3 '21 / Q3 '20	+ 144.12 %
Q4 '21 / Q4 '20	+ 224.39 %
Q1 '22 / Q1 '21	+ 208.13 %
Q2 '22 / Q2 '21	+ 210.08 %
<b>Q3 '22 / Q3 '21</b>	<b>+ 162.47 %</b>
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 %
Q2 '19 / Q1 '19	- 0.25 %
Q3 '19 / Q2 '19	- 0.14 %
Q4 '19 / Q3 '19	+ 5.99 %
Q1 '20 / Q4 '19	+ 11.09 %
Q2 '20 / Q1 '20	+ 61.14 %
Q3 '20 / Q2 '20	+ 21.60 %
Q4 '20 / Q3 '20	+ 12.94 %
Q1 '21 / Q4 '20	+ 16.52 %
Q2 '21 / Q1 '21	+ 25.38 %
Q3 '21 / Q2 '21	+ 47.95 %
Q4 '21 / Q3 '21	+ 50.08 %

Q1 '22 / Q4 '21	+ 10.68 %
Q2 '22 / Q1 '22	+ 26.18 %
<b>Q3 '22 / Q2 '22</b>	<b>+ 25.23 %</b>

- The details of the CPI revealed, between the third quarter of 2021 and the third quarter of 2022, the following:
  - + **282.56 %** in the Health sector
  - + **262.45 %** in the Transport sector
  - + **231.62 %** in the Communication sector
  - + **214.28 %** in the Restaurants and Hotels sector
  - + **208.07 %** in the Supermarkets and Food Shops sector
  - + **162.90 %** in the Clothing and Footwear sector
  - + **151.15 %** in the Recreation, Amusement, and Culture sector
  - + **150.65 %** in the Furniture & Home Appliances and Equipment sector
  - + **145.47 %** in the Liquor, Spirits and Tobacco sector
  - + **36.50 %** in the Education sector

The very high rates must be pointed out, especially in Health and the Transport sectors, in addition to the strong increase in the Communication sector (that was due to the amendment of prices).

- While the CPI between the second and the third quarter of 2022:
  - + **215.10 %** in the Communication sector
  - + **78.76 %** in the Health sector
  - + **38.97 %** in the Restaurants and Hotels sector
  - + **31.27 %** in the liquor, Spirits and Tobacco sector
  - + **27.85 %** in the Recreation, Amusement, and Culture sector
  - + **26.56 %** in the Supermarkets and Food Shops sector
  - + 23.74 % in the Transport sector
  - + 23.46 % in the Furniture & Home Appliances and Equipment sector
  - + 11.94 % in the Clothing and Footwear sector

The high quarterly price increase in the Communication sector should be noted, as well as in the Health, Restaurants & Hotels and the Liquors sectors to a lesser extent.

Hence, while inflation rates remained very high, and despite all efforts exerted, deterioration in turnover figures persisted, even in some vital sectors such as the Food and the Pharmaceutical sectors, and declines were – again, close to the 100% level.

As a result of all the above, and after scrutiny of the consolidated “**nominal**” retail trade turnover figures of the third quarter of 2022 and comparison to the figures of the third quarter of 2021, a + 15.40 % increase is posted after excluding the fuel sector (this increase is in the nominal turnover figures before weighting with the CPI rates).

But, after applying the proper weighting with the CPI for the period under review (+ 162.47 % between Q3 of 2021 and Q3 of 2022), it appears that “**real**” turnovers posted in fact a sharp decline in all sectors of the retail trade

market, except in the Fuel sector where an increase of 37.58 % was registered in terms of quantities, as compared to the quantities of the Q3 of 2021.

The above clearly implies that the Lebanese economy is still obviously in a progressive recessionary phase, quarter after quarter and year after year, even during the festive seasons where a rebound in activity – albeit modest, would have been expected.

This was coupled with an accelerating quarterly inflation (between the Q2 and the Q3 of '22), with a + 25.23 % increase in CPI (as compared to + 26.18 % for the previous quarter), and the results posted by a large number of sectors were negative – (i.e. the Food sector, the Pharmaceuticals sector, the Communication sector, ...). Whereas, other sectors registered positive sales results as for medical equipment, household electrical equipment, ...).

Concurrently, the Fuel sector has witnessed a + 13.40 % increase in terms of quantities sold during the period under review, in comparison to - 14.84 % in the previous quarter.

As a result, the consolidated “real” figures in Q3'22 (i.e. weighed with the respective CPI figures for every sector of the retail trade activities) for all retail trading sectors, as compared to the real figures of Q2 '22, registered further declines (declines seen as a normal result of Lebanese households weakening purchase power, with official references mentioning that only 14 % of these households do receive – in full or in part, their income / salaries in fresh US dollars, or do receive F/C remittances from abroad, while others remained at the mercy of the falling Lebanese Pounds).

The consolidated real decline (i.e. after weighting) for the third quarter reached - 19.60 % (after the exclusion of the Fuel sector positive figures, despite the constant increase in the local prices of Fuel). This compares to the – 23.02 % decline in the previous quarter, and keeping in mind – as stated above, that the Fuel sector has posted a + 13.40 % increase in terms of quantities, despite the continued increase in the prices of petrol and diesel.

The “real” figures posted in the main sectors were as follows:

- *Optical instruments* (- 77.82 %)
- *Pharmaceuticals* (- 77.31 %)
- *Supermarkets and food shops* (- 58.52 %)
- *Sports Equipment & Sportswear* (- 35.90 %)
- *Cellular phones* (- 29.25 %)
- *Books & stationery & office supplies* (- 27.85 %)
- *Home Accessories* (-26.54 %)
- *Toys* (-18.23 %)
- *Tobacco* (- 12.76 %)
- *Perfumes and cosmetics* (- 12.41 %)
- *Watches and jewelry* (- 9.89 %)
- *Furniture* (- 3.31 %)
- *Clothing* (- 0.95 %)

During this period, other sectors did witness a regain in activity.

- *Liquors* (+ 1.38 %)
- *Restaurants and snacks* (+ 3.74 %)
- *Bakeries & pastries* (+ 4.28 %)
- *Commercial shopping centers* (+ 13.80 %)
- *Construction Materials* (+ 23.61 %)

- Shoes & leather products (+ 38.26 %)
- Household electrical equipment (+ 48.99 %)
- Medical Equipment (+ 50.05 %)

Such increases are obvious due to more traffic in malls as well as priority purchases that Lebanese “summer” visitors ensured to their parents and families in Lebanon (Household Electrical Equipment for instance).

In conclusion, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of + 25.23 % for the third quarter of 2022, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included): **1.37** for the third quarter of the year 2022. This figure compares to the level of 1.52 for the second quarter of this year.

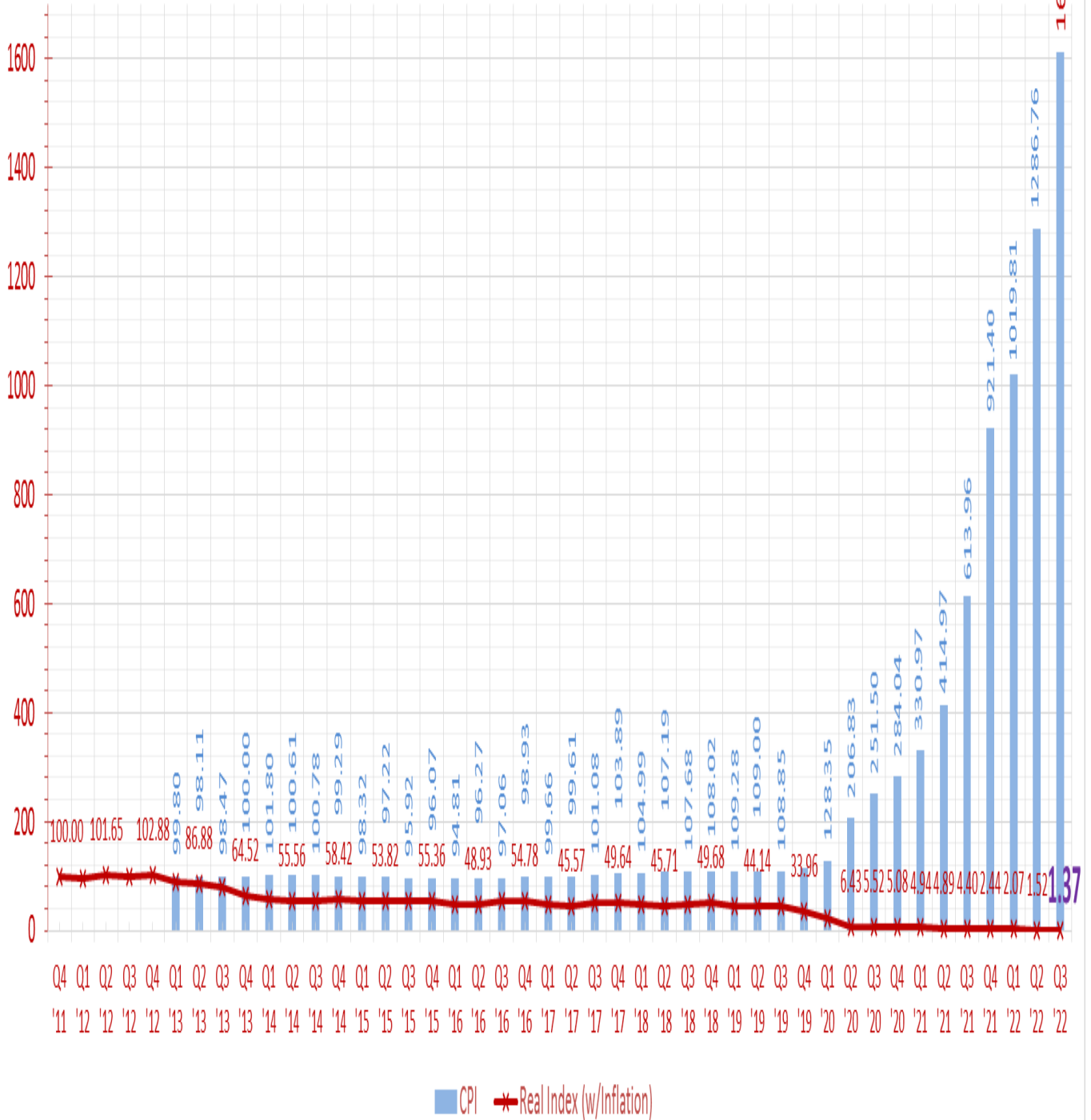
## BTA - FRANSABANK Retail Index For Q2 - 2022

(Base 100 : Q4 - 2011)

	2011	2012				2013				2014			
	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
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
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
CPI	-	-	-	-	-	99.80	98.11	98.47	100.00	101.80	100.61	100.78	99.29
		2015				2016				2017			
		Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17
Nominal Index - w/out inflation		51.51	51.94	52.77	52.91	46.27	46.79	51.49	53.86	47.51	46.76	52.00	53.17
Real Index - w/ inflation		52.78	53.82	55.32	55.36	49.15	48.93	53.41	54.78	47.97	45.57	49.93	49.64
CPI		98.32	97.22	95.92	96.07	94.81	96.27	97.06	98.93	99.66	99.61	101.08	103.89
		2018				2019				2020			
		Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4 '20
Nominal Index - w/out inflation		49.09	49.49	52.38	54.25	48.88	48.65	49.57	39.76	31.47	21.81	21.90	21.74
Real Index - w/ inflation		46.31	45.71	48.17	49.68	44.2415	44.14	45.04	33.96	23.90	6.43	5.52	5.36
CPI		104.99	107.19	107.68	108.02	109.28	109.00	108.85	115.54	128.35	206.83	251.50	284.04
		2021				2022							
		Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22					
Nominal Index - w/out inflation		21.36	21.63	21.65	24.10	22.82	22.68	27.15					
Real Index - w/ inflation		4.94	4.887	4.398	2.444	2.07	1.52	1.37					
CPI		330.97	414.97	613.96	921.40	1019.81	1286.76	1611.43					



### BTA-Fransabank Retail Index (Base 100 - Q4 '11)





Thus, quarter after quarter, we can observe that the “BTA-Fransabank Retail Trade Index” maintained its downward trend during the third quarter of 2022, posting a new dramatic “LOW”.

Such results are but a real reflection of the situation that the Lebanese economy is currently facing, and of the very difficult path that the country is passing through as a result of the scarcity of Foreign Currency Reserves held at the Banque du Liban), of the lack of any fresh Investments on the local scene and the quasi loss of confidence in the ability to recover in the foreseeable future, and also as a result of the absence of long awaited signals of serious and constructive talks with either the IMF or other donor parties.

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## 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

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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<sup>1</sup> 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.

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