



“BTA-Fransabank Retail Index” For the Third Quarter of 2020 (Q3-2020)

The explosion on August 4 at the Port of Beirut and its consequences...
Further drop in consumption levels...
Sustained deterioration in financial, economic, and living conditions...

The third quarter of 2020 was catastrophic in all aspects for Lebanon ...

A cessation of talks and negotiations with the IMF, a quasi-inactive care-taking government, albeit all efforts exerted by the minister of health to face the corona virus plague and curb its spread across the country - an effort that resulted into successive regional shutdowns.

The above was also impacted by unrest in financial circles coupled with numerous successive circulars issued by the Central Bank, as well as of constraints at banks, a freefall devaluation in the local currency's value against the US Dollar, further tightening and prioritization in resident households spending and consumption patterns – even in basic necessities commodities including goods in the subsidized basket such as fuel or pharmaceuticals, with large quantities of such commodities and goods being smuggled out to neighboring countries at the expense of course of FC reserves at the Central Bank!

And then, the catastrophe of the 4th of August explosion at the Port of Beirut occurred, accompanied by disastrous consequences on the social and economic levels on one side, but also in terms of aids and support measures, on the other side, while hundreds of lives were lost, thousands of victims were healing their wounds, and countless homes, businesses and companies were sinistred and accounted for.

Yet, and despite international solidarity, the multitude of aids sent to Lebanon covered only a very small portion of losses and urgent needs. While international economic recovery programs – in the absence of any such national plan or endeavor, are still under appraisal and development, and no concrete application has been witnessed to date, insurance companies kept holding all compensations waiting for an official declaration on the nature of the explosion... and depriving beneficiaries from “fresh” dollars that would – if honored, have contributed in recapturing part of the huge economic activity losses, especially in the trading activity, much more rapidly.

Meantime, and as usual, BTA remained in a state of permanent alert to watch over and safeguard the interests and legitimate rights of traders, calling for numerous general assemblies regrouping parties from all traders associations, syndicates and committees from all over Lebanon, and more particularly Beirut Souks Committees, to discuss the ongoing state of affairs and identify ways and means to overcome the dramatic commercial situation and salvage companies and their employees; constructive and positive discussions and negotiations were also maintained between BTA President and H.E. the Minister of Interior to alleviate constraints on the re-opening of points of sale and companies after coordinating with all trading associations of Lebanon to ensure the extremely strict enforcement of hygiene and safety measures provided by the national Covid-19 committee amongst all members and adherents.

Unfortunately, all the above events intensified the wave of shops and companies closures and the termination of contracts of a multitude of employees, contributing in further weakening the purchase power of Lebanese households, and resulting into more tightening in spending and consumption on one hand, and in a reduced flow of importations on the other hand, because of difficulties imposed on companies. Meanwhile successive official decisions aimed at alleviating the burdens of the current situation failed to have any concrete results.

As a result, almost all spending of households was focused on food products, basic necessities and safety & hygiene goods and products, at minima, while other trading outlets and points of sale remained closed until the Prime Minister agreed to respond to BTA's re-opening request in the name of all traders of Lebanon, in an attempt to salvage whatever remained of their daily bread as a result of the precarious and ever deteriorating economic conditions.

Amidst all the above developments, the official CPI figures issued by the CAS revealed that between the third quarter of 2019 and the third quarter of 2020, another unprecedented increase of 131.05 % was posted.

Moreover, the scrutiny of inflation levels for every sector reveals the following:

- + 699.72 % in the furniture & decoration sector,
- + 522.56 % in the restaurants and hotels sector,
- + 444.08 % in the liquor, spirits and tobacco sector,
- + 425.35 % in the clothing and footwear sector,
- + 422.50 % in the supermarkets and food shops sector
- + 168.71 % in the recreation, amusement, and culture sector,
- + 131.79 % in the transport sector,
- + 89.14 % in the communication sector.

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 '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 %

As a result, the consolidated real retail turnover figures (i.e. after applying the inflation rate weight on the nominal results) have posted, after excluding the fuel sector, a sharp decline of – 87.50 % between the third quarter of 2019 and the third quarter of 2020, in comparison to the – 93.30 % posted for the previous quarter, again because of a very high CPI that stood at – 131.05%.

The fuel sector reported a drop of – 26.98 % in volume between the levels of Q3 '19 and Q3 '20.

Yearly Variation between 3 rd Quarter '19 and 3 rd Quarter '20			
	Q3 - 2019	Q3 - 2020	
Nominal Year to Year Variation (incl. Liquid Fuels)	100.00	83.34	
Nominal Year to Year Variation (excl. Liquid Fuels)	100.00	86.91	
CPI between Sep '19 and Sep '20		% 131.05	
Real Year to Year Variation (incl. Liquid Fuels)	100.00		- 82.50 %
Real Year to Year Variation (excl. Liquid Fuels)	100.00		- 87.50 %

* CAS – CPI – Sep '20

We are thus witnessing a continued – and even worsening, deterioration, firstly because of the blast at the port, but also because of an ever-increasing cost of living that has reached a stage where it became out of control, a sharply deteriorating Lebanese Lira, a sinking purchasing power; this of course negatively affects very heavily the turnover figures of traders, even in the food sector, because of all the restrictions that households are adopting in their spending.

As a result, real figures (i.e. weighed with the respective CPI figures for every sector of the retail trade activities) posted by the main sectors during the third quarter of 2020 in comparison to the third quarter of 2019 were very bad in all sectors as follows:

(Remark: A large number of sectors posted decrease levels well above 100 %, reflecting the decline in the sectors' real consolidated turnover figures in comparison to the same period last year, i.e. after the weighting of figures with the every retail trade sector's CPI rate; consequently, these sectors decline rates were all fixed at the overall consolidated average rate).

- Shoes and leather products (- 100.00 %)
- Musical instruments (- 100.00 %)
- Sports items & equipment (- 100.00 %)
- Tobacco (- 100.00 %)
- Liquor & spirits (- 100.00 %)
- Carpets and antiques (- 100.00 %)
- Supermarkets and food shops (- 90.00 %)
- Bakeries & pastries (- 90.00 %)
- Restaurants and snacks (- 90.00 %)
- Commercial shopping centers (- 90.00 %)
- Clothing (- 90.00 %)
- Furniture (- 90.00 %)
- Perfumes & cosmetics (- 90.00 %)
- Home accessories (- 90.00 %)
- Household electrical equipment (- 90.00 %)
- Books, stationery & office supplies (- 90.00 %)
- Toys (- 90.00 %)
- Watches & jewelry (- 90.00 %)
- Used cars dealers (- 90.00 %)
- Silverware and decoration (- 85.00 %)
- Cellular phones (- 85.00 %)
- Construction equipment (- 69.67 %)
- Optical and hearing aid instruments (- 37.50 %)
- Pharmaceuticals (- 28.33 %)
- Medical Equipment (- 25.10 %).

During this same period, the fuel sector witnessed a – 26.98% drop in volumes.

- Worth noting is that not a single sector posted a positive figure during this quarter.

On the other hand, the CPI between Q2 '20 and Q3 '20 also indicated a very sharp increase in prices although lower than in the previous quarter (+ 21.60 %), and the overall consolidated real result for the second quarter also displayed a very severe decline in all sectors as a result of all subjective economic factors mentioned before, and translated a semi paralysis situation in terms of consumption activity.

Other sectors such as used cars, fuel, medical equipment and also Books and Stationery posted improvements in their turnover figures between the two successive quarters.

As a result, the consolidated real figures in Q3'20 (i.e. weighed with the respective CPI figures for every sector of the retail trade activities) for all retail trading sectors (inclusive of the supermarkets and food stores sector) posted, as

compared to the real figures of Q2 '20 (that were already in sharp decline), a drop that reached at – 25.07 %, excluding the fuel sector (where a sharp + 49.63 % increase was registered for this period .. raising a lot of questions marks).

The declines in the main sectors were as follows:

- *Sports items & equipment (- 90.00 %)*
- *Silverware and decoration (- 84.00 %)*
- *Home accessories (- 78.25 %)*
- *Shoes & leather products (- 70.85 %)*
- *Toys (- 64.65 %)*
- *Cellular phones (- 64.64 %)*
- *Bakeries & pastries (- 59.82 %)*
- *Pharmaceuticals (- 57.53 %)*
- *Household electrical equipment (- 55.89 %)*
- *Furniture (- 54.80 %)*
- *Tobacco (- 52.36 %)*
- *Restaurants and snacks (- 44.84 %)*
- *Construction equipment (- 44.56 %)*
- *Supermarkets and food shops (- 32.40 %)*
- *Liquors (- 31.57 %)*
- *Watches and jewelry (- 28.01 %)*
- *Perfumes and cosmetics (- 22.41 %)*
- *Clothing (- 19.48 %)*
- *Commercial shopping centers (- 16.49 %)*
- *Optical instruments (- 5.38 %)*

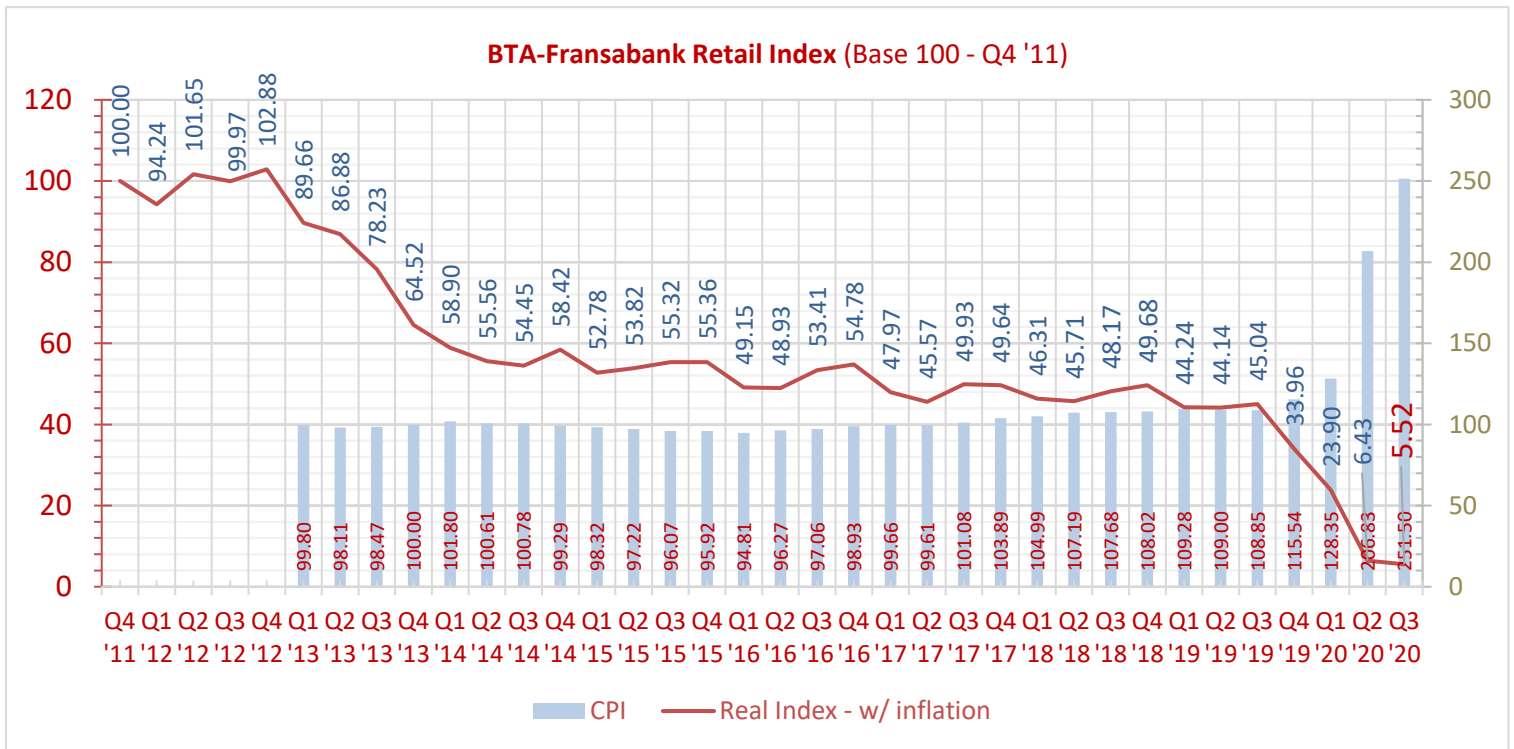
While sectors where improvements were identified were as follows:

- *Books & stationery & office supplies (+ 44.21 %)*
- *Used cars dealers (+ 9.40 %)*
- *Medical equipment (+ 7.62 %)*

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of + 21.60 % for the third quarter of 2020, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included): **5.52 for the third quarter of the year 2020**. This figure compares to the level of 6.43 for the second quarter of 2020.

BTA - FRANSABANK Retail Index For Q3 - 2020 (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	96.07	95.92	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	
Real Index - w/ inflation		46.31	45.71	48.17	49.68	44.24	44.14	45.04	33.96	23.90	6.43	5.52	
CPI		104.99	107.19	107.68	108.02	109.28	109.00	108.85	115.54	128.35	206.83	251.50	



The "BTA-Fransabank Retail Index" for the third quarter of 2020 comes to confirm, unfortunately, further deterioration of consumption levels in Lebanese markets, because of what happened to retail outlets and commercial companies

after the Beirut Port blast, a blast that exacerbated the already undermining effects of the corona plague, and the persistent deterioration in financial and living conditions of the Lebanese population, with a clear lack of efficiency of the care-taking government and a conflictual political atmosphere, that concur to preclude reaching any agreement on reforms that would pave the way for international aid and support to the country.



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

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.S

¹ ISIC- International Standard Industrial Classification