



“BTA-Fransabank Retail Index” For the First Quarter of 2021 (Q1-2021)

The Political and Economic Situation of Lebanon in a Deadlock...

The deadlock in the political situation persisted throughout the first quarter of this year, amidst the absence of any positive signs pertaining to the formation of a new government... Rather, new blocking issues emerged with conflicting positions concerning the salvation of the situation, and the multiplicity of local and regional intermediaries did not help in achieving any improvement...

Pessimistic outlooks prevailed, at the same time, amongst all economic actors, and more so within commercial circles, because of the acute slowdown of economic activity, that was even further affected by lockdown measures, hence causing major concerns with regards to the sustainability of commercial shops and companies.

Meanwhile, households consumption was mainly channeled towards the purchase of medicine and basic subsistence necessities, in particular the households that were hardly hit by the accelerating wave of unemployment, as rationalization of spending was the unique solution to face the disastrous drop in purchasing power, a drop simultaneously accompanied by an additional rise in prices due to the further deterioration of the value of the Lebanese Lira against the US Dollar. This matter did naturally directly reflect in the sharp increase of the CPI for the period under study, as published by the Central Administration of Statistics (CAS).

Naturally, public finances were also directly affected by this state of stagnation, and the successive official stats issued indicated a sharp deterioration in public accounts indicators, with a balance of payments where the debt level kept climbing (approximating USD 5 billion, a record level in the history of Lebanon, despite a contraction by around 60% of the trade deficit that appeared to have no effect on the balance of payments), and with a GDP that witnessed a very sharp drop (falling to below USD 20 billion in 2020 after having reached over USD 50 billion in the previous three years, and resulting into reaching a public debt of over 150% of GDP, one of the highest debt rates in the world), and ending up with the announcement lately that treasury’s revenues from cellular companies dues constituted more than 70% of total revenues)!

As for the remaining foreign currency reserves, they appear to have shrank to equal almost the mandatory reserves level at the Central Bank; this came obviously as a result of many contributing factors, especially the application by the government of a subvention program for strategic products including fuel and medicines and flour, in addition to around 360 food items, ending up in wasting precious billions of dollars on products that were – for a large part, being smuggled out to neighboring countries, while more than 50% of the Lebanese population, that has become under the poverty line, faced enormous difficulties getting hold of products included in the subventions program, with the specter of hunger hanging over their heads, as per the reports of international agencies, including the World Bank ...

All the above occurring, of course, amidst a rarity of US Dollars availability in the black market, a fact that obviously keeps pushing its parity continuously up.

It is thus not surprising to state that the Lebanese population is facing increasingly harsh living conditions, and obviously, amongst them, the Lebanese traders... Whoever is a trader in the morning is – after all, a consumer in the afternoon and the crisis is hitting everybody with no exception ...

It is not surprising either to see that the official CPI figures issued by the Central Administration of Statistics continued to show a sustained rise, as a + 157.86 % rate was announced between the first quarter of 2020 and the first quarter of 2021 (after having reached + 145.84 for the previous quarter), whilst this rate reached + 16.52 % between the last

quarter of the previous year and the first quarter of this year (after registering +12.94% in the previous quarter), thus displaying an accelerating increase in the rise of the cost of living.

Prior to the scrutiny of inflation levels in most prominent sectors, it is worth noting that the exchange rate of the Lebanese Lira against the US Dollar stood, at the end of the first quarter of 2020, at 2,800 LL/\$, and that one year later, at the end of the first quarter of 2021, it was very close to 15,000 LL/\$, i.e. posting a real decline of around 450%.

So it was no wonder that the level of activity in the markets was closer to a standstill, in most sectors, as a semi-paralysis of the markets resulted in response to all the afore-mentioned factors, further burdened by lockdown measures and forced closures, with the exception of the shopping of food products, bakeries, pharmaceuticals and fuel sectors, especially the ones included in the subvention program, when and where available.

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 %
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 %

- the details of the CPI revealed, between the first quarter of 2020 and the first quarter of 2021, the following:
 - + 721.81 % in the restaurants and hotels sector
 - + 693.04 % in the furniture & home appliances and equipment sector
 - + 546.61 % in the clothing and footwear sector
 - + 437.39 % in the liquor, spirits and tobacco sector
 - + 394.81 % in the supermarkets and food shops sector
 - + 249.34 % in the recreation, amusement, and culture sector
 - + 234.28% in the transport sector
 - + 104.87 % in the communication sector
- While the CPI between the last quarter of 2020 and the first quarter of 2021 showed the following rates:
 - + 37.29% in the restaurants and hotels sector
 - + 23.51% in the furniture & home appliances and equipment sector
 - + 26.83 % in the clothing and footwear sector
 - + 26.83 % in the supermarkets and food shops sector
 - + 26.69 % in the communication sector
 - + 25.75 % in the liquor, spirits and tobacco sector
 - + 24.05 % in the transport sector
 - + 13.98 % in the recreation, amusement, and culture sector

As a result of all the above, it was observed that the consolidated real retail turnover figures (i.e. after applying the inflation rate weight on the nominal results) reveal that the first quarter figures of 2021 continued to experience a sharp fall in comparison to the first quarter of 2020 figures. The real decline has reached a sharp – 93.33 % (accompanying the very high CPI), and – 88.05 % after excluding the fuel sector where an increase of + 18.65 % in volume between the levels of Q1 '20 and Q1 '21 was recorded.

Yearly Variation between 1 st Quarter '20 and 1st Quarter '21			
	Q1 - 2020	Q1 - 2021	
Nominal Year to Year Variation (incl. Liquid Fuels)	100.00		
Nominal Year to Year Variation (excl. Liquid Fuels)	100.00		
CPI between Mar '20 and Mar '21		% 157.86	
Real Year to Year Variation (incl. Liquid Fuels)	100.00		- 93.33 %
Real Year to Year Variation (excl. Liquid Fuels)	100.00		- 88.05 %

* CAS – CPI – Mar '21

Scrutinizing these results for every sector's performance during the first quarter reveals that all retail trading sectors witnessed further sharp drops, with the exception of the building equipment sector where the decline was moderate (-7.43%), and with the exception also of the medical equipment and fuels sectors where increases were recorded (+ 31.28 % for the former and + 18.65 % for the latter in terms of quantities sold).

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 first quarter of 2021 in comparison to the same quarter of 2020 displayed very sharp deterioration in all sectors, as follows:

- Musical instruments (- 99.87 %)
- Liquor & spirits (- 97.15 %)
- Carpets and antiques (- 96.99 %)
- Tobacco (- 94.50 %)
- Supermarkets and food shops (- 94.49 %)
- Watches & jewelry (- 94.06 %)
- Perfumes & cosmetics (- 93.61 %)
- Shoes and leather products (- 93.31 %)
- Bakeries & pastries (- 93.19 %)
- Books, stationery & office supplies (- 92.52 %)
- Silverware and decoration (- 92.39 %)
- Home accessories (- 92.00 %)
- Commercial shopping centers (- 91.88 %)
- Cellular phones (- 91.30 %)
- Furniture (- 90.40 %)
- New cars agencies & used cars dealers (- 89.84 %)
- Toys (- 89.81 %)
- Household electrical equipment (- 89.80 %)
- Restaurants and snacks (- 88.61 %)
- Sports items & equipment (- 88.10 %)
- Clothing (- 88.08 %)
- Optical and hearing aid instruments (- 57.54 %)
- Pharmaceuticals (- 19.23 %)
- Construction equipment (- 7.43 %)

On the other hand, the CPI between Q4 '20 and Q1 '21 also indicated a very sharp increase in prices (+ 16.52 %), and the only sectors where an improvement of business was registered were the medical equipment sector (+ 60.22 %) and the



Fuels sector (+ 5.12 % in terms of quantities sold). All other sectors, including the necessities sectors, posted declines – declines that were very sharp in some, and reflected the heavy drop in market activity levels.

As a result, the consolidated real figures in Q1'21 (i.e. weighed with the respective CPI figures for every sector of the retail trade activities) for all retail trading sectors posted, as compared to the real figures of Q4 '20 (that were already in sharp decline), a drop that reached at – 34.81 %, after excluding the figures of the medical equipment and fuels sectors.

The real figures declines in the main sectors were as follows:

- *Household electrical equipment* (- 66.77 %)
- *Liquors* (- 59.03 %)
- *Shoes & leather products* (- 57.80 %)
- *Silverware and decoration* (- 54.49 %)
- *Toys* (- 53.64 %)
- *Construction equipment* (- 52.97 %)
- *Watches and jewelry* (- 52.84 %)
- *Perfumes and cosmetics* (- 51.04 %)
- *Commercial shopping centers* (- 50.15 %)
- *Books & stationery & office supplies* (- 47.91 %)
- *Clothing* (- 47.79 %)
- *Bakeries & pastries* (- 45.83 %)
- *Home accessories* (- 45.73 %)
- *Optical instruments* (- 45.03 %)
- *Sports items & equipment* (- 40.58 %)
- *Supermarkets and food shops* (- 38.41 %)
- *New cars agencies & used cars dealers* (- 37.06 %)
- *Restaurants and snacks* (- 35.57 %)
- *Tobacco* (- 33.16 %)
- *Furniture* (- 25.16 %)
- *Cellular phones* (- 18.32 %)
- *Pharmaceuticals* (- 0.37 %)

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of + 16.52 % for the first quarter of 2021, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included): **4.94 for the first quarter of the year 2021**. This figure compares to the level of 5.36 for the fourth quarter of 2020.



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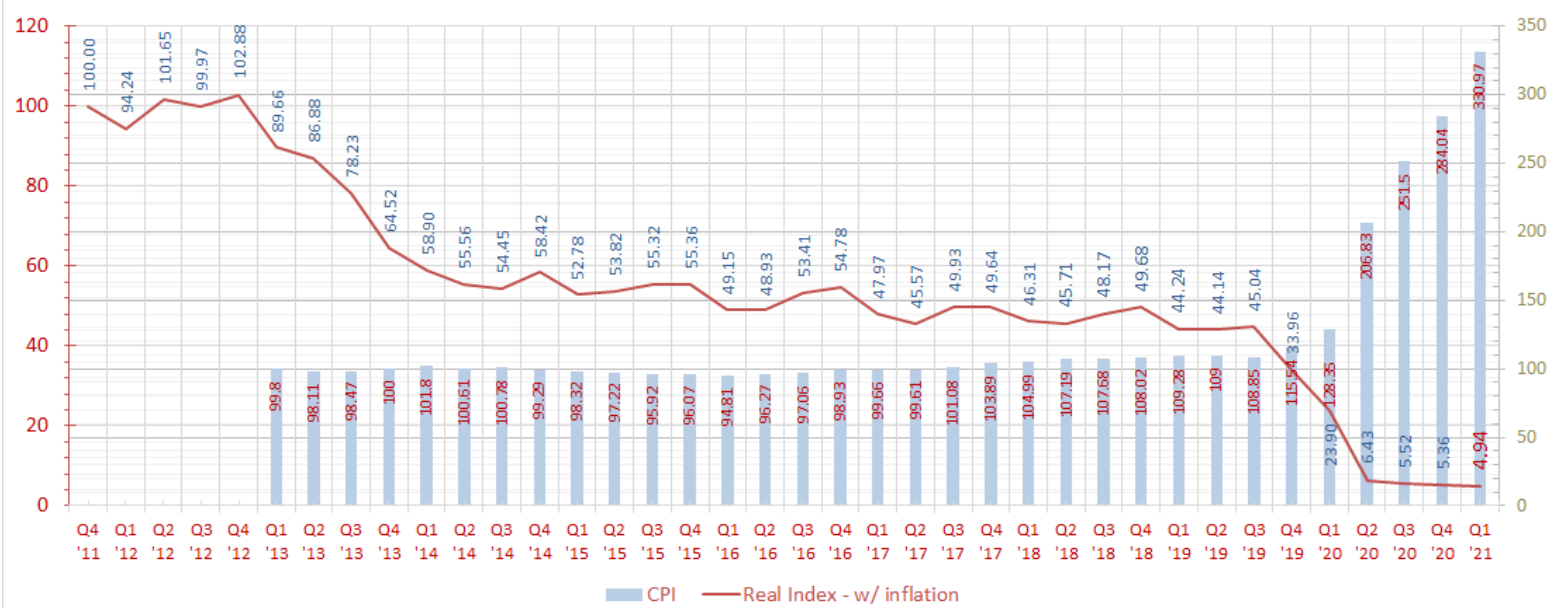
ASSOCIATION DES COMMERCANTS DE BEYROUTH
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BEIRUT TRADERS ASSOCIATION

BTA - FRANSABANK Retail Index For Q1 - 2021

(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	44.24	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											
		Q1 '21											
Nominal Index - w/out inflation		21.36											
Real Index - w/ inflation		4.94											
CPI		330.97											

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



In conclusion, the continued slide in the “BTA-Fransabank Retail Trade Index” during the first quarter of 2021 was a direct translation of the critical situation prevailing in the country, and of the dramatic losses incurred in all economic sectors, especially the trading sectors, accompanied by worsening social and living conditions.

The only solution for getting out of this disastrous deadlock resides in the immediate formation of a new government with a prime responsibility defined as re-building bridges and resuming negotiations with international partners, especially the World Bank, the IMF and the community of Donors Countries, after working very hard to regain international confidence in the financial, monetary and economic performance and governance of 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.

¹ ISIC- International Standard Industrial Classification