



## “BTA-Fransabank Retail Index” For the Second Quarter of 2021 (Q2-2021)

### The deterioration in the economic situation accelerates ...

The second quarter of 2021 witnessed a sharp drop in the numbers of Covid cases, and hence measures of lockdown and confinement were eased, and activities regained a semi-normality in the country, while maintaining all necessary protection and precautionary measures – especially in all commercial outlets and companies: this was accompanied by a wide vaccination campaign that started reaching more and more clusters of the population.

In light of the above, some traders did resume their activities and some stores did re-open, but the momentum in the various segments of the market was very slow to pick up, particularly because of the persistently falling purchase power of Lebanese households, of the continued rise in the value of the US Dollar against the Lebanese Lira, of the lack of capacity of concerned official parties to establish a clear subsidy program, as well as of the difficulties encountered by the population to get hold of subsidized products – especially pharmaceuticals and medicines, fuel products (with large quantities being smuggled out to neighboring countries because of the substantial difference in prices): this situation has led to a crisis at the supply side. This situation has resulted in an acute procurement difficulty for the Lebanese nationals, and a feeling of strong discontent for knowing that a large part of the moneys used by the Central Bank for subsidy (using the reserves covering Lebanese citizens’ deposits with banks) is benefitting to others... This matter has prompted the Lebanese Banks Association to take a firm position lately, especially when statutory obligatory reserves were at stake, and has also prompted the Banque du Liban to adopt new dispositions before lending the Treasury by requiring an official commitment for repayment of amounts granted, as per the prevailing laws.

Amidst all the above tensions, the situation in the markets was desolate, with more than 40% of trading companies and stores deciding to shut down for good and cease activities, while the remaining ones were still hoping to find means for survival even if this meant regaining only partial activity ... high rise in prices, less liquidity in the pockets of Lebanese residents – due to an increasing rate of unemployment and a deteriorating value of the salaries of public servants and of those employed in the private sector as well in most cases, and in addition to the increasing numbers of Lebanese who have opted for emigration.

As a result, consumption was focused mainly on basic necessities such as food products, medicines and fuel, while supermarkets and groceries started warning of lessening opening hours due to the fuel crisis and the difficulties encountered in the permanent supply of electricity, while products to which the Lebanese were accustomed to, started disappearing from shelves and were replaced by lower standards and quality products because of the high prices concerns... Meanwhile, officials’ debates on the Subsidy Program to be adopted and the Subvention Card were lingering, with no result or avail, except fixing the rate of the dollar purchase for fuel importers at 3,900 LL.

This situation prevailed while many traders – especially food importers, committed themselves to orders, imports, distribution ... at the subsidized dollar rates they were promised to obtain from BDL, but they were still waiting for materialization of this agreement, while orders were placed, many received containers were already waiting for clearance by Lebanese customs, and large quantities of goods were already distributed in the market. If this subsidy agreement does not materialize and dollar amounts committed by these traders (either for payments to suppliers or for collection from clients whom they supplied at subsidized prices) are not purchased at the rate announced with BDL, they will be confronted with huge losses, and their relations with foreign suppliers will definitely be highly jeopardized despite long years of good and stable relations.

On the monetary and financial front, a positive step was taken by the Ministry of Finance that issued a decision to extend the deadlines for the settlement of a series of taxes due for the year 2019 including the taxes on salaries, while the Governor of the Central Bank launched the “Sayrafa” platform through local banks to facilitate the purchase of US Dollars by local traders at a rate to be fixed on a weekly basis (the first rate applied having been set at 12,000 L.L. per US \$).. However, the application of circular 158 that allows individuals to withdraw from their \$ accounts according to a certain mechanism (400\$ monthly in foreign currency and the equivalent of another 400\$ in Lebanese Pounds) had not yet taken off during the second quarter and details of application were still under discussion... Also, no improvement was recorded neither in the Balance of Payments, nor in the level of the total debt or GDP, while no developments occurred in the sense of resuming negotiations with the IMF or talks with the World Bank, and not a single step was undertaken by the resigned government in the sense of addressing corruption or reform issues as required by donor countries and the international community... while it was made clear to Lebanon that no aid will be extended before the formation of a “mission” government and the activation of such tasks in priority.

If the current situation does not witness any improvement, traders will have no other issue but persist – as they have been doing for long years now, in their resistance efforts and their tedious attempt to ensure the sustainability and subsistence of their businesses, and to safeguard the interests and dignity of their employees.

Amidst all that, the US Dollar rate continued to rise and went above the 15,000 L.L. level during the period under review. Affecting factors included of course the lack of clear indications concerning the timing, scope and mechanism of the National Subsidy Card, and the continued traffic of subsidized products to neighboring countries, while the official CPI rate announced by CAS recorded a sharp increase to the level of 100.64% between Q2 of 2020 and Q2 of 2021 (following a level of 157.86% in the previous quarter), and the quarterly CPI increase registered + 25.38% between Q1 and Q2 of 2021 (after having posted + 16.52% for the previous quarter), prompting further surge in prices in the local market.

So it was no wonder that the level of activity in the markets was very slow, in most sectors, and the patterns of consumption of the majority of Lebanese households were dictated by the urge for austerity and prioritization, except obviously for US Dollars holders... The only reason for witnessing some positivity in comparison to the same quarter last year resides in the fact that Q2 of 2020 was a period of total confinement and semi-complete lockdown.

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 %
<b>Q2 '21 / Q2 '20</b>	<b>+ 100.64 %</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 %
<b>Q2 '21 / Q1 '21</b>	<b>+ 25.38 %</b>

- The details of the CPI revealed, between the second quarter of 2020 and the second quarter of 2021, the following:
  - + 236.98 % in the restaurants and hotels sector
  - + 221.80 % in the supermarkets and food shops sector
  - + 196.00 % in the furniture & home appliances and equipment sector
  - +195.44 % in the transport sector
  - + 180.22 % in the liquor, spirits and tobacco sector

- + 172.08 % in the clothing and footwear sector
- + 108.63 % in the recreation, amusement, and culture sector
- + 34.60 % in the communication sector
- + 21.45 % in the Health sector
- + 10.54 % in the Education sector

- While the CPI between the first and the second quarter of 2021:

- + 57.34 % in the supermarkets and food shops sector
- + 50.24 % in the restaurants and hotels sector
- + 44.53 % in the clothing and footwear sector
- + 41.50 % in the furniture & home appliances and equipment sector
- + 32.54 % in the transport sector
- + 26.70 % in the liquor, spirits and tobacco sector
- + 23.34 % in the recreation, amusement, and culture sector
- + 11.68 % in the Health sector
- + 2.43 % in the communication sector
- + 0.66 % in the Education sector

As a result of all the above, it was observed that the consolidated “**nominal**” retail turnover figures reveal that the second quarter figures of 2021 experienced an increase of 5.61% in comparison to the second quarter of 2020 figures after excluding the fuel sector. This improvement comes as no surprise because during the second quarter of 2020 rules of confinement were enforced and lockdown was generalized to almost all sectors in the market (at least in some regions), while the second quarter of 2021 was not subjected to any constraints, except the constraints that resulted from the heavily undermined purchasing power.

But, after applying the proper weighting with the CPI for the period under review (between Q2 of 2020 and Q2 of 2021), it appears that “**real**” turnovers continued to witness a dramatic drop in all sectors of the market, a drop that was very close to 100% in most activities (resulting from a + 100.64% increase in CPI this quarter, after the 157.86% of the previous quarter), bearing in mind also that the Fuels sector did register an unsurprising + 26.94% increase in volumes for the same period.

Scrutinizing these results for every sector’s performance during the second quarter reveals that all retail trading sectors witnessed further sharp drops, with the exception of:

- Fuel as previously mentioned
- Medical Equipment (+ 65.98%), in parallel to a sharp drop in Pharmaceuticals,
- And a very mild drop in Construction Equipment (as compared to drops in other sectors since it stood at only – 7.59%).

On the other hand, the CPI between Q1 ’21 and Q2 ’21 also indicated an acceleration in the increase of prices (+ 25.38 %), and performances differed between one sector and the other, some experiencing a clear improvement, while others continuing to witness further decline.

As a result, the consolidated “**real**” figures in Q2’21 (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 Q1 ’21 (that were already in sharp decline), a drop that reached at – 6.39 %, after excluding the figures of the Fuel sector (where a



+ 31.05% increase was registered).

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

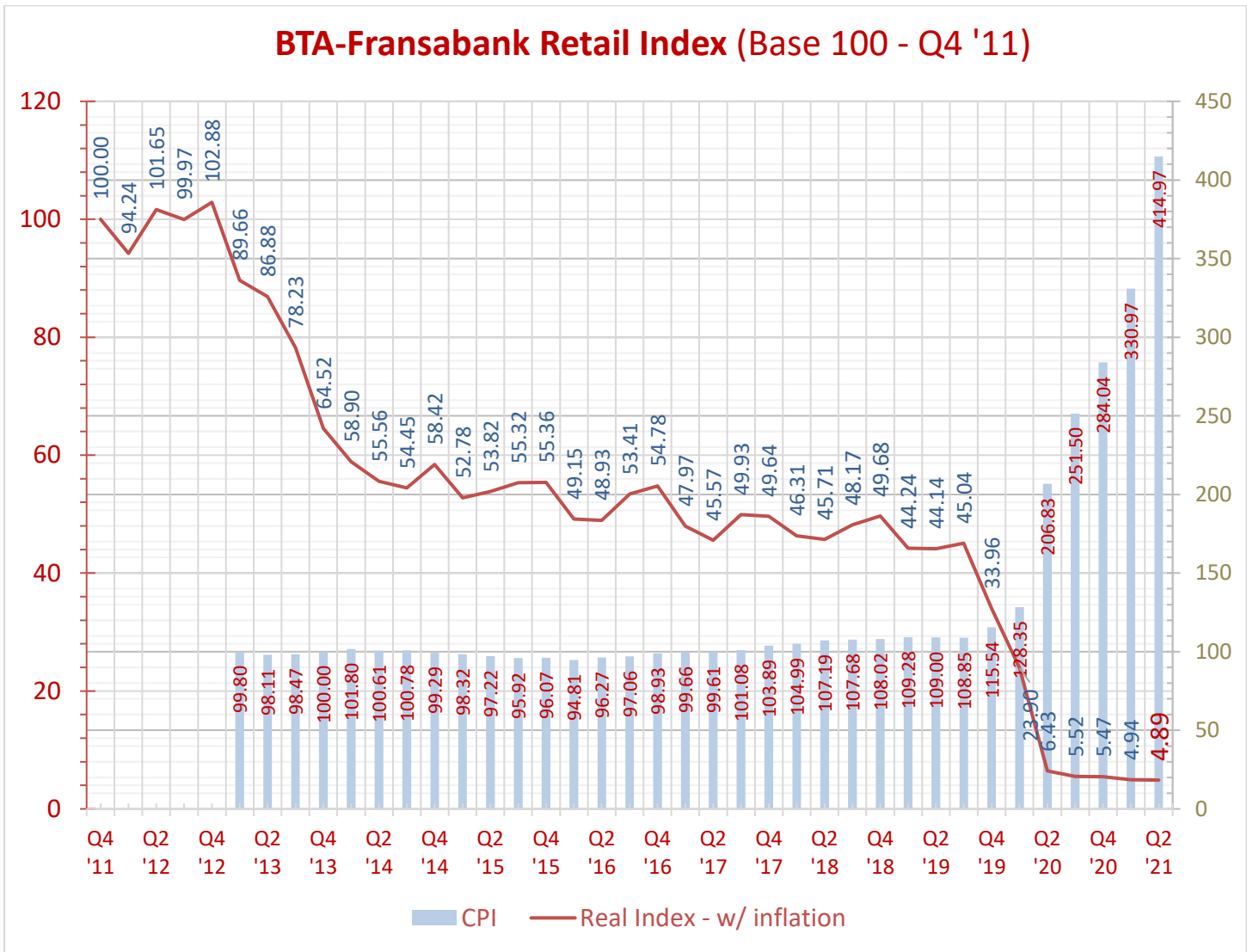
- *New cars agencies & used cars dealers (+ 47.37 %)*
- *Optical instruments (+ 39.91 %)*
- *Household electrical equipment (+ 15.32 %)*
- *Shoes & leather products (- 85.46 %)*
- *Clothing (- 70.60 %)*
- *Bakeries & pastries (- 57.33 %)*
- *Supermarkets and food shops (- 52.46 %)*
- *Restaurants and snacks (- 50.37 %)*
- *Medical Equipment (+ 48.87 %)*
- *Silverware and decoration (- 41.37 %)*
- *Home accessories (- 30.97 %)*
- *Cellular phones (- 30.46 %)*
- *Pharmaceuticals (- 25.72 %)*
- *Construction equipment (- 24.76 %)*
- *Watches and jewelry (- 24.26 %)*
- *Perfumes and cosmetics (- 23.04 %)*
- *Toys (- 22.49 %)*
- *Liquors (- 19.85 %)*
- *Furniture (- 15.92 %)*
- *Tobacco (- 13.85 %)*
- *Books & stationery & office supplies (- 9.03 %)*
- *Commercial shopping centers (- 5.81 %)*
- *Construction Materials (- 0.80 %)*

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of + 25.38 % for the second quarter of 2021, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included): **4.89 for the second quarter of the year 2021**. This figure compares to the level of 4.94 for the first quarter of 2021.

## BTA - FRANSABANK Retail Index For Q2 - 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	Q2 '21										
Nominal Index - w/out inflation		21.36	21.63										
Real Index - w/ inflation		4.94	4.89										
CPI		330.97	414.97										



In conclusion, the “**BTA-Fransabank Retail Trade Index**” continued to deteriorate during the second quarter of 2021 albeit at a slower rate, mainly because of the already very low levels reached in the previous period, but still reflecting the persisting crisis in the country, the huge losses incurred in all economic activities, especially the trading sector, as well as the continued degradation in the living and social conditions, with no action taken by the current affairs government to address the situation with a salvation program or initiative, or to launch a Subsidy Card scheme for Lebanese nationals to replace the current subventions program, despite the multiple calls and requests made by BTA in particular and the Lebanese Economic Organizations in general.

Again and again, 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 (ISIC<sup>1</sup> 6 digits).

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





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.