



“BTA-Fransabank Retail Index” For the Fourth Quarter of 2020 (Q4-2020)

Beirut, March 31st, 2021

**The impact of Markets’ Closure for Confinement Purposes is immediate ...
While re-opening and the resumption of activities needs a very long time to kick off ..**

Depression prevailed during the last quarter of 2020, with markets witnessing a semi-total standstill, except for the Bakeries, the Food Stores, and the Pharmaceuticals sectors, in the absence of any positive development on the Lebanese scene:

No “Mission Government” was formed, amidst political conflicts that undermined ongoing negotiations – despite all the miseries that are ravaging the country; not a single program or even proposal for reform or for fighting waste and corruption was developed, as constantly required by donor countries to start their aid programs; no agreement on the maritime borders delimitation, with all the consequences, was reached, while all land borders continued to witness smuggling out of the country – especially of subsidized goods and products at the expense of the Lebanese population; no direct help and support was extended by the government to the victims of the Beirut Port blast, except what international NGOs have donated and was distributed by the Lebanese Army or local civil organizations, and that covered only a very small number of victims and only a small part of direct and indirect damages inflicted; no settlement by insurance companies for policies subscribed and claims due – including the claims of traders, was effected, since companies declare they are waiting for the causes of the blast to be determined before proceeding with settlements – a matter that could of course take ages before happening ...

Amidst this crisis situation, many traders lost hope .. and cases of shops’ and businesses’ closures were multiple, especially in the trading sector; this wave of activity stop has obviously caused a surge in the unemployment rate to unprecedented levels, accompanied by a dramatic deterioration of the purchasing power of Lebanese individuals and households, all coupled with a sustained sharp drop in the value of the local currency and the level of income. This tragic reality pushed large numbers of Lebanese – especially in the younger age brackets, to look for salvation in opting for emigration, emptying the country of its vital energy and human capital, and depriving the nation of an unrecoverable treasure – at least in the foreseeable future.

On whom, and for whom, would our country stand, when its political, economic, financial, monetary and stability is regained ?

In such times, the Beirut Traders Association remained vigilant and continued to defend whatever is left of traders’ assets and business, organizing wide scope meetings, voicing out the concerns and requests of all trading associations and syndicates from all over Lebanon, issuing communiques and press releases, detailing the critical needs for an immediate return to business in such crucial time of the year especially ahead of the festive end of year season, opening dialogue with the national COVID commission and other concerned parties to cancel closure directives and assure them of traders total and strict compliance with the protocols for safety and security against the propagation of the pandemic.

The BTA was also pioneer in requesting a review of the subventions program by the Ministry of Economy and Trade in an effort to avoid all its shortfalls, and recommending the adoption of a “subvention credit card” that offers financial support to Lebanese citizens. BTA was also very attentive to follow up and circumvent the outcome of the circulars issued by the Central Bank’s and other monetary instances decisions ...

It is also worth noting BTA's relentless call for the formation of a new "specialists" government that would immediately seek to address the catastrophic crises that are ravaging the country, and devise programs and plans that meet the international community's and IMF's pre-requisites, and put Lebanon once again on the right path for salvation and long-awaited recovery, a recovery that is today existential for the Lebanese population to escape living conditions that have never been encountered by any other country in the world.

Amidst all the above developments, the official CPI figures issued by the CAS revealed that between the fourth quarter of 2019 and the fourth quarter of 2020, another unprecedented increase of 145.84 % was posted, never reached before, while the previous quarter's figure reached 131.05 %.

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

- + 655.12 % in the furniture & decoration sector,
- + 608.96 % in the restaurants and hotels sector,
- + 392.46 % in the liquor, spirits and tobacco sector,
- + 559.75 % in the clothing and footwear sector,
- + 402.24 % in the supermarkets and food shops sector
- + 227.08 % in the recreation, amusement, and culture sector,
- + 206.14 % in the transport sector,
- + 86.67 % 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 '20 / Q4 '19	+ 145.84 %
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 %

The studying of the consolidated real retail turnover figures (i.e. after applying the inflation rate weight on the nominal results) reveals that the fourth quarter figures of 2020 continued to experience a sharp fall in comparison to the fourth quarter of 2019 figures, a downtrend witnessed since many quarters now. The decline has reached, after excluding the fuel sector, a sharp decline of – 93.87 % between the fourth quarter of 2019 and the fourth quarter of 2020, in comparison to the – 87.50 % posted for the previous quarter, again because of a very high CPI (that stood at 145.84 % versus 131.05 % in the previous quarter), and even after excluding the fuel sector where an increase of + 7.12 % in volume between the levels of Q4 '19 and Q4 '20 was recorded.

Yearly Variation between 4th Quarter '19 and 4 th Quarter '20			
	Q4 - 2019	Q4 - 2020	
Nominal Year to Year Variation (incl. Liquid Fuels)	100.00		
Nominal Year to Year Variation (excl. Liquid Fuels)	100.00		
CPI between Dec '19 and Dec '20		% 145.84	
Real Year to Year Variation (incl. Liquid Fuels)	100.00	17.36	- 82.24 %
Real Year to Year Variation (excl. Liquid Fuels)	100.00	6.13	- 93.87 %

* CAS – CPI – Dec '20

We are thus witnessing a dramatic deterioration in markets activity and in consumption momentum in general, except for the food products that are still available and for prime necessity goods, firstly because of the perduring consequences of the blast at the port, but also because of the confinement measures and the continuously increasing cost of living that has reached a stage where it became out of control, a sharply deteriorating Lebanese Lira, a sinking purchasing power, resulting into a very sharp drop in the turnover figures of traders, even in the food sector, and despite the resumption of activities in the markets during the last part of this quarter.

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 fourth quarter of 2020 in comparison to the fourth quarter of 2019 displayed very sharp deterioration in all sectors, with no exceptions, 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 every retail trade sector's CPI rate; consequently, these sectors decline rates were all fixed according to the overall consolidated average rate).

- Pharmaceuticals (- 12.45 %)
- Optical and hearing aid instruments (- 34.27 %)
- Medical Equipment (- 45.97 %).
- Construction equipment (- 69.67 %)
- Toys (- 74.33 %)
- Tobacco (- 81.66 %)
- Liquor & spirits (- 82.54 %)
- New Cars Agencies & Used Cars Dealers (- 83.61 %)
- Books, stationery & office supplies (- 87.29 %)
- Watches & jewelry (- 88.31 %)
- Supermarkets and food shops (- 88.33 %)
- Restaurants and snacks (- 88.45 %)
- Commercial shopping centers (- 89.22 %)
- Household electrical equipment (- 89.92 %)
- Shoes and leather products (- 90.36 %)
- Clothing (- 92.16 %)
- Bakeries & pastries (- 92.36 %)
- Perfumes & cosmetics (- 92.73 %)
- Furniture (- 93.03 %)
- Sports items & equipment (- 94.86 %)
- Silverware and decoration (- 95.00 %)
- Home accessories (- 95.43 %)
- Cellular phones (- 97.00 %)
- Carpets and antiques (- 97.71 %)
- Musical instruments (- 98.70 %)

During this same period, the fuel sector witnessed a + 7.12 % increase in volumes.

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

On the other hand, the CPI between Q3 '20 and Q4 '20 also indicated a very sharp increase in prices although lower than in the previous quarter (+ 12.94 %), and the overall consolidated real result for the fourth quarter also displayed a slight

improvement in some sectors, especially in the food and prime necessity products sectors, while other “non vital” sectors witnessed sharp declines for the most of them, thus translating the sustained sharp drop of consumption.

As a result, the consolidated real figures in Q4'20 (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 Q3 '20 (that were already in sharp decline), a drop that reached at – 14.98 %, after excluding the fuel sector (where a – 5.50 % decline in volumes was registered for this period).

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

- *New Cars Agencies & Used Cars Dealers (- 9.31 %)*
- *Pharmaceuticals (- 12.24 %)*
- *Bakeries & pastries (- 20.90 %)*
- *Optical instruments (- 21.00 %)*
- *Home accessories (- 21.49 %)*
- *Construction equipment (- 21.66 %)*
- *Medical equipment (- 36.40 %)*
- *Clothing (- 36.88 %)*
- *Toys (- 47.90 %)*
- *Cellular phones (- 50.27 %)*
- *Commercial shopping centers (- 58.68 %)*
- *Sports items & equipment (- 59.73 %)*
- *Furniture (- 61.21 %)*
- *Shoes & leather products (- 61.27 %)*
- *Restaurants and snacks (- 87.97 %)*

While sectors where improvements between the third quarter and the fourth quarter were identified were as follows:

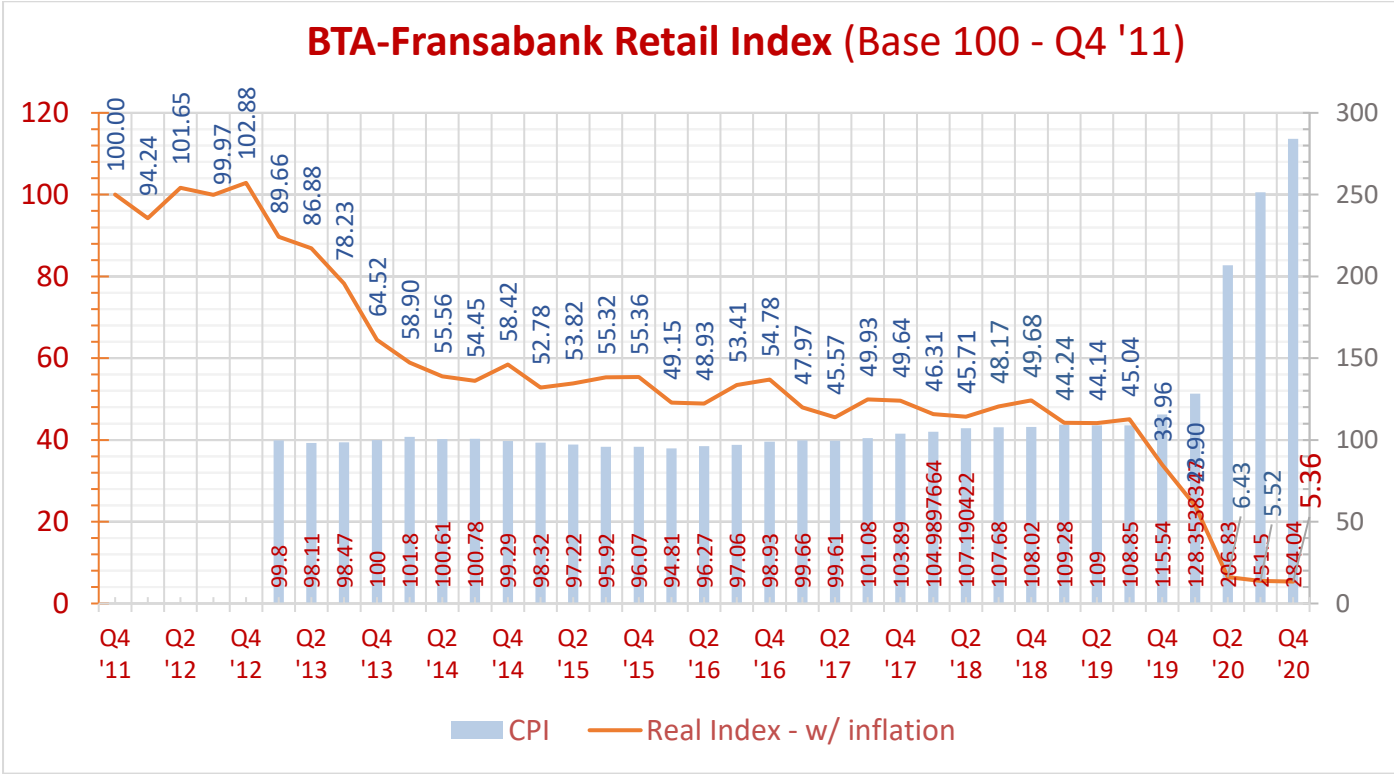
- *Perfumes and cosmetics (+ 1.17 %)*
- *Watches and jewelry (+ 4.24 %)*
- *Books & stationery & office supplies (+ 4.84 %)*
- *Supermarkets and food shops (+ 11.94 %)*
- *Tobacco (+ 13.15 %)*
- *Silverware and decoration (+ 19.15 %)*
- *Household electrical equipment (+ 56.10 %)*
- *Liquors (+ 62.05 %)*

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of + 12.94 % for the fourth quarter of 2020, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included): **5.36 for the fourth quarter of the year 2020**. This figure compares to the level of 5.52 for the third quarter of 2020.

BTA - FRANSABANK Retail Index For Q4 - 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	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



The “BTA-Fransabank Retail Index” for the fourth quarter of 2020 continued to drop, as expected, reflecting further paralysis of the consumption activity in the country, and additional losses incurred in most trades and trading companies in Lebanon, as a result of the worsening 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 a government that has resigned and lacks all means and possibilities to address the crisis hitting the local population or to pave the way for international aid and support to the country.

Considering this, BTA’s requests, as well as the requests of the entire trading community are :

Giving the permission to resume trading activities, despite the hardships and very difficult times, and avoiding the successive stop & go decisions .. stops are easy and immediate, but resuming activity is a long and tenuous process (if resumption is still possible !).

And the formation of a new “mission’ government, that would take the situation in hand and salvage the catastrophic situation of the country, by devising a national economic, financial and monetary plan that would help the local economy overcome the existential crisis it is going through, and rise up again from this bottom rock we have reached.



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