



“BTA-Fransabank Retail Index” For the Fourth Quarter of 2021 (Q4-2021)

Purchasing Power: Further Deterioration.. Markets Activity: Further Slowdown..

Markets did witness an accelerating fall in the value of the Lebanese pound during the last quarter of 2021, as it dropped to almost LBP 30,000 to the Dollar during the last month of the year (as compared to LBP 23,000 in the previous month), resulting into a further deterioration of the purchasing power of Lebanese households and individuals, whilst neither the long-awaited “Social Support Card Program” was implemented, nor the financial aid complementing salaries, during the period under review.

Meanwhile, this sharp decline of the Lebanese currency had a direct undermining effect on the level of activity in the retail trade markets, and spending was concentrated mainly on basic goods and necessities, mainly food products, medicines and fuel, and on keeping at a minimum possible expenses for the “Back to School” in terms of tuition fees, books and stationery.

As for the Lebanese immigrants’ visits to their home country during the end-of-year season, they did not unfortunately have the positive impact that was expected in terms of volume of spending and consumption, since a very large part of “real” spending occurred benefitting from the strength of foreign currency against the local currency !

It should also be noted that traders were facing additional major pressure with the need to adjust their prices in LBP very frequently, at the rhythm of the dollar variations, in light of the authorities’ insistence – especially the Ministry of Economy, on the obligation to post prices in LBP and not allowing to do so in USD and converting at the market rate on the time of sale.

Concurrently with all these subjective factors, the CPI was registering new record levels in Lebanon (amongst the highest in the world), and there was not a single indicator for any financial or monetary recovery in the country in the short term – especially in the absence of meetings of the government, and the standstill in the talks between Lebanon and the IMF, in addition to the embargo imposed by most Gulf countries resulting into a quasi-cessation of exports to these countries and a stop of flow of much needed fresh foreign currency into Lebanon. All the above combined to result into more contraction of the GDP for this year – a GDP that was not projected to reach at the end of 2021 more than USD 22 billion after having reached a high of USD 55 billion before the crisis. This was obviously accompanied by a sharp reduction in the size of government income / revenues, and a debt level that may well be the highest in the world, with an increasing deficit in the Balance of Payments, despite a shrinking deficit in the Trade Balance.

On the other hand, and until the end of 2021, no decision was yet made pertaining to the final distribution of all or part of the USD 1,135 million obtained by Lebanon in terms of SDRs at the IMF.

During this same period, the Central Bank also attempted to absorb as much volume as possible from an hyper-inflated Monetary Mass in LBP (that was expected to reach more than LBP 55,000

billion at the end of the fourth quarter as compared to LBP 35,000 billion at the end of the previous year), via monetary Circulars and Decisions – and especially with its focus on the Sayrafa platform for the exchange between LBP and USD, in an attempt to reduce the operations conducted through the black market to a minimum and have a better control of the forex market .. While the USD reserves continued to shrink and no new channels to attract fresh foreign currency from abroad or from the local market were identified.

All the above affected of course the willingness and capability of Lebanese households for consumption and spending on non-essential goods, while holders of liquidities at home only resorted to it in cases of utmost need or urgency.

Meanwhile, the official CPI issued by CAS translated a very high rise between the 4th quarter of '20 and the 4th quarter of '22, and posted a + 224.39 % increase (in comparison to + 114.12 % in the previous quarter), while the increase reached + 50.08 % between the 3rd and the 4th quarter of '21 (after the + 47.95 % of the previous quarter). These figures do reflect an accelerating rise in inflation, while the government simply did not proceed to implement any measures that would help curbing this collapse in the economy and slowing down the unprecedented hike in prices.

CPI (as pr 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 %
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 %

The details of the CPI per sector revealed, between the fourth quarter of 2020 and the fourth quarter of 2021, the following:

- + 522.39 % in the transport sector
- + 438.65 % in the supermarkets and food shops sector
- + 414.71 % in the restaurants and hotels sector
- + 404.94 % in the Health sector
- + 295.20 % in the liquor, spirits and tobacco sector
- + 243.73 % in the furniture & home appliances and equipment sector
- + 233.75 % in the clothing and footwear sector



- + 152.20 % in the recreation, amusement, and culture sector
- + 36.17 % in the communication sector
- + 35.04 % in the Education sector

While the CPI per sector between the third and the fourth quarter of 2021 was as follows:

- + 97.15 % in the transport sector
- + 75.09 % in the clothing and footwear sector
- + 62.79 % in the Health sector
- + 57.04 % in the recreation, amusement, and culture sector
- + 53.87 % in the furniture & home appliances and equipment sector
- + 51.96 % in the supermarkets and food shops sector
- + 51.76 % in the restaurants and hotels sector
- + 44.24 % in the liquor, spirits and tobacco sector
- + 2.94 % in the communication sector

In light of the above inflation figures, coupled with the uninterrupted increase of the dollar rate against the Lebanese Lira, unprecedented sectoral inflation levels are being witnessed, be it in the transport sector, or the food, bakeries and restaurants sector, or even in the health sector as well as the clothing and home appliances sectors – in other words in all vital goods sectors.

Hence it appears that, and after scrutiny of the variations in the consolidated “**nominal**” retail turnover figures in the Retail Trade Sectors between the 4th quarter of 2020 and the 4th quarter of 2021, it appears that the fourth quarter figures of 2021 posted a positive figure of 32.89 % after excluding the fuel sector (*Important remark: 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 (between Q4 of 2020 and Q4 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 +224.39 % increase in CPI this quarter, after the 144.12 % of the previous quarter), bearing in mind also that the fuels sector did register a slight increase of only + 1.69% in volumes for the same period, and drawing attention to the fact that two sectors had a relatively moderate drop in their turnover figures (as opposed to all other sectors where the decrease was very sharp), namely the construction materials sector (- 2.51 %), and the cellular phones Sector (- 36.17 %).

On the other hand, the CPI between Q3 '21 and Q4 '21 also indicated an acceleration in the increase of prices (+ 50.08 % - i.e. close to the + 47.95 % registered in the previous quarter), and it

was noted that the performance of all sectors – except in the construction materials sector, was negative, but the decline varied in amplitude between one sector and the other .

As a result, the consolidated “real” figures in Q4 ’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 Q3 ’21 (that were already in sharp decline), a further drop, despite the fact that the last quarter of every year is considered by all traders to be the most important period during which the best turnover figures of the year are traditionally registered. The figure posted stands at – 41.38 % (as compared to the – 46.82 reported in the previous quarter), after excluding the figures of the fuel sector (where a – 6.32 % decrease in quantities was registered, reflecting a weaker market demand despite usually positive seasonal factors, as a result of the gradual levy of subsidy on the fuel sector with prices reaching levels unseen before in the Lebanese market).

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

- *Books & stationery & office supplies (- 78.18 %)*
- *Shoes & leather products (- 68.22 %)*
- *New cars agencies & used cars dealers (- 66.35 %)*
- *Clothing (– 64.96 %)*
- *Cellular phones (- 59.76 %)*
- *Home accessories (- 59.63 %)*
- *Optical instruments (- 59.01 %)*
- *Commercial shopping centers (- 58.04 %)*
- *Toys (- 57.52 %)*
- *Pharmaceuticals (- 56.01 %)*
- *Bakeries & pastries (- 55.46 %)*
- *Household electrical equipment (- 54.94 %)*
- *Medical Equipment (- 50.77 %)*
- *Tobacco (- 46.56 %)*
- *Furniture (- 44.02 %)*
- *Restaurants and snacks (- 35.15 %)*
- *Watches and jewelry (- 35.05 %)*
- *Silverware and decoration (- 33.80 %)*

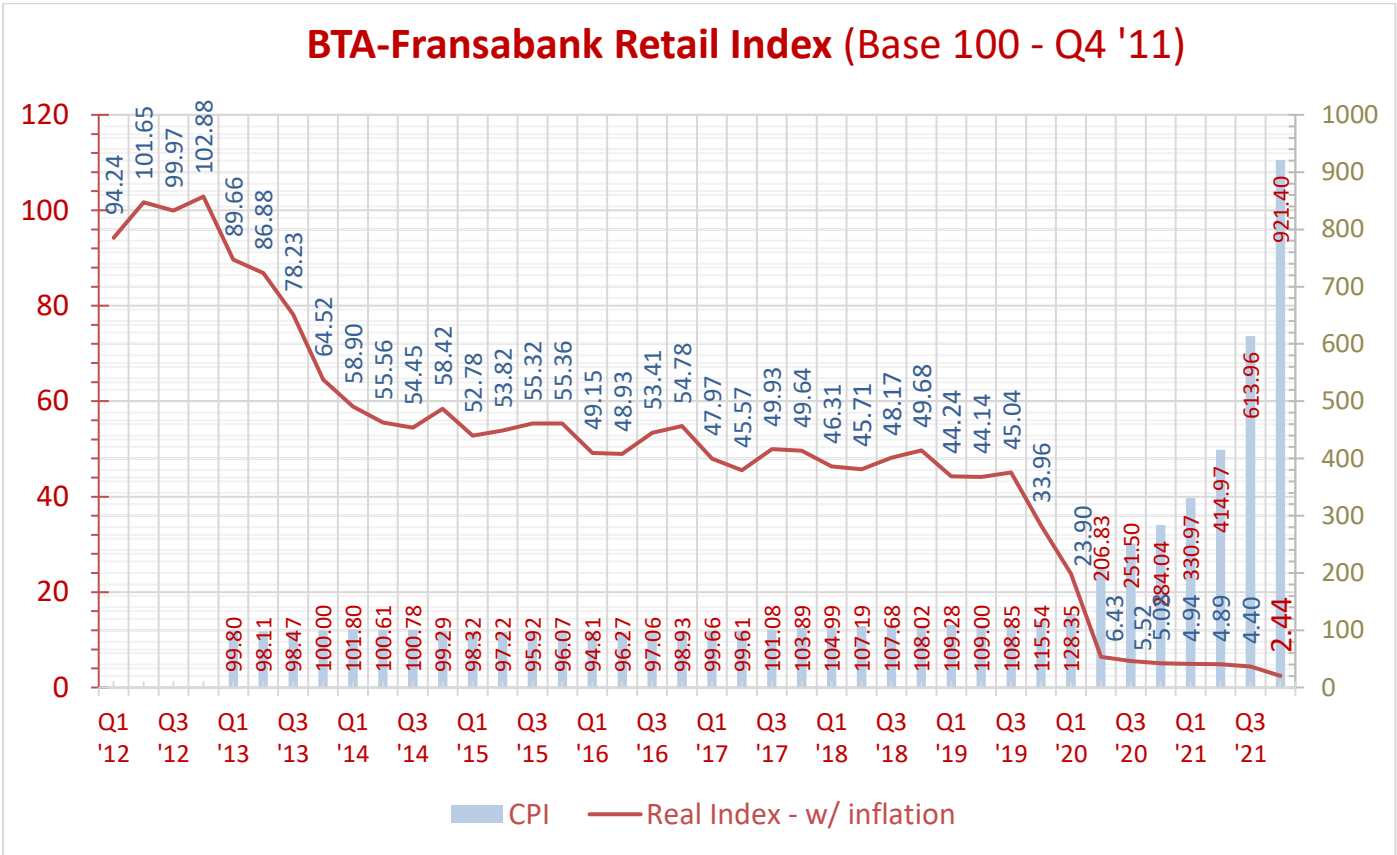
- Supermarkets and food shops (- 30.12 %)
- Perfumes and cosmetics (- 25.96 %)
- Liquors (- 11.03 %)

In conclusion, and with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of + 50.08 % for the fourth quarter of 2021, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included): **2.44** for the fourth quarter of the year 2021. This figure compares to the level of 4.42 for the third quarter of 2021.

BTA - FRANSABANK Retail Index For Q4 - 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	Q3 '21	Q4 '21								
Nominal Index - w/out inflation		21.36	21.63	21.65	24.10								
Real Index - w/ inflation		4.94	4.89	4.40	2.44								
CPI		330.97	414.97	613.96	921.40								



The “BTA-Fransabank Retail Index” for the fourth quarter of '21 shows, once again, a drastic drop that translates the prevailing recessionary situation of the national economy, as well as the unprecedented increase in the inflation rate, while no salvation plan for the economy was yet announced, and in the absence of any measures taken by concerned authorities to implement reform programs or to curb corruption and unjustified spending as constantly requested by donor countries and by the international community that shall not extend any assistance to Lebanon before the implementation of such programs and measures.



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