



## “BTA-Fransabank Retail Index” For the Second Quarter of 2020 (Q2-2020)

Beirut, September 15<sup>th</sup>, 2020

### The ailing trading sector succumbs to Covid-19 and enters a state of clinical death!

The second quarter of 2020 was deeply affected by the combined impacts of the Corona disease spread, a general lockdown, successive closures of businesses, surging unemployment rates, falling incomes, tight spending, difficulties in the process of procurement and supply of goods to the markets, numerous official decisions and circulars that remained with no concrete results, fury and uprising in the streets, and confrontations...

Consumption of households was thus restricted to a strict minimum and households were merely purchasing food and essential subsistence products, in addition to disinfection items and products, while most of other sectors' shops and outlets were subjected to closure due to the general lockdown decree, until the prime minister responded to BTA's pressing request, in the name of all the trading community, and allowed them to open again, even though activity in the markets remained at a dramatically low level, as a direct consequence of the prevailing severe economic situation.

Some traders attempted re-starting their businesses and safeguarding their employees' jobs, sometimes resorting to part time activity, while others were forced to take the painful decision of closing their trades, with all what such move means in terms of job losses and dramatic rise in unemployment levels in the country, that is accompanied by a severe drop in the purchasing power of Lebanese households; meanwhile, withdrawal allowances of foreign currency from banks remained very limited, transfers from abroad kept on receding, and the value of the Lebanese Lira continued to deteriorate in parallel markets.

Minimum spending was thus the name of the game during this period, and households' purchasing pattern was almost exclusively centered on basic necessities, despite the increase in such necessities' prices because of the rise in the dollar value and also because of the tremendous difficulties that importers were experiencing while they remained committed to guarantee supplies to the Lebanese population at any cost.

Meanwhile, markets and the whole economic community adopted a wait-and-see attitude, although non-optimistic, and were attentive to any move the government would take to push forward negotiations with the IMF, while successive high frequency meetings that were taking place remained inconclusive, and were also hoping to hear of any initiative the government would come up with to alleviate the accelerating economic deterioration and to face the prevailing dramatic financial and economic challenges, be it by curbing the sustained rise of the dollar value against the Lebanese currency, or by easing regulations on transfers to facilitate the import procedures for traders and hence re-energize economic activity, even though at a minimum.

On top of all the above, the spread of corona, and the general confinement measures - with all what this entailed in terms of shops and companies "pausing" activity, except for food and health safety products, combined with difficulties to obtain US dollars and the high rise in rates at exchange houses despite official warnings, resulted in the acceleration of job losses in the private sector, or in the best scenarios in cuts in salaries, resulting into a rapid deterioration of Lebanese households purchase power coupled with a sharp increase in consumer prices because of the hard currency rates and the "hardships" encountered by importers – for the import process, for the clearing process, for distribution and for payments.

In light of all the above, BTA did not spare any efforts and did not miss to send any single request to official and financial bodies, including banking institutions, to alleviate pressure and burdens off the traders; BTA did as well issue an official letter to suppliers from abroad, explicating clearly all the difficulties currently experienced by Lebanese

traders – especially importers, and asking for these suppliers understanding and empathy, and emphasizing on the bona fide, good faith and seriousness of Lebanese traders.

Amidst all the above developments, the official CPI figures issued by the CAS revealed that between the second quarter of 2019 and the second quarter of 2020, posted an unprecedented increase – though highly expected level of 89.74 %.

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

- + 412.40 % in the furniture & decoration sector,
- + 344.81 % in the clothing and footwear sector,
- + 342.45 % in the restaurants and hotels sector,
- + 254.05 % in the liquor, spirits and tobacco sector,
- + 246.62 % in the supermarkets and food shops sector
- + 132.85 % in the recreation, amusement, and culture sector,
- + 84.69 % in the transport sector,
- + 83.35 % 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 %
<b>Q2 '20 / Q2 '19</b>	<b>+ 89.74 %</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 %
<b>Q2 '20 / Q1 '20</b>	<b>+ 61.14%</b>

As a result, the consolidated real retail turnover figures (i.e. after applying the inflation rate weight on the nominal results) have posted a decline of – 93.30 % between the second quarter of 2019 and the second quarter of 2020, in comparison to the – 34.98 % posted for the previous quarter.

By excluding the fuel sector results (where a drop of – 45.74 % in volume was reported between the levels of Q2 '19 and Q2 '20), the real consolidated turnover drop reaches – 92.91 % in comparison to the Q2 '19 figures (also excluding fuel), against – 34.59 % for the previous quarter.

Yearly Variation between 2 <sup>nd</sup> Quarter '19 and 2 <sup>nd</sup> Quarter '20			
	Q2 - 2019	Q2 - 2020	
Nominal Year to Year Variation (incl. Liquid Fuels)	100.00	65.31	
Nominal Year to Year Variation (excl. Liquid Fuels)	100.00	69.13	
CPI between Jun '19 and Jun '20		+ 89.74 %	
Real Year to Year Variation (incl. Liquid Fuels)	100.00	6.70	- 93.30 %
Real Year to Year Variation (excl. Liquid Fuels)	100.00	7.09	- 92.91 %

\* CAS – CPI – Jun '20

The above figures clearly indicate the dramatic fall in traders' turnover figures across all sectors or retail activities, including the Supermarkets and Food sector in general : an almost nil consumption, minimal households purchasing on foodstuff and beverages, not only because of falling purchase power and the free fall of the Lebanese lira value against the US Dollar, but also because of the harsh conditions that are being experienced by traders for the import and distribution processes and operations. Also, and as indicated earlier, the wave of forced closures continued, affecting more stores and outlets and companies, because of the sustained deterioration of market conditions.

The direct result of all the above is translated in the analysis of the performance of the various retail trade market sectors, during the second quarter of this year, reflecting the dramatic fall in all turnover figures in all sectors without exception.

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 second quarter of 2020 in comparison to the second quarter of 2019 were 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 %)
- Carpets and antiques (- 100.00 %)
- Supermarkets and food shops (- 90.00 %)
- Bakeries & pastries (- 90.00 %)
- Restaurants and snacks (- 90.00 %)
- Silverware and decoration (- 90.00 %)
- Furniture (- 90.00 %)
- Commercial shopping centers (- 90.00 %)
- Liquor & spirits (- 90.00 %)
- Clothing (- 90.00 %)
- Perfumes & cosmetics (- 90.00 %)
- Home accessories (- 90.00 %)
- Toys (- 90.00 %)
- Watches & jewelry (- 90.00 %)
- Household electrical equipment (- 90.00 %)
- Books, stationery & office supplies (- 90.00 %)
- Cellular phones (- 83.35 %)
- Optical and hearing aid instruments (- 82.10 %)
- Construction equipment (- 50.03 %)
- Used cars dealers (- 44.06 %)
- Pharmaceuticals (- 23.03 %).

During this same period, the fuel sector witnessed a – 45.74 % drop in volumes.

- Worth noting is that not a single sector posted a positive figure during this quarter except for the medical equipment sector where turnover figures experienced an improvement of + 44.77 %; this improvement is certainly due to the new additional equipment and requirements by hospitals and health care entities in the wake of the Covid-19 situation in the country.

On the other hand, the CPI between Q1 '20 and Q2 '20 also indicated a very sharp increase in prices (+ 61.14 %), 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.

As a result, the consolidated real figures (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 an unprecedented decline that stood at – 73.21 % as compared to the real figures of Q1 '20, excluding the fuel sector (where a sharp – 29.67 % was registered for this period).

*(Remark: Here also, 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).*

The declines in the main sectors were as follows:

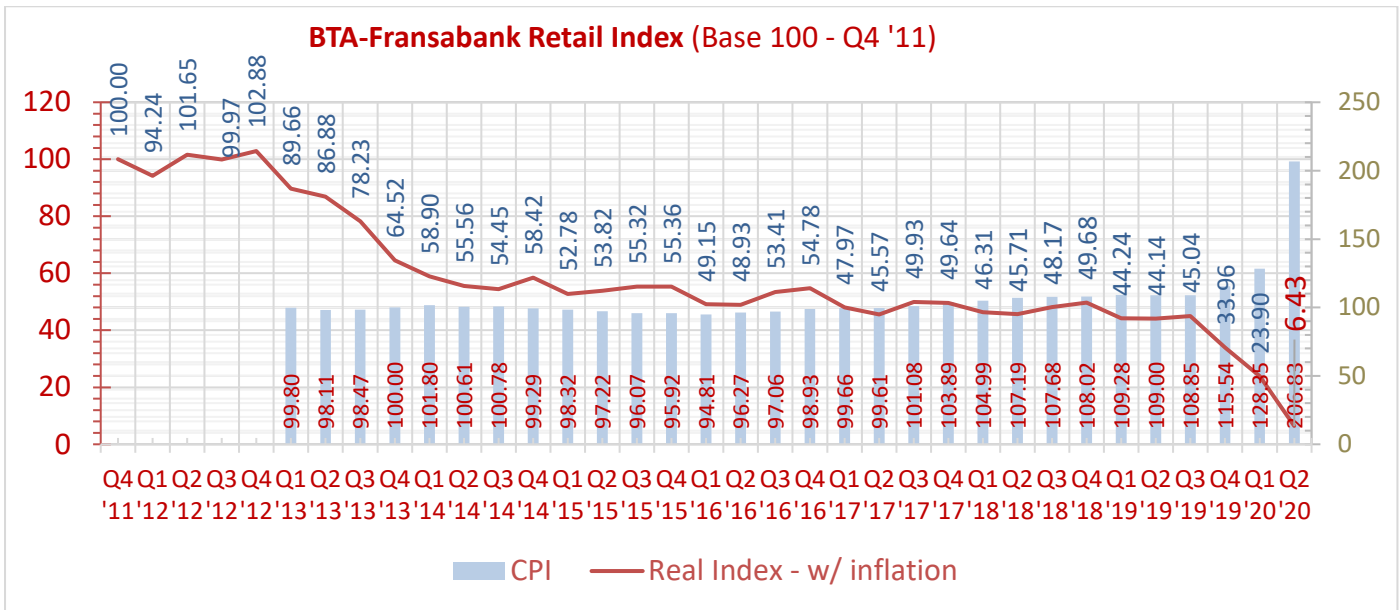
- Shoes & leather products (- 100.00 %)
- Tobacco (- 100.00 %)
- Furniture (- 70.00 %)

- Liquors (- 70.00 %)
- Toys (- 70.00 %)
- Bakeries & pastries (- 70.00 %)
- Restaurants and snacks (- 70.00 %)
- Commercial shopping centers (- 70.00 %)
- Sports items & equipment (- 70.00 %)
- Home accessories (- 70.00 %)
- Perfumes and cosmetics (- 70.00 %)
- Clothing (- 70.00 %)
- Watches and jewelry (- 70.00 %)
- Books & stationery & office supplies (- 70.00 %)
- Silverware and decoration (- 70.00 %)
- Supermarkets and food shops (- 70.00 %)
- Household electrical equipment (- 70.00 %)
- Pharmaceuticals (- 57.68 %)
- Cellular phones (- 55.91 %)
- Optical instruments (- 26.39 %)
- Construction equipment (- 25.01 %)
- Medical equipment (- 18.45 %)
- Used cars dealers (- 17.48 %).

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of - 61.14% for the second quarter of 2020, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included): **6.43 for the second quarter of the year 2020**. This figure compares to the level of 23.90 for the first quarter of 2020.

**BTA - FRANSABANK Retail Index For Q2 - 2020**  
(Base 100 : Q4 - 2011)

	2011	2012				2013				2014				2015				2016			
	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	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16
Nominal Index - w/out inflation	100	95.77	100.55	108.54	112.66	90.83	87.85	78.6	65.87	59.68	55.3	55.22	57.57	51.51	51.94	52.77	52.91	46.27	46.79	51.49	53.86
Real Index - w/ inflation	100	94.24	101.65	99.97	102.88	89.66	86.88	78.23	64.52	58.9	55.56	54.45	58.42	52.78	53.82	55.32	55.36	49.15	48.93	53.41	54.78
CPI						99.80	98.11	98.47	100.00	101.80	100.61	100.78	99.29	98.32	97.22	96.07	95.92	94.81	96.27	97.06	98.93
	2017				2018				2019				2020								
	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20							
Nominal Index - w/out inflation	47.51	46.76	52.00	53.17	49.09	49.49	52.38	54.25	48.88	48.65	49.57	39.76	31.47	21.81							
Real Index - w/ inflation	47.97	45.57	49.93	49.64	46.31	45.71	48.17	49.68	44.24	44.14	45.04	33.96	23.9	6.43							
CPI	99.66	99.61	101.08	103.89	104.99	107.19	107.68	108.02	109.28	109.00	108.85	115.54	128.35	206.83							



The “BTA-Fransabank Retail Index” for the second quarter of 2020 comes to confirm, unfortunately, the quasi total collapse of the Lebanese economy, while the corona pandemic, with all what it entails in terms of confinement and business closures, came on top of the severely deteriorating financial and monetary and livelihood conditions, and also while the government - that is supposedly entrusted with safeguarding Lebanon and the Lebanese, did not take a single concrete step to address this situation, except with good wishes and virtual promises.

There is no need here to enumerate again here all what is needed in this regards, but what is clear is that the country needs a drastic change in the handling of public affairs and the application of an efficient and wise governance, that would liberate the country from mismanagement and corruption, and put us back on track for a long-awaited “renaissance”.



### 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

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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).

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.

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