



“BTA-Fransabank Retail Index” For the First Quarter of 2023 (Q1-2023)

Monetary tightening exerts unprecedented pressure on households’ purchase power

The consolidated “**nominal**” retail trade turnover figures for the first quarter of 2023 showed a + 28.30 % increase in comparison to the figures of the first quarter of 2022 (*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 (+ 263.84 % between Q1 of 2022 and Q1 of 2023), it appears that “**real**” turnovers posted in fact a sharp decline of 100% in all retail trade sectors, including in the Fuel sector where a drop of – 5.02 % was registered in terms of quantities, as compared to the quantities sold during the Q1 of 2022.

The above clearly translates the accelerating deterioration of the Lebanese economy, and the escalating recessionary pressures, despite the fact that a 2.50 % growth during 2022 was announced: yet, real figures showed that weaker turnover results and faltering activity affected most of the trade sectors, mainly because of the persisting fall in the purchase power of Lebanese households even after the latest official increase in salaries and subventions, combined with a dollar rate that sky rocketed at 143,000 against the Lebanese Lira around the end of March before falling down again to around 110,000 L.L. after the Central Bank’s intervention.

Alongside the dollar rise against the Lebanese Lira, a new package of taxes and rates was decided by the Government as well as by the Ministry of Finance and the Central Bank: increased taxes and customs excise rates as a result of the increase of the official and the customs dollar rates, lack of clarity concerning the methodology of VAT calculation, in addition to the regional and international circumstances, and also the strong impact of an accelerating increase in the inflation rate.

This accelerating increase in the inflation rate did actually translate with an unprecedented CPI level of + 263.84 % between the first quarter of 2022 and the first quarter of 2023, while the + 81.40 % CPI quarterly increase between the last quarter of 2022 and the first quarter of 2023 is the source of very high concern regarding the upcoming period.

As for the Foodstuff sector, that comes on top of the Lebanese households’ basket of priorities, it is important to note that international reports have registered a rate of increase of + 139.00 % at the end of March, a level considered as the highest worldwide.

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 %
Q2 '21 / Q2 '20	+ 100.64 %
Q3 '21 / Q3 '20	+ 144.12 %
Q4 '21 / Q4 '20	+ 224.39 %
Q1 '22 / Q1 '21	+ 208.13 %
Q2 '22 / Q2 '21	+ 210.08 %
Q3 '22 / Q3 '21	+ 162.47 %
Q4 '22 / Q4 '21	+ 121.99 %
Q1 '23 / Q1 '22	+ 263.84 %
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 %
Q1'21 / Q4 '20	+ 16.52 %
Q2'21 / Q1 '21	+ 25.38 %
Q3'21 / Q2 '21	+ 47.95 %
Q4 '21 / Q3 '21	+ 50.08 %
Q1 '22 / Q4 '21	+ 10.68 %
Q2 '22 / Q1 '22	+ 26.18 %
Q3 '22 / Q2 '22	+ 25.23 %
Q4 '22 / Q3 '22	+ 26.93 %
Q1 '23 / Q4 '22	+ 81.40 %

Scrutiny of the CPI details for every sector, between the first quarter of 2022 and the first quarter of 2023, shows the following:

- + **620.80** % in the Communication sector
- + **450.97** % in the Liquor, Spirits and Tobacco sector
- + **385.54** % in the Restaurants and Hotels sector
- + **373.90** % in the Health sector
- + **358.91** % in the Clothing and Footwear sector
- + **358.45** % in the Furniture & Home Appliances and Equipment sector
- + **352.34** % in the food and non-alcoholic beverages
- + **300.75** % in the Transport sector
- + **210.60** % in the Recreation, Amusement, and Culture sector
- + **193.02** % in the Education sector

Obviously, the above rates are very high, in vital sectors that affect daily consumption, mainly in the Communication, Health, Food, Beverage and Clothing sectors, in addition to the 300 % increase in the Transport sector.

Concurrently, the CPI between the fourth quarter of 2022 and the first quarter of 2023 were as follows:

- + **140.78** % in the liquor, Spirits and Tobacco sector
- + **133.26** % in the Restaurants and Hotels sector
- + **126.50** % in the Furniture & Home Appliances and Equipment sector
- + **115.00** % in the food and non-alcoholic beverages
- + **107.00** % in the Transport sector
- + **90.62** % in the Health sector
- + **89.67** % in the Clothing and Footwear sector
- + **77.19** % in the Communication sector
- + **45.41** % in the Recreation, Amusement, and Culture sector
- + **1.42** % in the Education sector

These figures clearly show that the annual and quarterly CPI increases are witnessed in the same vital sectors, albeit more severely in the Foodstuff, Beverage and Restaurants sectors.

These increases are caused by multiple essential factors, of which the sustained growth of the monetary mass, especially after the recent hike in salaries and subventions, as well as the accelerating dollarization in the markets (estimated to have reached around 50 % of the GDP with a figure close to 9.9 billion dollars at the end of 2022

according to a World Bank's recent report), accompanied by an increasing transformation of the local economy into a cash economy, with all the subjective consequences that such a situation bears at the international level.

The above places the Lebanese economy at the verge of an inevitable collapse scenario, with no clear landmarks in light of the absence of any serious official recovery plan, or at least measures that would help prevent the accelerating deterioration of the economy.

Inflation Rates by Sector

Sector	Q1 '23/Q4 '22	Q1 '23/Q1 '22
Communication	77.19%	620.80%
Alcoholic beverages, tobacco	140.78%	450.97%
Restaurant & hotels	133.26%	385.54%
Health	90.62%	373.90%
Clothing and footwear	89.67%	358.91%
Furnishings, household equipment	126.50%	358.45%
Food and non-alcoholic beverages	115.00%	352.34%
Transportation	107.00%	300.75%
Recreation, amusement, and culture	45.41%	210.60%
Education	1.42%	193.02%

For all the above reasons, and despite all efforts exerted by traders to boost their activities and increase their turnover figures, they sadly – once again, realized that after weighting with their corresponding inflation figures and dollar fluctuations impact, their figures are actually drastically and continuously falling down.

As a result, and after consolidation and weighting for all sectors, figures displayed continued recession with a sharp deterioration in **real turnovers** between the first quarter of 2022 and the first quarter of 2023.

Similarly, the consolidated “**real**” result in Q1 -2023 (i.e. weighed with the respective CPI figures for every sector of the retail trade activities) for all retail trading sectors, as compared to the real figures of Q4 -2022, did also register sharp declines, as it stood at – 80.92 % (after the exclusion of the Fuel sector). This compares to the – 21.28 % decline in the previous quarter.

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

- *Watches and jewelry* (- 97.20 %)
- *Perfumes and cosmetics* (- 95.64 %)
- *Tobacco* (- 94.10 %)
- *Shoes & leather products* (- 91.64 %)



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- Commercial shopping centers (- 91.44 %)
- Clothing (- 91.19 %)
- Bakeries & pastries (- 90.65 %)
- Optical instruments (- 89.69 %)
- Home Accessories (- 87.36 %)
- Furniture (- 84.01 %)
- Household electrical equipment (- 83.62 %)
- Supermarkets and food shops (- 81.52 %)
- Sports Equipment & Sportswear (- 72.01 %)
- Construction Materials (- 68.86 %)
- Restaurants and snacks (- 68.29 %)
- Toys (- 61.86 %)
- Books & stationery & supplies (- 19.54 %)

During this period, sectors that witnessed a regain in activity were:

- Cellular phones (+ 35.12 %)
- Pharmaceuticals (+ 6.30 %)
- Liquors (+ 4.69 %)

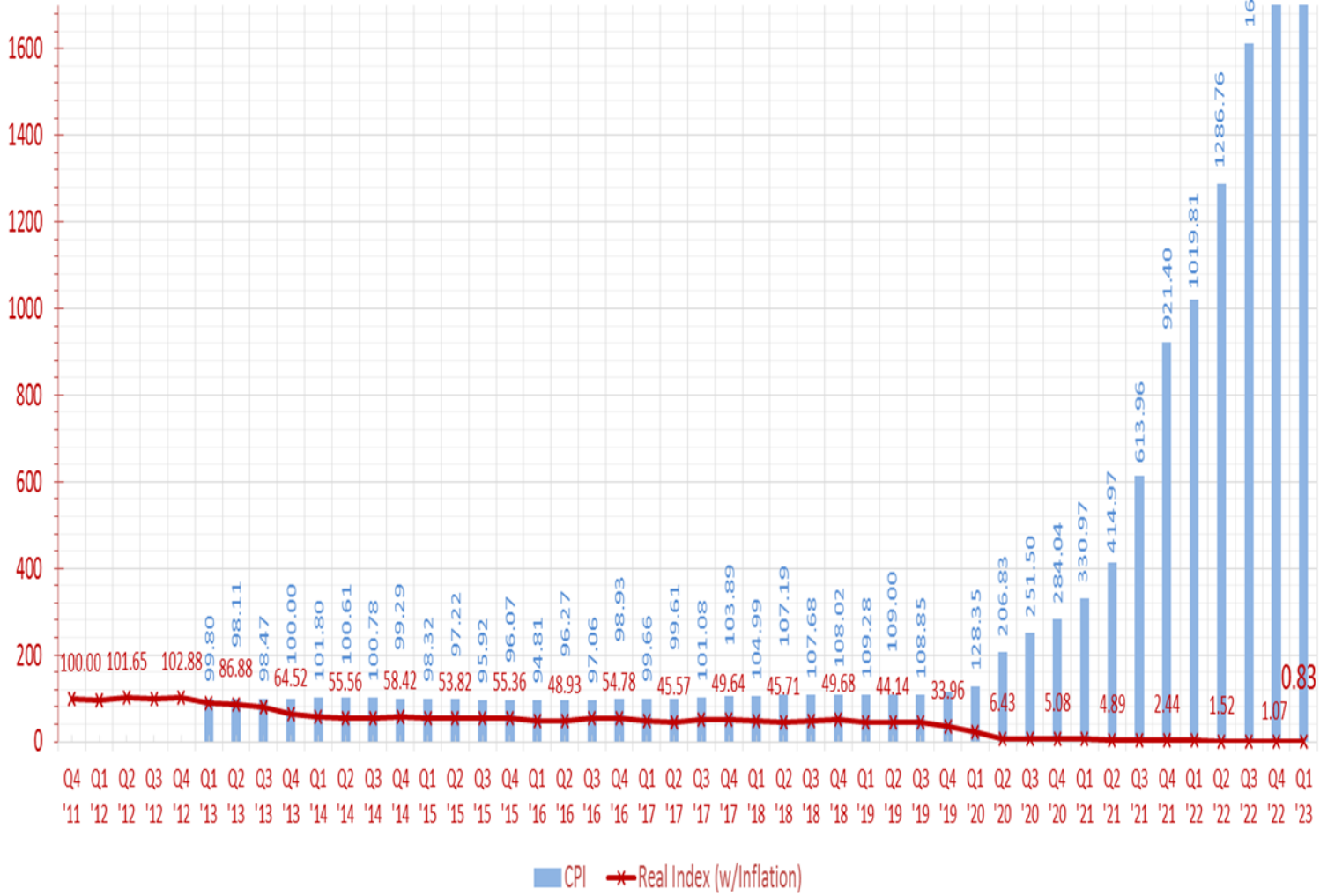
In conclusion, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of +81.40 % for the first quarter of 2022, as per the official CAS report, we hereby announce that the "BTA-Fransabank Retail Index" is (with all sectors included): **0.83** for the first quarter of the year 2023. This figure compares to the level of 1.07 for the fourth quarter of 2022.

BTA - FRANSABANK Retail Index For Q1 - 2022

(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	44.2415	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				2022				2023			
		Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23
Nominal Index - w/out inflation		21.36	21.63	21.65	24.10	22.82	22.68	27.15	28.90	29.23			
Real Index - w/ inflation		4.94	4.887	4.398	2.444	2.07	1.52	1.37	1.07	0.83			
CPI		330.97	414.97	613.96	921.40	1019.81	1286.76	1611.43	2045.46	3710.53			

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



The fact that the BTA-Fransabank Retail Index for the first quarter of 2023 fell to below the “1” level does not come as a surprise, pinpointing that real trading activity has fell by more than 99% from its 100 level in the fourth quarter of 2011.

In conclusion, what is left to say is that the Lebanese people in general, and the Lebanese Private Sector – including of course Traders, in particular, are still expecting the phoenix to rise from its ashes, and that a U-Turn from the current disastrous situation will not be long to occur, with the elaboration and implementation of a recovery plan similar to that recommended by the Lebanese Economic Organizations to revitalize the economic activity in the country, with what it entails of reactivating negotiations with the IMF and the other donor countries, as well as restore the tight relations with Gulf countries that have a very impactful value in the Lebanese economy.



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