



“BTA-Fransabank Retail Index” For the Third Quarter of 2021 (Q3-2021)

Activity Deterioration Accelerates with the Gradual Lift of Subventions

Once again this year, the summer season was harsh on the retail trade markets, as a result of:

- the delay in the formation of a new government,
- the absence of a clear outlook for the short to medium term future,
- as well as the long lasting fuel crisis that has started to affect vital sectors in the country,
- in addition to the hasty departure of visiting emigrants who came back to Lebanon for their summer vacations despite all odds and whose spending amounts were projected to fuel the markets with around 3 billion fresh dollars during the summer season,
- and in the absence of resident households spending

The combination of all the above did not offer traders the chance to take a short break from their long-lasting poor activity and witness some improvement in their turnovers.

A new government was eventually formed and gained the parliament’s vote of confidence, thus prompting a fall in the value of the dollar (or a strengthening in the value of the Lebanese Lira) to below the 15,000 level, but this fall was short-lived in the wake of the gradual and concealed lifting of multiple subventions without offering any replacement such as for example a financing card that would be distributed to the needy Lebanese households.

All the above failed to prompt any decline in goods and services costs and prices, a decline that should have accompanied the fall of the dollar value against the LL.

In parallel, the new government did not announce any immediate initiative to alleviate the consequences of the crisis on resident citizens, despite the announcement of the formation of a crisis cell to devise the headlines of a salvation program, and despite echoes of a resumption of talks with the IMF and other donor countries, in the absence of any positive factors allowing the new government to initiate any of the required reforms and programs, and with no signs of any move to curb the “trafficking syndrome” to neighboring countries, resulting into the lack of any improvement or even a worsening, in the living standards of Lebanese residents .

Meanwhile, the CPI skyrocketed reaching unprecedented levels and the Lebanese were kept in a survival mode waiting for this tragic phase to end.

On the front of the state’s financial situation, there was no indication of any improvement either, with projections of a further shrinkage in this year’s GDP, a worsening Balance of Payments despite a reduction of the imports figures by almost one half from USD 20 billion to around USD 12 billion.

In the meantime, official sources indicated that the Central Bank Balance Sheet displayed, at the end of the third quarter of this year, a fall of the foreign currencies reserves to a level below USD 14 billion.

On the other hand, with the rise in gold prices, Lebanon’s gold reserves increased to USD 16.58 billion.

With these figures in hand, it shows that the total of foreign currencies reserves and gold reserves amounted at the end of the third quarter, to almost one third of the total net debt of Lebanon.

It is also necessary to note that Lebanon was attributed from the IMF, through the Special Drawing Rights (SDR's), an amount of USD 860 million for the year 2021, and an additional amount of USD 275 million from the year 2009, or a total of USD 1.135 billion , but the government has not yet decided on how this amount will be distributed nor did it announce of programs that would be financed by these funds. *It is though important to note that this amount of money represents an additional debt for Lebanon.*

During this period, the BDL attempted to shrink as much as possible the money supply figure in circulation in the country, in an attempt to halt the free fall of the Lebanese Lira (it is worth noting that the M1 figure reached historical highs at the end of the third quarter of 2021 touching the level of LBP 52,000 billion in comparison with the LBP 30,000 billion level during the summer of 2020). The immediate result of this BDL move translated into less money in the pockets of Lebanese citizens, further rationing in their consumption spending, and an automatic fall in the activities and turnovers in all sectors of the trade market, especially on the eve of the Back-to-School season that puts very heavy strains on households' expenses. This situation pushed a vast majority of citizens into a state of no avail and impossibility to face their obligations, not even their basic needs.

Concurrently, the outflow of emigrants did not slowdown, especially amongst the younger generations, whilst the pillars of the trading sector continued their "resistance" despite all the odds surrounding their activities and threatening their perennity.

Amidst this prevailing situation, the official CPI published by CAS displayed a very sharp rise between the 3rd quarter of 2020 and the 3rd quarter of 2021 and posted a + 144.12 % increase (following the + 100.64 % posted for the previous quarter).

The CPI increase also reached an unprecedented + 47.95 % between the 2nd and the 3rd quarters of 2021, hence confirming a continuing acceleration in inflation, and the very short-lived positive impact that followed the formation of the new government.

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 '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 %

The details of the CPI revealed, between the third quarter of 2020 and the third quarter of 2021, the following:

- + 356.91 % in the transport sector
 - + 293.36 % in the restaurants and hotels sector
 - + 280.86 % in the supermarkets and food shops sector
 - + 213.72 % in the liquor, spirits and tobacco sector
 - + 212.08 % in the Health sector
 - + 165.96 % in the clothing and footwear sector
 - + 140.46 % in the furniture & home appliances and equipment sector
 - + 106.94 % in the recreation, amusement, and culture sector
 - + 32.38 % in the communication sector
 - + 10.61 % in the Education sector
- While the CPI between the second and the third quarter of 2021:
 - + 176.72 % in the Health sector
 - + 92.00 % in the transport sector
 - + 77.62 % in the supermarkets and food shops sector
 - + 71.97 % in the liquor, spirits and tobacco sector
 - + 64.43 % in the restaurants and hotels sector
 - + 27.82 % in the furniture & home appliances and equipment sector
 - + 14.24 % in the recreation, amusement, and culture sector
 - + 14.08 % in the clothing and footwear sector
 - + 1.94 % in the communication sector

In light of the above inflation figures, coupled with the uninterrupted increase of the dollar rate against the Lebanese Lira, and noting that all prices had to be permanently adjusted in all sectors, according to the changes of the dollar value, especially in the basic commodities sectors such as the food sector, bakeries, and the like ... and after scrutiny of the variations in the consolidated “**nominal**” retail turnover figures in the Retail Trade Sectors between the 3rd quarter of 2020 and the 3rd quarter of 2021, it appears that the third quarter figures of 2021 posted a positive figure of 23.55 % 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 Q3 of 2020 and Q3 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 + 144.12 % increase in CPI this quarter, after the 100.64 % of the previous quarter), bearing in mind also that the fuels sector did register a + 28.71 % increase 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 (- 4.66 %), and the cellular phones Sector (- 32.38 %).

On the other hand, the CPI between Q2 '21 and Q3 '21 also indicated an acceleration in the increase of prices (+ 47.95 % - much higher than the + 25.38 % registered in the previous quarter), and performances between one sector and the other differed, some experiencing a clear improvement, while others continuing to witness further decline.

As a result, the consolidated “**real**” figures in Q3 '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 Q2 '21 (that were already in sharp decline), a sharp drop that reached at - 46.82 %, after excluding the figures of the fuel sector (where



a + 3.33 % increase 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:

- Medical Equipment (+ 90.62 %)
- Optical instruments (+ 89.96 %)
- Books & stationery & office supplies (+ 69.02 %)
- Perfumes and cosmetics (+ 7.91 %)
- Clothing (+5.88 %)
- Shoes & leather products (+ 1.35 %)

- Pharmaceuticals (- 89.72 %)
- New cars agencies & used cars dealers (- 89.03 %)
- Supermarkets and food shops (- 84.38 %)
- Bakeries & pastries (- 77.62 %)
- Liquors (- 69.20 %)
- Home accessories (- 69.17 %)
- Tobacco (- 67.92 %)
- Silverware and decoration (- 63.19 %)
- Restaurants and snacks (- 61.61 %)
- Household electrical equipment (- 26.83 %)
- Furniture (- 19.81 %)
- Watches and jewelry (- 18.60 %)
- Commercial shopping centers (- 13.14 %)
- Toys (- 11.85 %)
- Sportswear and Equipment (- 9.81 %)
- Cellular phones (- 1.94 %)
- Construction Materials (- 0.90 %)
- Construction equipment (- 0.65 %)

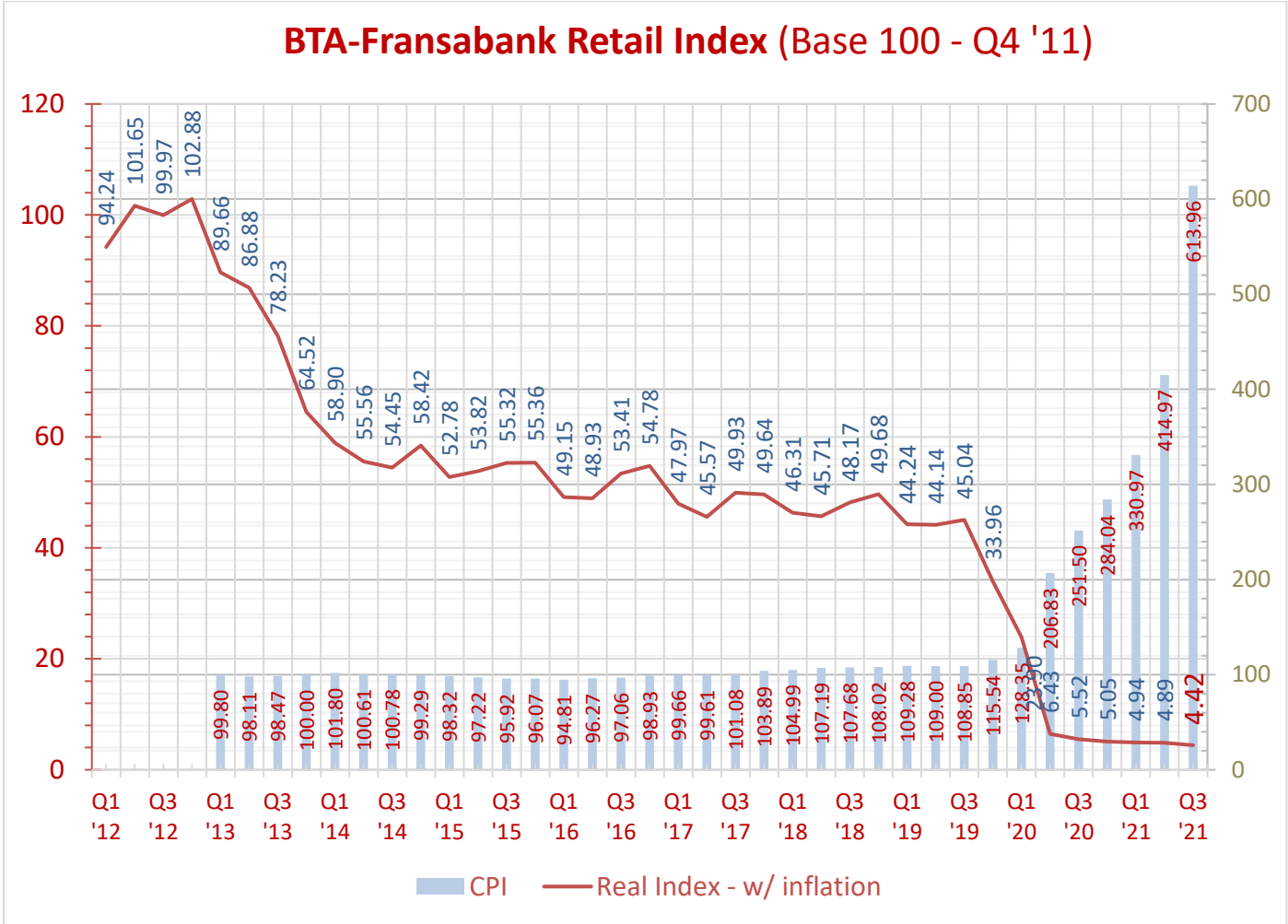
In conclusion, and with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of + 47.95 % for the third quarter of 2021, as per the official CAS report, we hereby announce that the “**BTA-Fransabank Retail Index**” is (with all sectors included): **4.42 for the third quarter of the year 2021**. This figure compares to the level of 4.89 for the second quarter of 2021.

BTA - FRANSABANK Retail Index For Q3 - 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									
Nominal Index - w/out inflation		21.36	21.63	21.65									
Real Index - w/ inflation		4.94	4.89	4.42									
CPI		330.97	414.97	613.96									

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





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