



## “BTA-Fransabank Retail Index” For the Fourth Quarter of 2019 (Q4-2019)

### Overturn of the economic scene during the last quarter of 2019

The last quarter of 2019 was characterized with developments that were – to date, unfamiliar and unprecedented on the Lebanese scene, neither in economic terms nor in financial or monetary or political or even social terms.

Only one week after the symbolic and successful call of BTA for all traders to stop work for one hour and stand in front of their place of work throughout the Lebanese territory on the 10<sup>th</sup> of October (a call that was followed by more than 100,000 persons), as a sign of protest against the prevailing economic situation and the announced new tax measures,

Massive protests took place in the streets and on the roads across Lebanon to express the population’s refusal of the new package of measures that the government was about to enforce. This movement pushed the government of Mr Hariri to resign, and the search for a new prime minister began.

These protests were accompanied by a very heavy pressure on the monetary and banking scene, with bank agencies facing excessive demand for cash withdrawals that pushed them to formalize the withdrawal operations, especially in light of the very high demand on US Dollars and other F/Cs, while people started collecting as much cash at home as possible and while households’ consumption was restricted to basic necessities.

Obviously, consumption turnovers fell sharply in almost all trading sectors, especially during the second half of this quarter, as spending became very tight and focused on essentials only.

This strong recessionary pressure pushed a certain number of traders and companies to give up and decide to cease activities in an attempt to stop the financial hemorrhage they have been trying to confront for a long period of time.

The most important consequence of these closures was the termination of employees whose numbers reached – according to a very recent survey conducted by INFOPRO at the end of 2019 and early 2020, the dramatic number of 220,000.

This of course comes on top of shops, stores and companies that remained in activity but were forced to either apply cuts on their employees’ salaries and/or cuts in working hours.

Either case, the result was the same: a dramatic fall in Lebanese households’ purchasing power while the Consumer Price Index was surging rapidly.

It should be noted that the CPI between the fourth quarter of 2018 and the fourth quarter of 2019 as per the official CAS figures, posted as much as + 6.96 % increase, a development that should warn about the very negative impact of the correlation between falling purchase power and escalating CPI.

Moreover, if sectoral inflation levels are scrutinized, it should be noted that inflation did reach some higher levels in few sectors, during the period under review as compared to Q4 2018, as per the following:

- + 26.75 in the Liquor, Spirits and Tobacco sector,
  - + 17.96 % in the Furniture & decoration sector,
  - + 17.36 % in the Clothing and footwear sector,
  - + 14.95 % in the Transport sector,
  - + 11.53 % in the Recreation, amusement, and culture sector,
- And even in the Supermarkets & Food Shops sector, where an inflation level of 9.77 % was reported.

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 %
<b>Q4 '19 / Q4 '18</b>	<b>+ 6.96 %</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 %
<b>Q4 '19 / Q3 '19</b>	<b>+ 5.99 %</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 – 27.38 % between the fourth quarter of 2018 and the fourth quarter of 2019, in comparison to the – 6.18 % posted for the previous quarter.

By excluding the fuel sector results (where a drop of – 2.63 % in volume was reported between the levels of Q4 '18 and Q4 '19), the real consolidated turnover drop reaches – 33.59 % in comparison to the Q4 '18 figures (also excluding fuel), against – 7.19 % for the previous quarter.

Yearly Variation between 4 <sup>th</sup> Quarter '18 and 4 <sup>th</sup> Quarter '19			
	Q4 - 2018	Q4 - 2019	
Nominal Year to Year Variation (incl. Liquid Fuels)	100.00	78.40	
Nominal Year to Year Variation (excl. Liquid Fuels)	100.00	71.86	
CPI between Dec '18 and Dec '19 (as per the official CAS figures)		% 6.96 -	
Real Year to Year Variation (incl. Liquid Fuels)	100.00	72.95	<b>- 27.05 %</b>
Real Year to Year Variation (excl. Liquid Fuels)	100.00	66.85	<b>- 33.15 %</b>

\* CAS – CPI – Dec '19

The above figures clearly display a sharp deterioration in consumption levels, with the already prevailing negative factors undermining the commercial activity further reinforced by the recent events on the Lebanese scene, mainly the popular uprising and roads blocking, as well as monetary and banking pressures. All the above has evidently sharply tightened the levels of trading and consumption in particular, and the whole economy in general. Leave alone the forced shutdown of shops, stores and companies as a result of road closures and the difficulty of commuting between regions.

The analysis of the performance during the fourth quarter of this year, and of the various retail trade market sectors, clearly translates the dramatic fall in all turnover figures.

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 where declines were registered during the fourth quarter of 2019 in comparison to the fourth quarter of 2018 included (in addition to the fuel sector where a drop in volume by – 2.63 % was recorded):

- Cellular Phones (- 77.10 % against - 41.24 %)
- Sports Items & Equipment (- 72.57 % against - 3.72 %)
- Silverware and Decoration (- 63.90 % against - 3.27 %)
- Household Electrical Equipment (- 59.25 % against - 12.16 %)
- Carpets and Antiques (- 58.98% against - 6.54 %)
- Home Accessories (- 55.60 % against - 5.88 %)
- Clothing (- 52.80 % against - 13.36 %)
- Shoes and Leather Products (- 52.07 % against - 23.92 %)
- Commercial Shopping Centers (- 48.72 % against - 11.21 %)
- Liquor & Spirits (- 45.89 % against - 3.97 %)
- Used Cars Dealers (- 44.03 % against - 1.01 %)
- Toys (- 41.51 % against - 19.77 %)
- Optical and Hearing Aid Instruments (- 40.87 % against - 4.57 %)
- Musical Instruments (- 38.07 % against - 6.83 %)
- Perfumes and Cosmetics (- 34.89 % against + 0.18 %)
- Medical Equipment (- 34.16 % against - 0.03 %)
- Watches and Jewelry (- 33.41 % against - 8.69 %)

- *Bakeries & Pastries (- 23.90 % against + 4.43 %)*
- *Pharmaceuticals (- 23.90 % against - 8.51 %)*
- *Furniture (- 20.88 % against - 42.57 %)*
- *Tobacco (- 18.62 % against + 12.86 %)*
- *Restaurants and Snacks (- 17.80 % against + 0.28 %)*
- *Construction Equipment (- 16.69 % against - 16.41 %)*
- *Books & Stationery & Office Supplies (- 10.84 % against + 11.14 %)*
- *Supermarkets and Food Shops (- 8.37 % against - 4.19 %)*

The lack of any sector posting an even slight positive result is noticeable.

On the other hand, the CPI between Q3 '19 and Q4 '19 also indicated a sharp increase in prices (+ 5.99 %), and the overall consolidated real result for the fourth quarter also displayed a sharp decline in all sectors because obviously of all factors mentioned that have resulted in a strong and unexpected drop in consumption levels in the lapse of only one quarter, whereas seasonal factors such as the festive season and year end considerations did not have any impact this year and the markets were in a semi paralysis situation.

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 (with the exception of the Supermarkets & Food stores sector) posted a heavy decline and stood at - 28.14% as compared to the real figures of Q3 '19, excluding the Fuel sector (where a sharp - 18.28% was registered for this period).

The declines in the main sectors were as follows:

- *Silverware and Decoration (- 61.71 %)*
- *Cellular Phones (- 50.24 %)*
- *Household Electrical Equipment (- 50.15 %)*
- *Clothing (- 45.63 %)*
- *Sports Items & Equipment (- 43.39 %)*
- *Optical Instruments (- 41.04 %)*
- *Tobacco (- 37.25 %)*
- *Shoes and Leather Products (- 35.95 %)*
- *Commercial Shopping Centers (- 35.25 %)*
- *Restaurants and Snacks (- 34.57 %)*
- *Bakeries & Pastries (- 34.44 %)*
- *Perfumes and Cosmetics (- 33.75 %)*
- *Used Cars Dealers (- 32.51 %)*
- *Toys (- 26.76 %)*
- *Watches and Jewelry (- 24.44 %)*
- *Furniture (- 21.68 %)*
- *Liquors (- 21.37 %)*
- *Construction Equipment (- 19.32 %),*
- *Books & Stationery & Office Supplies (- 17.21 %)*
- *Pharmaceuticals (- 8.56 %)*

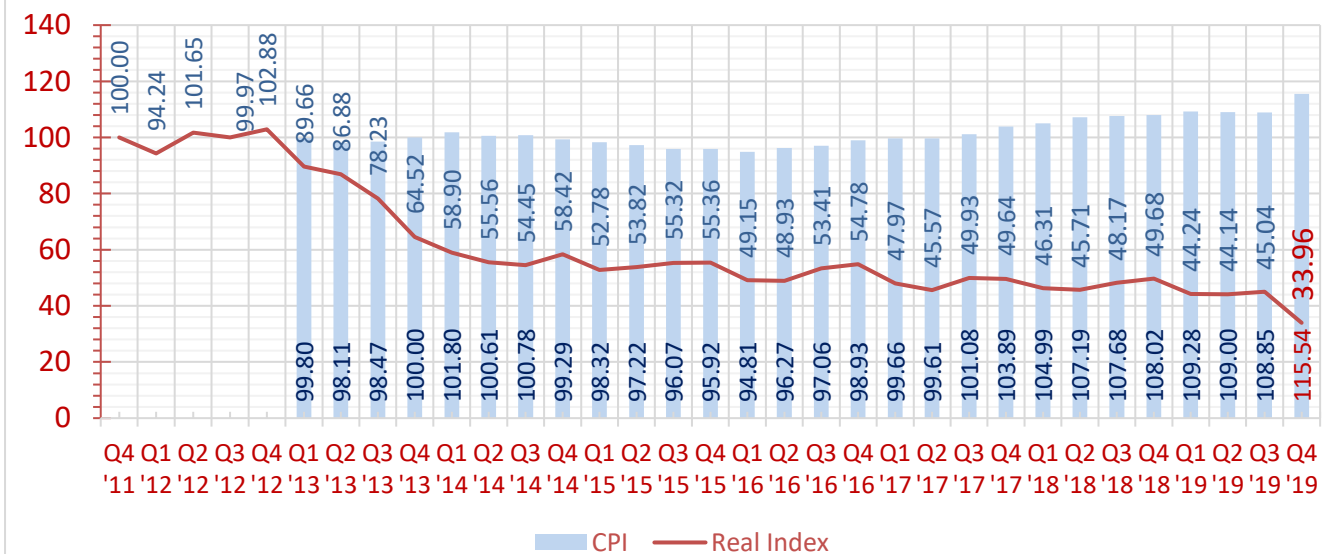
*Only Supermarkets and Food Shops achieved a + 1.55 % increase in their turnover figures.*

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of + 5.99% for the fourth quarter of 2019, as per the official CAS report, we hereby announce that the "BTA-Fransabank Retail Index" is (with all sectors included): **33.96 for the fourth quarter of the year 2019**. This figure compares to the level of 45.04 for the third quarter of 2019.

**BTA - FRANSABANK Retail Index For Q4 - 2019**  
(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	96.07	95.92	94.81	96.27	97.06	98.93	99.66	99.61	101.08	103.89
		2018				2019							
		Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19				
Nominal Index - w/out inflation		49.09	49.49	52.38	54.25	48.88	48.65	49.57	39.76				
Real Index - w/ inflation		46.31	45.71	48.17	49.68	44.24	44.14	45.04	33.96				
CPI		104.99	107.19	107.68	108.02	109.28	109.00	108.85	115.5				

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



The "BTA-Fransabank Retail Index" for the fourth quarter of 2019 displays an unprecedented drop to its lowest level since inception, mainly attributed to the prevailing political and economic situation in the country.





## 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