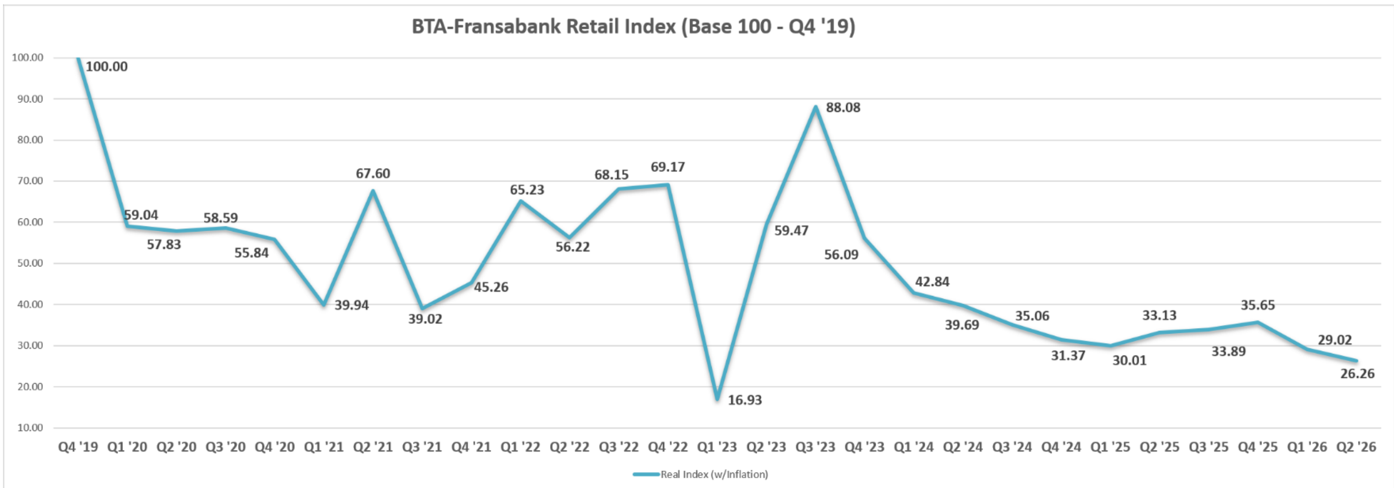
"BTA-Fransabank Retail Index"
For the Second Quarter of 2026 (Q2-2026)

Following a sharp setback in the cautious economic recovery, the second quarter of 2026 ended on relatively firmer ground.

Lebanon ended the second quarter of 2026 in a weaker position than at the start of the year, yet early signs of stability emerged by the quarter's end. The June 1 ceasefire, the relative easing of inflation, and the UAE's lifting of its travel ban, all signaled some recovery in sentiment and activity.

In figures, and despite the positive atmosphere that characterized the end of the quarter, the "Beirut Traders Association-Fransabank Retail Trade Index" for the second quarter of 2026 recorded a further decline, reaching a level of 26.26 (compared to 29.02 in the previous quarter), noting that the base index (100) adopted is for Q4 2019.

It is worth noting that, according to the Central Administration of Statistics, the CPI showed a marked improvement during the second quarter of 2026, reaching +2.76% (compared to +6.81% in the preceding quarter).



It is evident that the ongoing regional conflict - particularly in Lebanon, during the second quarter of 2026 derailed the fragile economic recovery that had begun late last year. Consequently, the quarter saw a further deterioration in economic activity; the most significant development was the shift in recovery prospects and the reversal of its trajectory following the escalation of hostilities starting in March.

Thus, the war during this period marked a sharp turning point for the Lebanese economy, shifting the recovery path from expansion to contraction, amid persistent inflationary pressures (despite a slowdown by the end of the quarter) - and resulting in a noticeable decline in market activity and commerce.

Furthermore, as a result of these developments, the government abandoned its initial projections of approximately 4% real GDP growth for 2026. By the end of the second quarter, the Ministry of Finance forecast an economic contraction of at least 7% - potentially reaching around 10%, should the conflict resume. This shift stems from the fact that war-related costs, particularly those associated with displacement and humanitarian relief, have exceeded original budget assumptions, while revenues have declined due to the contraction of economic activity, especially in conflict-affected areas. Consequently, government recommendations included freezing non-essential capital projects and formulating an emergency financing plan in coordination with the Central Bank of Lebanon.

It is worth noting that Banque du Liban's foreign currency assets remained relatively stable during the second quarter, reaching $11.55 billion by the end of June, and its gold reserves fluctuated between $37 billion and $42 billion in line with global market movements. Although these are encouraging indicators, Lebanon remained on the "grey list."

In light of the above and the consolidated results for this quarter, key developments in Lebanon's retail market can be summarized as follows:

- A decline in consumer confidence,
- A reduction in non-essential spending,
- Households postponing purchases of durable goods and luxury items,
- Reduced footfall in markets and shopping malls.

As previously noted, the **"Beirut Traders Association – Fransabank Retail Trade Index"** reached a level of **26.26** in the second quarter of 2026 (down from 29.02 in the preceding quarter). This reflects a significant real quarterly decline in the aggregate result for retail trade sectors - including fuel sales, where a drop of **20.65%** in terms of volume was reported (compared to -8.72% in the previous quarter).

After excluding the fuel sector, the real quarterly decline stood at **10.66%** relative to the previous quarter. Furthermore, the results revealed a sharp drop compared to the second quarter of the prior year; the aggregate result for retail trade sectors, recorded a real annual decline of **20.15%**, after excluding the fuel sector.

Main Indicators (for Q2 '26)

Item	Q2 '26	Q1 '26
Exchange rate of the Lebanese Lira	LBP 89,500 / USD	LBP 89,500 / USD
Annual Inflation	+ 17.25 %	+ 17.26%
Quarterly Inflation	+ 2.76 %	+ 6.81%
Consolidated Real Turnover: annually excl. fuel	-20.15%	-17.87%
Consolidated Real Turnover: quarterly excl. fuel	-10.66%	-25.13%

Key Annual Results in Real Turnover	Q2 '26	Q2 '25
Pharmaceuticals	58.85%	-12.12%
Furniture	20.55%	-3.84%
Optical Instruments	9.30%	-20.58%
Medical Equipment	5.84%	-17.59%
Electronics, Electrical Equipment & Appliances	-5.10%	11.01%
Supermarkets	-5.86%	-7.40%
Restaurants & Snacks	-14.73%	14.14%
Shoes & Leather Products	-20.93%	13.54%
Tobacco	-22.79%	0.32%
Clothings	-28.72%	10.93%
Retail Sales of Fuel - Quantities	-33.82%	31.68%
Liquors & Spirits	-35.55%	-11.62%
Watches & Jewelry	-39.47%	10.18%
Cellular Phones	-46.82%	42.06%
Bakeries & Sweets Shops	-53.47%	-16.02%
Construction Equipment	-54.06%	-21.62%
Perfumes & Cosmetics	-55.28%	-15.15%
Sportswear - Sports Foot wear	-70.75%	-19.00%

Key Quarterly Results in Real Turnover	Q2 '26	Q1 '26
Optical Instruments	13.41%	-11.12%
Electronics, Electrical Equipment & Appliances	12.07%	-10.92%
Medical Equipment	7.17%	-24.19%
Restaurants & Snacks	3.43%	-15.82%
Shoes & Leather Products	2.65%	-23.53%
Supermarkets	2.59%	-11.56%
Furniture	2.13%	-30.05%
Tobacco	2.06%	-10.47%
Pharmaceuticals	-4.69%	8.98%
Liquors & Spirits	-8.82%	-3.68%
Construction Equipment	-9.75%	-5.78%
Cellular Phones	-15.46%	-72.46%
Bakeries & Sweets Shops	-17.27%	-41.66%
Watches & Jewelry	-19.98%	-33.10%
Retail Sales of Fuel - Quantities	-20.65%	-8.72%
Clothings	-20.97%	-23.56%
Perfumes & Cosmetics	-36.48%	-22.13%
Sportswear - Sports Foot wear	-56.90%	10.15 % +

It is evident that certain specific sectors have experienced some activity - particularly those sectors offering the essential / urgent needs of displaced persons, in contrast to many other sectors that, under such circumstances, are considered secondary for households.

Regarding inflation, the annual rate for the second quarter of this year remained at levels nearly identical to those of the previous quarter, standing at +17.25%. However, the quarterly inflation rate (comparing the first and second quarters of 2026) showed a marked decline, recording just +2.76% compared to +6.81% in the preceding quarter.

CPI (as per CAS official results)	
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 %
Q2 '23 / Q2 '22	+ 253.55 %
Q3 '23 / Q3 '22	+ 208.50 %
Q4 '23 / Q4 '22	+ 192.26 %
Q1 '24 / Q1 '23	+ 70.36 %
Q2 '24 / Q2 '23	+ 41.78 %
Q3 '24 / Q3 '23	+ 32.92 %
Q4 '24 / Q4 '23	+ 18.12 %
Q1 '25 / Q1 '24	+ 20.74 %
Q2 '25 / Q2 '24	+ 15.00 %
Q3 '25 / Q3 '24	+ 15.06 %
Q4 '25 / Q4 '24	+ 12.23 %
Q1 '26 / Q1 '25	+ 17.26 %
Q2 '26 / Q2 '25	**+ 17.25 %**
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 %

Q2 '23 / Q1 '23	+ 22.61 %
Q3 '23 / Q2 '23	+ 9.27 %
Q4 '23 / Q3 '23	+ 20.25 %
Q1 '24 / Q4 '23	+ 5.74 %
Q2 '24 / Q1 '24	+ 2.04 %
Q3 '24 / Q2 '24	+ 2.45 %
Q4 '24 / Q3 '24	+ 6.86 %
Q1 '25 / Q4 '24	+ 14.19 %
Q2 '25 / Q1 '25	+ 2.76 %
Q3 '25 / Q2 '25	+ 2.50 %
Q4 '25 / Q3 '25	+ 4.23 %
Q1 '26 / Q4 '25	+ 6.81 %
Q2 '26 / Q1 '26	**+ 2.76 %**

Annual inflation in each sector was as follows:

Inflation Rates per Sector as per CAS figures between the 2nd Quarter of 2025 and the 2nd Quarter of 2026	
Recreation, Amusement, and Culture (previous + 42.66 %)	42.64%
Education (+ 35.67 % in the previous quarter)	35.72%
Transport (previous + 24.81 %)	29.36%
Supermarkets and Food Shops (previous + 19.41 %)	18.01%
Restaurants and Hotels (previous + 11.34 %)	16.32%
Liquor, Spirits and Tobacco (previous + 8.74 %)	8.37%
Furniture & Home Appliances and Equip. (previous + 5.13 %)	7.09%
Clothing and Footwear (previous + 12.39 %)	6.61%
Health (previous + 2.15 %)	2.82%
Communication (previous - 1.63 %)	-0.59%

As in the previous quarter, the rates remain high - as shown in the table above, particularly in the education, recreation, and culture sector, but also (albeit to a slightly lesser extent) in the food, restaurants, hotels, and transport sectors.

As for the quarterly inflation rate (i.e., between the first and second quarters of 2026), the following levels were recorded for each sector individually; a notable rise was observed in the transport and clothing sectors, contrasting with a decline in the food sector:

Inflation Rates per Sector as per CAS figures between the 1st Quarter and the 2nd Quarter of 2026	
Transport (+ 19.09 % in the previous quarter)	8.38%
Clothing and Footwear (- 3.18 % in the previous quarter)	8.34%
Restaurants and Hotels (+ 5.96 % in the previous quarter)	6.71%
Furniture & Home Appliances & Equipment (+ 1.89 % in the previous quarter)	4.93%
Health (+ 0.26 % in the previous quarter)	0.97%
Liquor, Spirits and Tobacco (+ 2.67 % in the previous quarter)	0.91%
Communication (- 0.84 % in the previous quarter)	0.54%
Education (- 0.02 % in the previous quarter)	0.25%
Recreation, Amusement, and Culture (+ 9+.72 % in the previous quarter)	-0.23%
Supermarkets and Food Shops (+ 9.49 % in the previous quarter)	-2.00%

BTA - FRANSABANK Retail Index For Q2- 2026

(Base 100 : Q4 - 2019)

	2019	2020				2021			
	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21
Nominal Index - w/out inflation	100.00	83.9	62.38	68.27	66.17	56.27	71.40	73.16	81.44
Real Index - w/ inflation	100.00	59.04	57.83	58.59	55.84	39.94	67.60	39.02	45.26
CPI	115.54	128.35	206.83	251.50	284.04	330.97	414.97	613.96	921.40
		2022				2023			
		Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23
Nominal Index - w/out inflation		77.12	76.64	83.58	88.96	90.00	83.16	89.85	71.75
Real Index - w/ inflation		65.23	56.22	68.15	69.17	16.93	59.47	88.08	56.09
CPI		1,019.81	1,286.76	1,611.43	2,045.46	3,710.53	4,549.38	4,971.28	5,978.13
		2024				2025			
		Q1 '24	Q2 '24	Q3 '24	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25
Nominal Index - w/out inflation		58.14	54.98	49.79	47.83	53.33	60.54	63.52	66.50
Real Index - w/ inflation		42.84	39.69	35.06	31.37	30.01	33.13	33.89	35.65
CPI		6,321.16	6,450.23	6,450.23	7,061.07	7,218.28	7,417.78	7,603.00	7,924.35
		2026							
		Q1 '26	Q2 '26						
Nominal Index - w/out inflation		58.09	54.06						
Real Index - w/ inflation		29.02	26.26						
CPI		8,464.31	8,697.61						

In conclusion, despite the relative calm prevailing since late in the second quarter - at least in Beirut, and amidst the start of negotiations to permanently halt the war, fundamental structural questions remain unanswered: the banks' restructuring law, the financial gap law, agreement on an effective program with the International Monetary Fund, the restoration of tourism flows and remittances, and the recovery of investor confidence and the return of economic activity to its normal course.

And now that the summer season has left retail traders disappointed, marked by lower-than-expected market activity and lack of visibility - at least for the near future, we can only hope that efforts to de-escalate the situation succeed, even if only relatively. Such success would help restore some consumer confidence and allow markets to catch their breath, enabling traders to persevere and - hopefully soon, return to a situation of stability in terms of financial solvency and business operations.

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) =

$$\frac{turnover\ of\ the\ current\ quarter - turnover\ of\ same\ quarter\ last\ year}{turnover\ of\ same\ quarter\ last\ year}$$

Percent change of turnover of current quarter compared to previous quarter of the same year =

$$\frac{turnover\ of\ the\ current\ quarter - turnover\ of\ previous\ quarter}{turnover\ of\ previous\ quarter}$$

✓ It is important to note that since its launch the Base 100 for this Index was set at the last quarter of 2011, and quarterly variations were monitored from that base accordingly. **Nonetheless, and given the major transformations experienced by the Lebanese economy – especially since the fourth quarter of 2019, it has been decided to monitor the changes in turnover figures of retail trade sectors starting this new milestone date (i.e. the fourth quarter of 2019) for the calculation of this index, while preserving the same methodology and calculation techniques.**

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 (ISIC[1] 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