



“BTA-Fransabank Retail Index”
For the First Quarter of 2024 (Q1-2024)

Activity continued to decline in Q1 of this year, because of growing repercussions of regional unrest, and also because of additional tax burdens listed in the latest government budget...

Data collected on markets' activity during the first quarter of 2024 do reflect, when compared to the same quarter of the previous year, an increasingly recessionary trend in the already ailing Lebanese economy. Such poor performance is due to the increasingly negative impact of the regional situation, in addition to limited purchase power of Lebanese households and a sustained increase in the cost of living, but also to the lack of confidence in witnessing any improvement of the situation in the foreseeable future, and to the incapacity of the government to reactivating money circulation in the markets as well as its lack of ability to inject any liquidity through public expenditure, mainly because BDL stopped its funding help. Add to these the burden of new and increased tax dues that were included in this year's excise-oriented budget, as well as the threat that the new non- residential rental law may have on the commercial community if passed as is.

All the above undermining factors have obviously resulted in more slowdown of the economic activity by further refraining the consumption momentum in local markets, despite the salary increases that were granted to public servants, followed around the end of the quarter by an increment to the minimum wage in the private sector. But the extra liquidity in circulation was resorbed by the effects of an increasing dollarization, narrowed gap between Sayrafa rate and market rate, and a semi- stability of the local currency against the US Dollar, as a result of monetary policies adopted by the Central Bank that translated in further tightening in the monetary mass.

The positive effect of above Central Bank policies was that reserves of foreign currency posted a net increase, an increase that represents a satisfactory and encouraging signal, yet appearing to be insufficient to ignite the spark for an efficient crisis management and sustainable economic recovery.

On the other hand, and despite the fact that consolidated retail trade figures continued to maintain their downtrend, some sectors did witness some stability, or even slight improvement, in turnovers, as detailed below, as it seems that the Lebanese consumer has somehow adapted to the new reality – at least for basic necessities. Yet, the overall deterioration tendency was sustained.

It should also be noted that the CPI increase between Q1 '23 and Q1 '24 has decelerated in comparison to previous quarters' trend, although it remained relatively high at 70.36% (versus 192.26 between Q4 '22 and Q4 '23), and fell to 5.74% on a quarterly basis (Q4 '23/Q1 '24), (versus 20.25% for the previous quarter).

This slowdown may have been partly triggered by the stability of the exchange rate of the LBP against the US Dollar, as well to the increasing dollarization of the economy, as mentioned above.

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 %
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 %

The CPI

Increases relative to every sector were, between the 1st quarter of 2023 and the 1st quarter of 2024, as follows:

Inflation Rates per Sector as per CAS figures between the 1st Quarter of 2023 and the 1st Quarter of 2024	
Education (+ 595.18 % in the previous quarter)	589.23%
Recreation, Amusement, and Culture (previous + 133.85 %)	70.76%
Supermarkets and Food Shops (previous + 207.60 %)	51.37%
Health (previous + 173.59 %)	45.01%
Clothing and Footwear (previous + 160.79 %)	39.48%
Liquor, Spirits and Tobacco (previous + 203.49 %)	36.20%
Restaurants and Hotels (previous + 197.62 %)	30.86%
Communication sector (previous 128.83 %)	28.89%



Transport (previous + 123.88 %)	13.22%
Furniture & Home Appliances and Equip. (previous + 143.14 %)	9.50%

Such increases clearly indicate a slowdown of the inflationary pressure in all sectors except in the Education sector (fell only from 595.18 In Q4 '23 to 589.23% in Q1 '24).

As a result of all the above factors, the consolidated “nominal” retail trade turnover figures for the first quarter of 2024 continued to translate a deceleration in the fall of yearly and quarterly turnovers, yet, the slowdown was lesser than in the previous quarters.

The Q1 figures stood at - 3.52 % between Q1 '23 and Q1 '24 (as compared to + 8.08 % for Q4 '23), after excluding the Fuel sector performance, where a + 3.94 % increase was posted in terms of quantities sold.

This – 3.52 % decline in the nominal turnover figures represents of course the consolidated decline in nominal turnovers in every sector before weighing with the sector’s corresponding CPI rate (as per the official classification of the Ministry of Finance).

But, after applying the proper weighting with the CPI for the period under review (+ 70.36 % between Q1 of 2023 and Q1 of 2024), it appears that “real” turnovers continued to drop in all retail trade sectors, although at a slower pace, noticeably in the Alcoholic Drinks & Tobacco sectors, as well as in the Supermarkets & Food Products sector, the Clothing sector, and also in Electrical Appliances sector and in the Restaurants & Snacks sector.

Simultaneously, the quarterly inflation increase between Q4 '23 and Q1 '24 seemed to start adopting a lower pace, posting a level of only + 5.74 %, after having posted increases ranging between 20 % and 30 % in previous quarters.

The quarterly CPI increases relative to every sector were, between the 4th quarter of 2023 and the 1st quarter of 2024, as follows:

per CAS figures Inflation Rates per Sector as between the 4th Quarter of 2023 and the 1st Quarter of 2024	
Liquor, Spirits and Tobacco	8.05%
Recreation, Amusement, and Culture	6.18%
Supermarkets and Food Shops	5.80%
Transport	4.69%
Restaurants and Hotels	2.56%
Furniture & Home Appliances and Equip.	2.00%
Clothing and Footwear	1.44%
Health	1.03%
Education	0.59%



Communication sector

-0.20%

Albeit the slowdown, it did not seem to have a sufficient positive impact on the quarterly consolidated results of the markets, whereby a “real” deterioration of – 31.73 % was reported (i.e. after weighting with the corresponding CPI and excluding the Fuel sector – as compared to the – 40.29 % experienced during the previous quarter and a + 8.59 % during the '23 summer season).

The results of the Fuel sector did also experience a – 1.28 % drop in terms of quantities sold.

Only few sectors had positive “real” results (such as Construction Materials + 30.00 %, Optical Instruments + 22.79 %, Furniture + 5.70 %),

while the majority of the other sectors did actually continue to experience a decline in activity, sharp for some – in comparison to their results during the festive season (such as Clothing, Watches, Jewelry, Perfumes ...), as detailed below:

- Clothing (- 60.60 %)
- Watches and jewelry (- 57.58 %)
- Perfumes and cosmetics (- 26.77 %)
- Bakeries & pastries (- 19.99 %)
- Household electrical equipment (- 14.91 %)
- Liquors (- 13.62 %)
- Pharmaceuticals (- 10.93 %)
- Restaurants and snacks (- 10.19 %)
- Books & stationery & supplies (- 6.18 %)
- Tobacco (-4.60 %)
- Supermarkets and food shops (- 3.39 %)
- Commercial shopping centers (- 1.44 %)

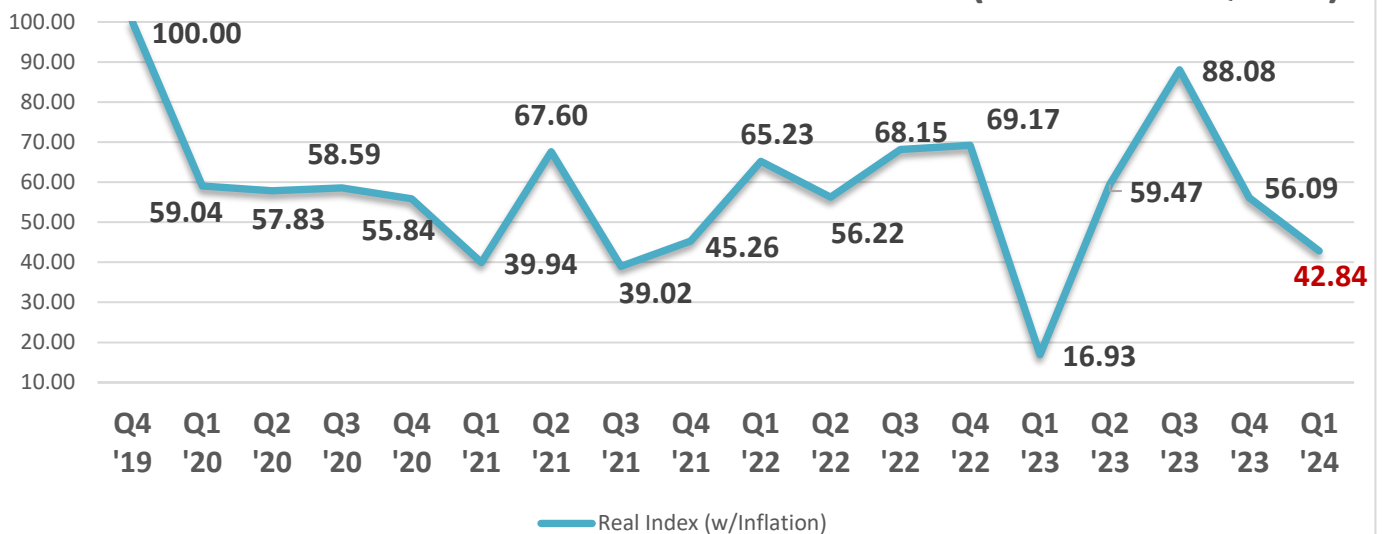
As a result, **and with our base index 100 fixed at the fourth quarter of 2019**, and with a quarterly inflation rate of + 5.74 % for the first quarter of 2024, as per the official CAS report, we hereby announce that the new “BTA-Fransabank Retail Index” is (with all sectors included): **47.84** for the first quarter of the year 2024. This figure compares to the level of 56.09 registered for the fourth quarter of 2023 (Base 100 on Q4 '19).

BTA - FRANSABANK Retail Index For Q1 - 2024

(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							
		Q1 '22	Q2 '22	Q3 '22	Q4 '22				
Nominal Index - w/out inflation		58.14							
Real Index - w/ inflation		42.84							
CPI		6,321.16							

BTA-Fransabank Retail Index (Base 100 - Q4 '19)



In conclusion, the “BTA-Fransabank Retail Index” for the first quarter of 2024 comes to confirm the direct impact of regional events on our local markets and economy that are already undermined by a combination of subjective economic, financial, monetary and social factors.

Hence, until regional tensions are resolved, and necessary reforms are undertaken alongside the application of a proper recovery program, leading to constructive negotiations with the IMF, the BTA will pursue its efforts to ensure the perennity of the trading markets and of its wide base of honest and law complying traders and merchants.

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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 =

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

- ✓ 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 (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

