



“BTA-Fransabank Retail Index” For the Second Quarter of 2023 (Q2-2023)

Markets started to witness a slow regain in consumption momentum, in the wake of a slowdown in inflation

The consolidated “**nominal**” retail trade turnover figures for the second quarter of 2023 showed a + 17.97 % increase in comparison with the figures of the second quarter of 2022 if we exclude the Fuel sector where a + 9.35 % increase was posted in terms of quantities sold (*Important remark: **this increase is in the nominal turnover figures and reflects variations before weighting with the CPI rates***).

But, after applying the proper weighting with the CPI for the period under review (+ 253.55 % between Q2 of 2022 and Q2 of 2023), it appears that “**real**” turnovers continued to post a decline in all retail trade sectors, although at a lower level than in previous quarters, except in the Fuel sector, as indicated above.

This recurring downtrend occurred during a quarter when no major political, economic, financial or monetary developments took place, while a semi stability of the Dollar rate against the Lebanese Lira, and the announcement by the government of its intention to raise the customs dollar rate soon, lured some people to start spending part of their dollar “home savings” in the markets to purchase existing stocks of durable goods such as cars and other durables before the expected rise in prices for new imports in the markets.

Concurrently, many positive indicators and forecasts pointed out to:

- an increase of transfers from abroad mainly from the Lebanese diaspora to their families and relatives in Lebanon (latest official data indicated that these transfers amounted to 6.4 billion dollars during 2022, and were expected to rise during 2023),
- an increase in the number of Lebanese who secured jobs and work with foreign companies online and receive fresh dollars remunerations,
- an increase in the number of companies who started paying all or part of their employees’ salaries in US Dollars.

Over and above, more and more talk about a very promising summer season spread across the media and official declarations, prompting positive – yet careful, expectations and enthusiasm amongst traders in all sectors, who started – out of their own pockets and reserves, preparations in terms of merchandise and points of sale refurbishing in view of the season to come.

Meantime, the inflation rate between the second quarters of last year and the current year stood at + 253.55 % according to CAS figures, a level that is almost similar to the one posted in the previous quarter.

It is however interesting to note that the quarterly increase in inflation fell to + 22.61 % between the first and second quarters of 2023, from a very high + 81.40 % in the previous quarter; such slowdown in price increases may have also been a factor affecting positively consumers’ minds and consequently the level of activity in the markets.

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 %
Q2 '23 / Q2 '22	+ 253.55 %
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 %
Q2 '23 / Q1 '23	+ 22.61 %

**Inflation Rates per Sector as per CAS figures
between the 1st and the 2nd Quarter of 2023**

Communication sector	-1.62%
Health sector	-0.91%
Transport sector	0.40%
Education sector	0.54%
Furniture & Home Appliances and Equipment sector	7.35%
Restaurants and Hotels sector	12.76%
Clothing and Footwear sector	15.89%
Supermarkets and Food Shops sector	16.39%
Recreation, Amusement, and Culture sector	18.56%
Liquor, Spirits and Tobacco sector	18.86%



On the other hand, the yearly inflation rates between the second quarter of 2022 & the second quarter of 2023 were as follows:

- + **602.23** % in the Communication sector
- + **392.63** % in the Liquor, Spirits and Tobacco sector
- + **340.47** % in the Restaurants and Hotels sector
- + **284.27** % in the Health sector
- + **279.54** % in the Supermarkets and Food Shops sector
- + **279.15** % in the Clothing and Footwear sector
- + **273.09** % in the Furniture & Home Appliances and Equipment sector
- + **220.47** % in the Recreation, Amusement, and Culture sector
- + **217.84** % in the Transport sector
- + **192.14** % in the Education sector

It is hence noted that such yearly increases in the inflation figures are still high, especially in sectors that are considered as vital in societies, such as Health, Food, Transport, and of course Education.

These figures are obviously the result of a combination of financial, monetary and economic factors, such as the volume of the Money Supply that was still on the high side during the second quarter, despite the (efficient) interventions of the Banque Du Liban and the maintenance of the Sayrafa procedure, while the volume of the Cash economy continued to increase (to reach 50% of the total economy according to official reports), and while the rate of dollarization in the markets also exceeded 50% of the GDP. All this obviously implied further development of the parallel economy and markets at the expense of the “white” economy.

Furthermore, the prevailing political situation, including the absence of an elected president, as well as the opposition by some political parties to holding legislative meetings or taking decisions did also obviously have an adverse affecting effect. All the above-mentioned issues corroborated to give a dark picture for the short to medium term outlook in the country, and gave further grounds for prices to push up.

Thus, in light of such inflation rates, and despite higher nominal turnovers registered by traders during the second quarter of 2023 in comparison to the same quarter of 2022 (+ 17.97 %), they found out that - after weighing with their respective sectoral inflation rates, their real turnovers were still declining despite a relatively better level of activity in the markets in comparison to previous quarters.

As for the consolidated “**real**” result in Q2 '23 (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 Q1 '23, the decline reached – 36.45 % (as compared to the sharp – 80.92 % in the previous quarter), after the exclusion of the Fuel sector where a + 3.35 % increase in quantities sold was reported.

This slowdown in the results decline is an indication that consumption activity did improve - albeit relatively, during the second quarter.

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

- *Watches and jewelry* (- 63.89 %)
- *Construction Materials* (- 59.76 %)
- *Tobacco* (- 22.23 %)
- *Books & stationery & supplies* (- 18.56 %)
- *Bakeries & pastries* (- 16.39 %)



- Cellular phones (- 15.76 %)
- Commercial shopping centers (- 12.52 %)
- Pharmaceuticals (- 11.28 %)
- Restaurants and snacks (- 7.37 %)
- Optical instruments (- 2.95 %)
- Household electrical equipment (- 2.35 %)

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

- Home Accessories (+ 38.98 %)
- Supermarkets and food shops (+ 26.51 %)
- Furniture (+ 26.10 %)
- Medical Equipment and Appliances (+ 10.79 %)
- Liquors (+ 6.82 %)
- Toys (+ 6.38 %)
- Perfumes and cosmetics (+ 2.93 %)
- Clothing (+ 0.15 %)

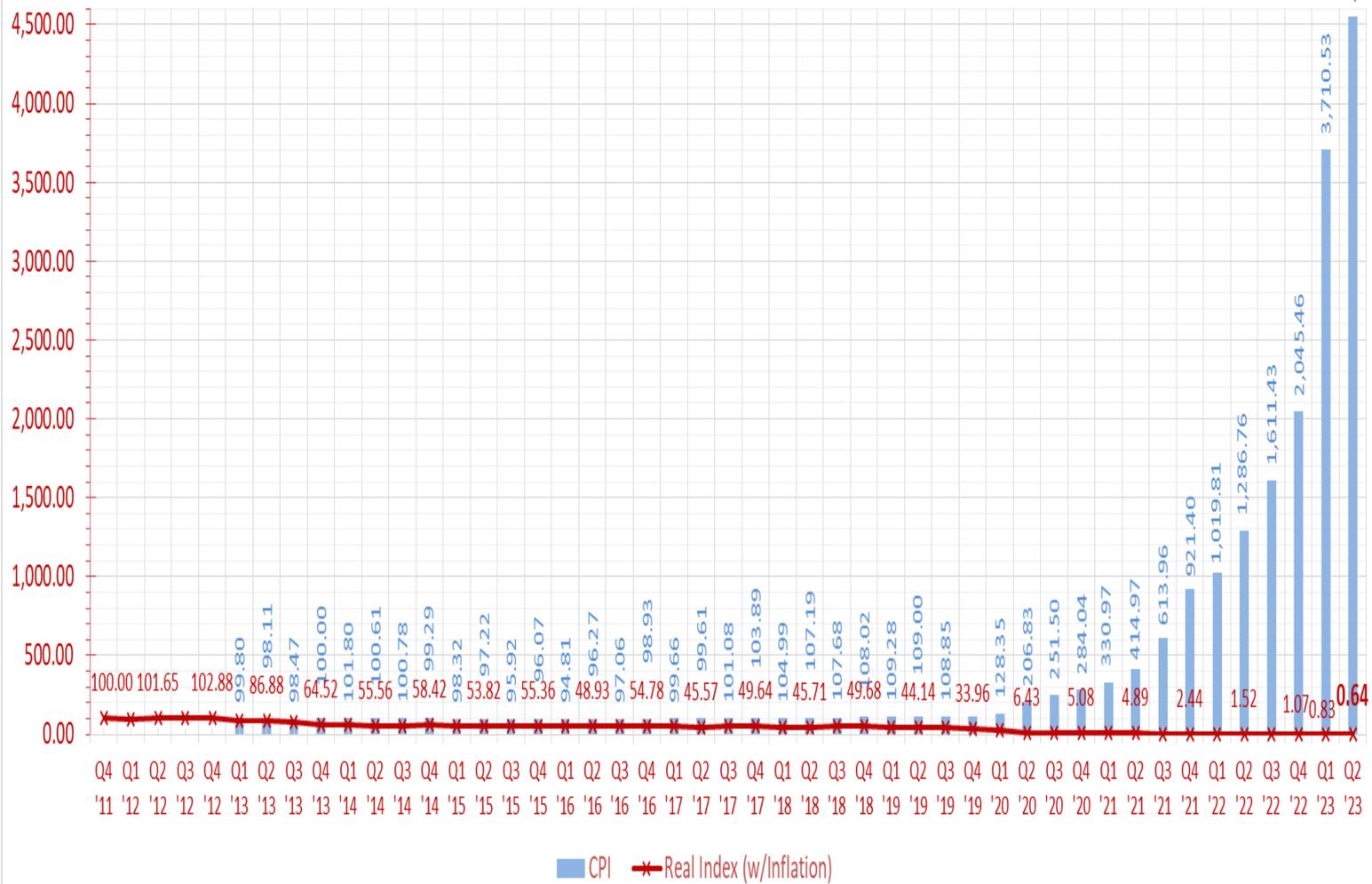
In conclusion, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of +22.61% for the second quarter of 2023, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included): **0.64** for the second quarter of the year 2023. This figure compares to the level of 0.83 for the first quarter of 2023.

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	46.7563	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	45.5669	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	26.70	24.67		
Real Index - w/ inflation		4.94	4.887	4.398	2.444	2.07	1.52	1.37	1.07	0.83	0.64		
CPI		330.97	414.97	613.96	921.40	1,019.81	1,286.76	1,611.43	2,045.46	3,710.53	4,549.38		

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



In conclusion, the “BTA-Fransabank Retail Index” for the second quarter of 2023 maintained its downward trend, while traders who are still in activity continued to face the very harsh situation in their respective markets until the economy regains some vitality, in an effort to preserve the viability of institutions that took – for the majority, decades to build. Meantime, positive expectations were built on a promising upcoming summer season that would spark a reversal of the prevailing recessionary situation, as well as on a resumption of talks with the IMF and other donor countries, and on a revival of relations with Gulf countries, for all what these countries represent in terms of weight for 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