

“BTA-Fransabank Retail Index” For the Third Quarter of 2023 (Q3-2023)

Inflation slows down ... Some sectors experience a regain of activity ...

The consolidated “**nominal**” retail trade turnover figures for the third quarter of 2023 showed a + 57.72 % increase in comparison with the figures of the third quarter of 2022 if we exclude the Fuel sector where a – 1.33 % drop was posted in terms of quantities sold. *(This increase is in the nominal turnover figures and reflects variations before weighting with the CPI rates).*

The + 57.72 % figure represents the rate of increase in turnover in Lebanese Liras before applying the proper weighting with the CPI for the period under review (between Q3 of 2022 and Q3 of 2023), and may be considered as an indicator of more activity experienced in some essential sectors, especially the supermarkets and food products sector as well as in the restaurants & hotels, tobacco and construction materials sectors, and to a lesser extent in the clothing sector.

But, after applying the proper weighting with the CPI for the period under review (+ 208.50 % between Q3 of 2022 and Q3 of 2023, as compared to + 253.55 % for the previous quarter), it appears that “**real**” turnovers continued to drop in all retail trade sectors. This drop was for the second consecutive quarter, slower than in previous quarters albeit at different levels according to the considered sectors, while quantities sold in the Fuel sector remained almost at the same level.

Thus, some sectors such as the supermarkets and food products sector, the pharmaceuticals sector, as well as the sectors directly or indirectly related to hospitality, have been witnessing some improvement as compared to the same period of last year, while other traditional sectors such as durables and non-essential products experienced a lower than expected activity.

On the other hand, and as indicated above, the CPI between Q3 '22 and Q3 '23 continued to reflect a high level of inflation (+ 208.50 %), albeit indicating a modest slowdown in the price increase from its + 253.55 % level experienced in the previous quarter.

Concurrently, the quarterly CPI increase between Q2 '23 and Q3 '23 shows a sharp deceleration in price increase, with a + 9.27 % figure only as compared to + 22.61 % in the previous quarter, and to the unprecedented + 81.40 % for the first quarter of this year.

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 %
Q3 '23 / Q3 '22	+ 208.50 %
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 %
Q3 '23 / Q2 '23	+ 9.27 %

Inflation Rates per Sector as per CAS figures between the 2nd and the 3rd Quarter of 2023	
Health sector	46.92%
Supermarkets and Food Shops sector	13.06%
Transport sector	7.46%
Restaurants and Hotels sector	5.71%
Recreation, Amusement, and Culture sector	4.63%
Liquor, Spirits and Tobacco sector	1.31%
Education sector	0.09%
Communication sector	-0.87%
Clothing and Footwear sector	-1.10%
Furniture & Home Appliances and Equipment sector	-4.60%

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

- + **280.20** % in the Liquor, Spirits and Tobacco sector (from 392.63 % in the previous quarter)
- + **239.05** % in the Supermarkets and Food Shops sector (from 279.54 % in the previous quarter)
- + **235.07** % in the Restaurants and Hotels sector (from 340.47 % in the previous quarter)
- + **234.99** % in the Clothing and Footwear sector (from 279.15 % in the previous quarter)
- + **215.83** % in the Health sector (from 284.27 % in the previous quarter)
- + **192.10** % in the Education sector (from 192.14 % in the previous quarter)
- + **188.30** % in the Furniture & Home Appliances and Equipment sector (from 273.09 % in the previous quarter)
- + **176.03** % in the Transport sector (from 217.84 % in the previous quarter)
- + **162.27** % in the Recreation, Amusement, and Culture sector (from 220.47 % in the previous quarter)
- + **120.92** % in the Communication sector (from 602.23 % in the previous quarter)



Such declining quarterly figures did obviously have an encouraging impact although modest, on markets' activity, at a time when non-encouraging political or economic developments failed to send any positive signs that could spark off a regain in optimism.

Another positive push was due to the transfer of BDL responsibilities to the vice-governor of the Central Bank and to his immediate declarations concerning the governance policies he intends to adopt. This move had a very positive impact on the prevailing morale in the markets, especially because the interim Governor made it very clear that he will not touch the remaining monetary reserves (that stabilized around USD 9 billion excluding Gold and Eurobonds), and after his success in maintaining a semi-stability in the value of the Lebanese Pound against the US Dollar.

All the above highly contributed to the stability, and sometimes even decline, in costs and prices, and resulted in re-energizing the level of activity in the markets.

In light of the above, markets' consolidated figures did show, between the second and the third quarters of 2023, a "real" improvement of + 8.59 % (i.e. after weighting with the corresponding CPI – and following the decline of – 36.45 % posted in the previous quarter). This "improvement" figure excludes the results of the Fuel sector where a + 25.94 % increase was recorded in terms of quantities sold (certainly due to the additional demand during the summer season, by residents as well as by visitors who rented car).

These positive "real" results, that were quite noticeable in some sectors, were modest in many others in general, while a few did actually continue to experience a decline in activity, such as in the Supermarkets and Food sector (- 4.06 %), as can be seen below:

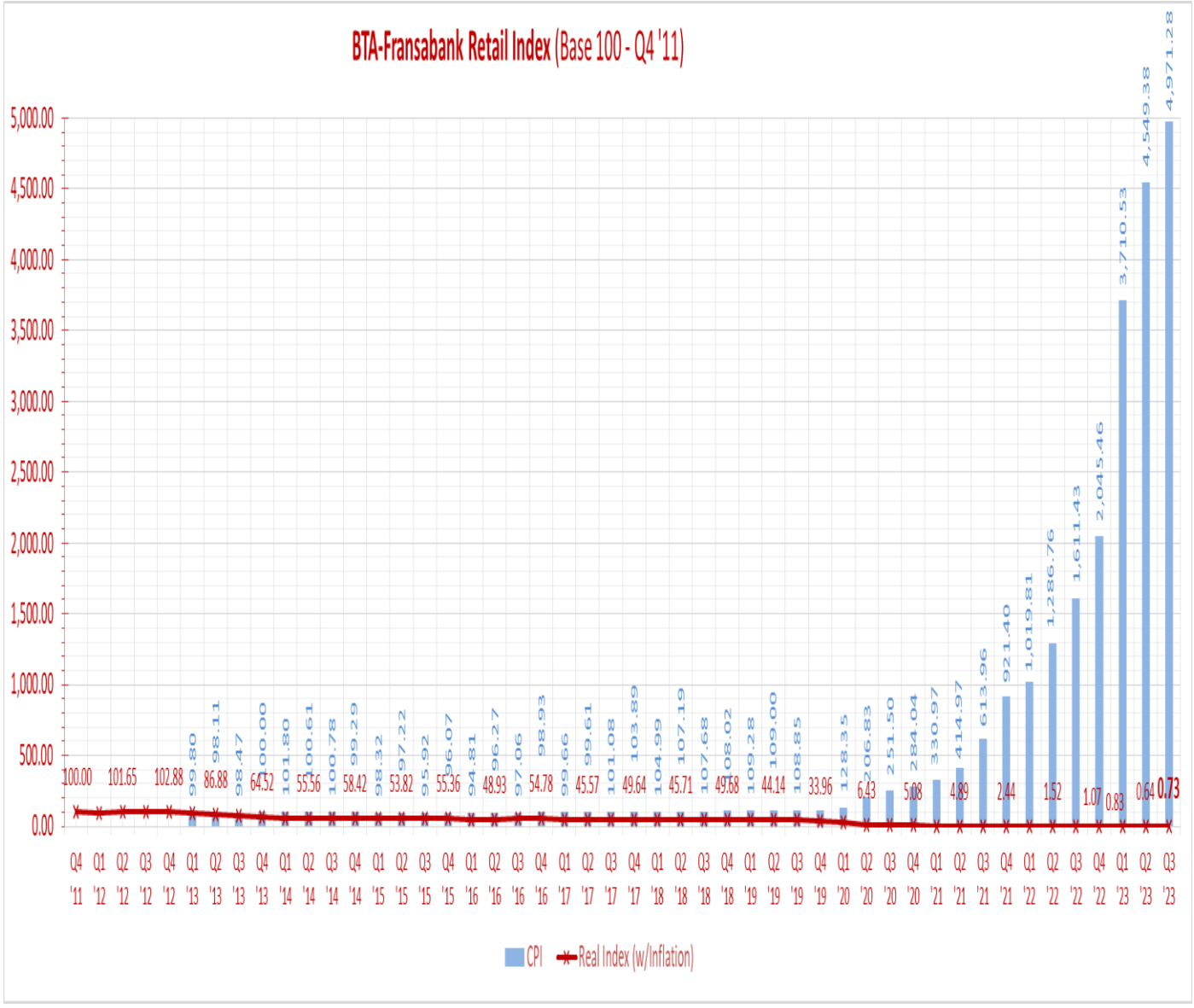
- *Construction Materials (+44.82 %)*
- *Tobacco (+ 44.69 %)*
- *Medical Equipment and Appliances (+ 40.78 %)*
- *Commercial shopping centers (+ 32.44 %)*
- *Restaurants and snacks (+ 27.25 %)*
- *Perfumes and cosmetics (+ 24.69 %)*
- *Watches and jewelry (+ 24.02 %)*
- *Bakeries & pastries (+ 19.11 %)*
- *Clothing (+ 13.45 %)*
- *Toys (+ 13.12 %)*
- *Liquors (+ 12.14 %)*
- *Household electrical equipment (+ 1.76 %)*
- *Supermarkets and food shops (- 4.06 %)*
- *Books & stationery & supplies (- 4.63 %)*
- *Furniture (- 17.09 %)*
- *Pharmaceuticals (- 23.39 %)*
- *Optical instruments (- 48.97 %)*

As a result, and with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of +9.27 % for the third quarter of 2023, as per the official CAS report, we hereby announce that the "BTA-Fransabank Retail Index" is (with all sectors included): **0.73** for the third quarter of the year 2023. This figure compares to the level of 0.64 for the second quarter of 2023.

BTA - FRANSABANK Retail Index For Q3 - 2023

(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	31.22	33.73	42.57	
Real Index - w/ inflation		4.94	4.887	4.398	2.444	2.07	1.52	1.37	1.07	0.83	0.64	0.73	
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	4,971.28	



In conclusion, the “BTA-Fransabank Retail Index” for the third quarter of 2023 signals a “reasonable” improvement in markets’ activity during the summer season that can be described as having been relatively successful.

Such results did enhance traders’ positive expectations for the last quarter of this year, but reality comes to prove that not all expectations do materialize, with the eruption of the war in Gaza on the 7th of October and its direct and indirect repercussions on the situation in Lebanon during the upcoming festive season are not very optimistic.



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