



“BTA-Fransabank Retail Index” For the First Quarter of 2020 (Q1-2020)

Beirut, June 24^h, 2020

After the economic overturn witnessed in Q4 '19, confinement measures brought more severe conditions to the commercial sector during Q1 '20

Economic conditions were unclear at the beginning of 2020, in light of the many difficulties encountered in identifying a new prime minister for the country, until the nomination of Dr. Hassane Diab and the formation of a specialists cabinet.

All Lebanese in general, and all economic circles in particular, were in a “wait and see” attitude towards what measures the new government shall be taking to stop the economic deterioration and deal with the enormous financial and monetary and economic challenges that the country is facing, including the alleviation of constraints on private and corporate deposits in banks, the return of a relative stability to the exchange rates of the US Dollar, the re-considering of tight controls on transfers of money abroad, thus resulting into a regain of a minimal momentum to the economic activity, a return to some kind of economic growth, and halting inflation and accelerating deterioration of Lebanese households purchase power.

And then, the “bankruptcy” Lazard recommendations were delivered, and the prime minister announced the government’s decision to cease all debt payments in accordance with its “Economic Reform Program”, a program that includes planned measures to enforce new taxes and “haircuts” on depositors’ moneys in banks, accompanied with a re-structuring of the banking sector, without any co-ordination with the Lebanese Economic Organizations including the Lebanese Banks Association, and despite the clear promises for coordination expressed by the prime minister. Obviously, these developments prompted a wave of rising pessimism widespread, locally and internationally, to encompass households, Lebanese abroad, and banking institutions and corporate entities and correspondents around the world.

Soon after, the Corona pandemic threats started emerging in Lebanon towards the end of the quarter, and strict confinement measures had to be enforced across the country, with all what ensues in terms of markets paralysis and economic standstill, except for the food and hygiene products companies of course, and in terms of banks’ closures and sharp difficulties for individuals and companies to source foreign currency with a permanently rising rate for the US Dollar, alongside the accelerating wave of employees terminations in the private sector or alternatively salary cuts, hence a sharply deteriorating purchase power for Lebanese households who were simultaneously witnessing a frenzy of consumer prices hikes due to foreign currency sky rocketing rates as well as to the tremendous difficulties encountered by companies to import goods, to name a few consequences...

In light of all the above, and after a long wait, because real figures could not be computed in the absence of official CPI figures (these were only released by CAS on the 15th of June due to prevailing circumstances).

The CPI figures revealed that between the first quarter of 2019 and the first quarter of 2020, posted an unprecedented – though highly expected, level of 17.46 % increase.

Moreover, if sectoral inflation levels are scrutinized, it should be noted that inflation did reach some much higher levels in some sectors, and did reach – for the period under review the following:

- + 45.90 % in the liquor, spirits and tobacco sector,
- + 38.19 % in the supermarkets & food shops sector
- + 37.59 % in the furniture & decoration sector,
- + 33.93 % in the clothing and footwear sector,
- + 27.43 % in the transport sector,

- + 20.88 % in the restaurants and hotels sector,
- + 17.48 % in the transportation sector,
- + 14.23 % in the recreation, amusement, and culture sector.

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 %
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 %

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 – 34.98 % between the first quarter of 2019 and the first quarter of 2020, in comparison to the – 27.38 % posted for the previous quarter.

By excluding the fuel sector results (where a drop of – 22.62 % in volume was reported between the levels of Q1 '19 and Q1 '20), the real consolidated turnover drop reaches – 34.59 % in comparison to the Q1 '19 figures (also excluding fuel), against – 33.59 % for the previous quarter.

Yearly Variation between 1 st Quarter '19 and 1 st Quarter '20			
	Q1 - 2019	Q1 - 2020	
Nominal Year to Year Variation (incl. Liquid Fuels)	100.00	78.77	- 21.23 %
Nominal Year to Year Variation (excl. Liquid Fuels)	100.00	79.25	- 20.75 %
CPI between Mar '19 and Mar '20		+ 17.46 %*	
Real Year to Year Variation (incl. Liquid Fuels)	100.00	65.02	- 34.98 %
Real Year to Year Variation (excl. Liquid Fuels)	100.00	65.41	- 34.59 %

* CAS – CPI – Mar '20

The above figures clearly display a sustained overall deterioration, though a quicker pace is noticed in this deterioration, despite some developments that occurred until the confinement was declared, and that were supposed to underpin activity amongst consumers as well as markets: no more major roads blocking such as what occurred before the end of the year, lower levels of pressure and street uprising, more regular banks working schedules, positive expectations from the new government, ... yet, further shrinking in consumption materialized, and increased difficulties were encountered in the usage of money deposited at banks for traders and trading companies, especially affecting their importation possibilities and sustainability. An unfortunate result of this buildup of constraints were additional closures of companies and points of sale, while smuggling and cross border trafficking of goods and currency continued to flourish with neighboring countries, with inevitable disastrous results on the local economy.

The analysis of the performance during the first quarter of this year, and of the various retail trade market sectors, clearly translates the dramatic fall in all turnover figures in all sectors without exception.

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 during the first quarter of 2020 in comparison to the first quarter of 2019 were as follows :

- Musical Instruments (- 82.85 %)
- Shoes and Leather Products (- 80.18 %)
- Construction Equipment (- 73.94 %)
- Sports Items & Equipment (- 71.70 %)
- Restaurants and Snacks (- 71.48 %)
- Silverware and Decoration (- 68.17 %)
- Furniture (- 65.60 %)
- Commercial Shopping Centers (- 62.73 %)
- Liquor & Spirits (- 61.52 %)
- Clothing (- 60.84 %)
- Bakeries & Pastries (- 60.20 %)
- Perfumes and Cosmetics (- 54.13 %)
- Home Accessories (- 51.00 %)

- *Toys (- 50.26 %)*
- *Watches and Jewelry (- 50.16 %)*
- *Optical and Hearing Aid Instruments (- 48.63 %)*
- *Household Electrical Equipment (- 46.56 %)*
- *Tobacco (- 42.67 %)*
- *Books & Stationery & Office Supplies (- 41.25 %)*
- *Cellular Phones (- 39.33 %)*
- *Carpets and Antiques (- 37.60 %)*
- *Used Cars Dealers (- 35.31 %)*
- *Supermarkets and Food Shops (- 28.30 %)*
- *Medical Equipment (- 23.72 %)*
- *Pharmaceuticals (- 15.24 %)*

During this same period, the fuel sector witnessed a – 22.62 % drop in volumes.

It should be noted that even the pharmaceuticals and the medical equipment sectors experienced a slowdown in their turnovers.

On the other hand, the CPI between Q4 '19 and Q1 '20 also indicated a sharp increase in prices (+ 11.09 %), and the overall consolidated real result for the first quarter also displayed a sharp decline in all sectors while seasonal factors such as the beginning of the new year and the winter season did not have any energizing impact and the markets remained 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 (inclusive of the supermarkets & food stores sector) posted an unprecedented decline that stood at – 28.91% as compared to the real figures of Q4 '19, excluding the fuel sector (where a sharp – 23.22% was registered in the latter sector for this period).

The declines in the main sectors where as follows:

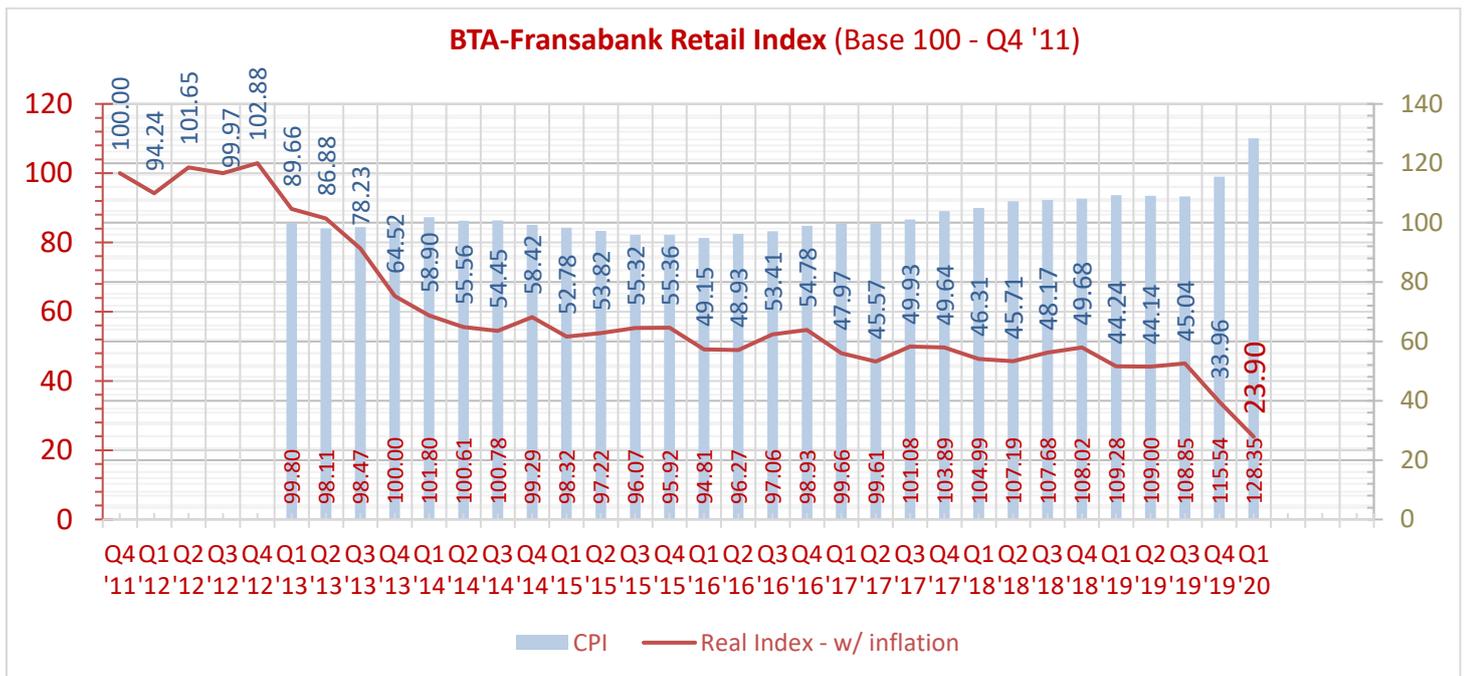
- *Furniture (- 66.23 %)*
- *Shoes and Leather Products (- 57.34 %)*
- *Construction Equipment (- 56.83 %),*
- *Liquors (- 54.60 %)*
- *Toys (- 54.39 %)*
- *Pharmaceuticals (- 54.15 %)*
- *Bakeries & Pastries (- 51.29 %)*
- *Restaurants and Snacks (- 50.60 %)*
- *Commercial Shopping Centers (- 49.59 %)*
- *Sports Items & Equipment (- 47.76 %)*
- *Silverware and Decoration (- 43.57 %)*
- *Perfumes and Cosmetics (- 37.67 %)*
- *Clothing (- 35.40 %)*
- *Tobacco (- 31.97 %)*
- *Watches and Jewelry (- 31.91 %)*
- *Books & Stationery & Office Supplies (- 29.02 %)*
- *Home Accessories (- 28.74 %)*
- *Supermarkets and Food Shops (- 28.35 %)*
- *Medical Equipment (- 24.00 %)*
- *Household Electrical Equipment (- 23.74 %)*

- Used Cars Dealers (- 20.02 %)
- Optical Instruments (- 15.64 %)
- Cellular Phones (- 9.26 %)

As a result, with our base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of -11.09% for the first quarter of 2020, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included): **23.90 for the first quarter of the year 2020**. This figure compares to the level of 33.96 for the fourth quarter of 2019.

BTA - FRANSABANK Retail Index For Q1 - 2020																								
(Base 100 : Q4 - 2011)																								
	2011				2012				2013				2014				2015				2016			
	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	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16			
Nominal Index - w/out inflation	100	95.77	100.55	108.54	112.66	90.83	87.85	78.6	65.87	59.68	55.3	55.22	57.57	51.51	51.94	52.77	52.91	46.27	46.79	51.49	53.86			
Real Index - w/ inflation	100	94.24	101.65	99.97	102.88	89.66	86.88	78.23	64.52	58.9	55.56	54.45	58.42	52.78	53.82	55.32	55.36	49.15	48.93	53.41	54.78			
CPI						99.80	98.11	98.47	100.00	101.80	100.61	100.78	99.29	98.32	97.22	96.07	95.92	94.81	96.27	97.06	98.93			

	2017				2018				2019				2020
	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20
Nominal Index - w/out inflation	47.51	46.76	52.00	53.17	49.09	49.49	52.38	54.25	48.88	48.65	49.57	39.76	31.47
Real Index - w/ inflation	47.97	45.57	49.93	49.64	46.31	45.71	48.17	49.68	44.24	44.14	45.04	33.96	23.90
CPI	99.66	99.61	101.08	103.89	104.99	107.19	107.68	108.02	109.28	109.00	108.85	115.54	128.35



The “BTA-Fransabank Retail Index” for the first quarter of 2020 is only but a natural reflection of the very crucial moments our country is going through, and hopes are built today on the capabilities of the official executive team to develop an efficient and conclusive salvation program that leads to the desired goals.



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