



“BTA-Fransabank Retail Index” For the Fourth Quarter of 2022 (Q4-2022)

Slight improvement in the activity of some trading sectors ..
Yet, the impact of visitors spending did not match market expectations ..

Continued deterioration in the value of the Lebanese Lira .. Accelerating decline in the Lebanese households purchasing power .. Inability of officials to finalize the voting of pending legislations (Capital Control, Banking secrecy, Monetary and Financial renewed regulation, etc..) .. The passing of a controversial budget and the subsequent issuance of new taxes and impositions by the Ministry of Finance resulting into numerous objections from all economic and civil organizations, and prompting a large number of companies to seriously consider moving their operations and staff abroad .. Failure to decide on a viable economic salvation and recovery plan .. Furthermore, the lack of any progress in the negotiations with the IMF, that would eventually pave the way for support not only by the IMF but also by other donor countries.

Amidst all the above, smuggling and illicit traffic operations continued to increase, covering a wide variety of goods ranging from fuel to pharmaceuticals but also including foodstuff and foreign currency, hence reinforcing the activities of the “black” economy at the expense of the “white” economy .. This has pulled up the Trade Balance to ~ 18 billion dollars by the end of 2022, a level that highly exceeds the needs of the Lebanese economy alone in the prevailing context.

On the positive side, spending of the immigrant Lebanese visitors to the country for the year-end season in the various trade markets (around 1 billion dollars) did indeed affect positively – although not to a large extent, the level of activity during this period.

The concurrence of all the above positive and negative factors did result into a modest 2 % growth rate for 2022, indicating a slowdown, albeit negative, in the deterioration of the economy, and particularly in the trade sector.

Otherwise, the regional and international context and developments (mainly the ongoing Russia and Ukraine conflict) continued to affect the inflationary trend, but the efforts of Lebanese traders did contribute into containing the pressure to a certain level.

As a result, the official CPI (as announced by CAS) did reach + 121.99 % between the fourth quarter of 2021 and the fourth quarter of 2022 (as compared to + 162.47 % in the previous quarter), while the quarterly CPI (between Q3 and Q4 of 2022) stood at + 26.93 % (in comparison to + 25.23 % in the previous quarter).

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 %
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

- The details of the CPI revealed, between the fourth quarter of 2021 and the fourth quarter of 2022, the following:

- + **311.86 %** in the Communication sector
- + **191.35 %** in the Education sector
- + **167.46 %** in the Health sector
- + **149.56 %** in the Restaurants and Hotels sector
- + **142.94 %** in the Supermarkets and Food Shops sector
- + **132.54 %** in the Recreation, Amusement, and Culture sector
- + **131.39 %** in the Clothing and Footwear sector
- + **127.22 %** in the Transport sector
- + **123.15 %** in the Liquor, Spirits and Tobacco sector
- + **102.47 %** in the Furniture & Home Appliances and Equipment sector

It should be noted that such rates are still very high, mainly in the Communication sector, as well as in Education and the Health sectors, in addition to the strong increase in the Restaurants and Hotels (that was due to the amendment of prices).

- While the CPI between the third and the fourth quarter of 2022:
- + **54.10 %** in the Clothing and Footwear sector
- + **45.41 %** in the Recreation, Amusement, and Culture sector
- + **31.12 %** in the liquor, Spirits and Tobacco sector
- + **27.84 %** in the Communication sector
- + **24.29 %** in the Furniture & Home Appliances and Equipment sector
- + **23.60 %** in the Transport sector
- + **20.51 %** in the Restaurants and Hotels sector

- + 19.84 % in the Supermarkets and Food Shops sector
- + 13.81 % in the Health sector

Seasonal factors do explain a high quarterly price increase in the Clothing and Footwear and the Recreation sectors should be noted, as well as in the Liquors albeit to a lesser extent.

Hence, with the persisting very high inflation rates, and despite all efforts exerted, very high pressure was reflected in the real turnover figures posted, be it on an annual basis or even on a quarterly basis.

For this reason, the decline has once again approximated the 100% in comparison to the last quarter of 2021 figures.

After scrutiny of the consolidated “nominal” retail trade turnover figures of the fourth quarter of 2022, a + 41.45 % increase is posted in comparison to the figures of the third quarter of 2021 (*Important remark: this increase is in the nominal turnover figures before weighting with the CPI rates*).

But, after applying the proper weighting with the CPI for the period under review (+ 121.99 % between Q4 of 2021 and Q4 of 2022), it appears that “real” turnovers posted in fact a sharp decline in all sectors of the retail trade market, including in the Fuel sector where a decline of – 10.37 % was registered in terms of quantities, as compared to the quantities sold during the Q4 of 2021.

The above clearly implies that the Lebanese economy is experiencing an accelerating recession – quarter after quarter, and that the Lebanese households purchase power continues to erode very quickly.

On the other hand, the quarterly inflation rate (between the Q3 and the Q4 of '22), did also sharply increase, with a +26.93 % in CPI (as compared to + 25.23 % for the previous quarter), but the results posted by some sectors did post some improvement (i.e. in the Cellular Phones sector), while decline was still reported in the majority of other sectors (i.e. Clothing, Bakeries, Tobacco, Toys, Books ...).

It should also be reported that Malls and Commercial Centers did report a decline of 43.43%, despite the end of year factors, whereas the Fuel sector has witnessed a modest + 2.71 % increase in terms of quantities sold during the period under review, in comparison to + 13.40 % in the previous quarter.

As a result, the consolidated “real” figures in Q4 '22 (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 Q3 '22, registered further declines ...

The consolidated real quarterly decline (i.e. after weighting) for the fourth quarter reached – 21.28 % (after the exclusion of the Fuel sector). This compares to the – 19.60 % decline in the previous quarter.

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

- Books & stationery & office supplies (- 72.27 %)
- Shoes & leather products (- 52.12 %)
- Clothing (- 46.82 %)
- Sports Equipment & Sportswear (- 44.16 %)
- Commercial shopping centers (- 43.43 %)
- Bakeries & pastries (- 42.28 %)
- Toys (- 36.61 %)
- Cars (- 32.57 %)
- Tobacco (- 32.40 %)
- Medical Equipment (- 30.59 %)

- Home Accessories (- 30.03 %)
- Construction Materials (- 27.57 %)
- Perfumes and cosmetics (- 24.35 %)
- Furniture (- 20.70 %)
- Household electrical equipment (- 17.33 %)
- Optical instruments (- 17.22 %)
- Watches and jewelry (- 15.53 %)
- Restaurants and snacks (- 14.54 %)
- Supermarkets and food shops (- 0.54 %)

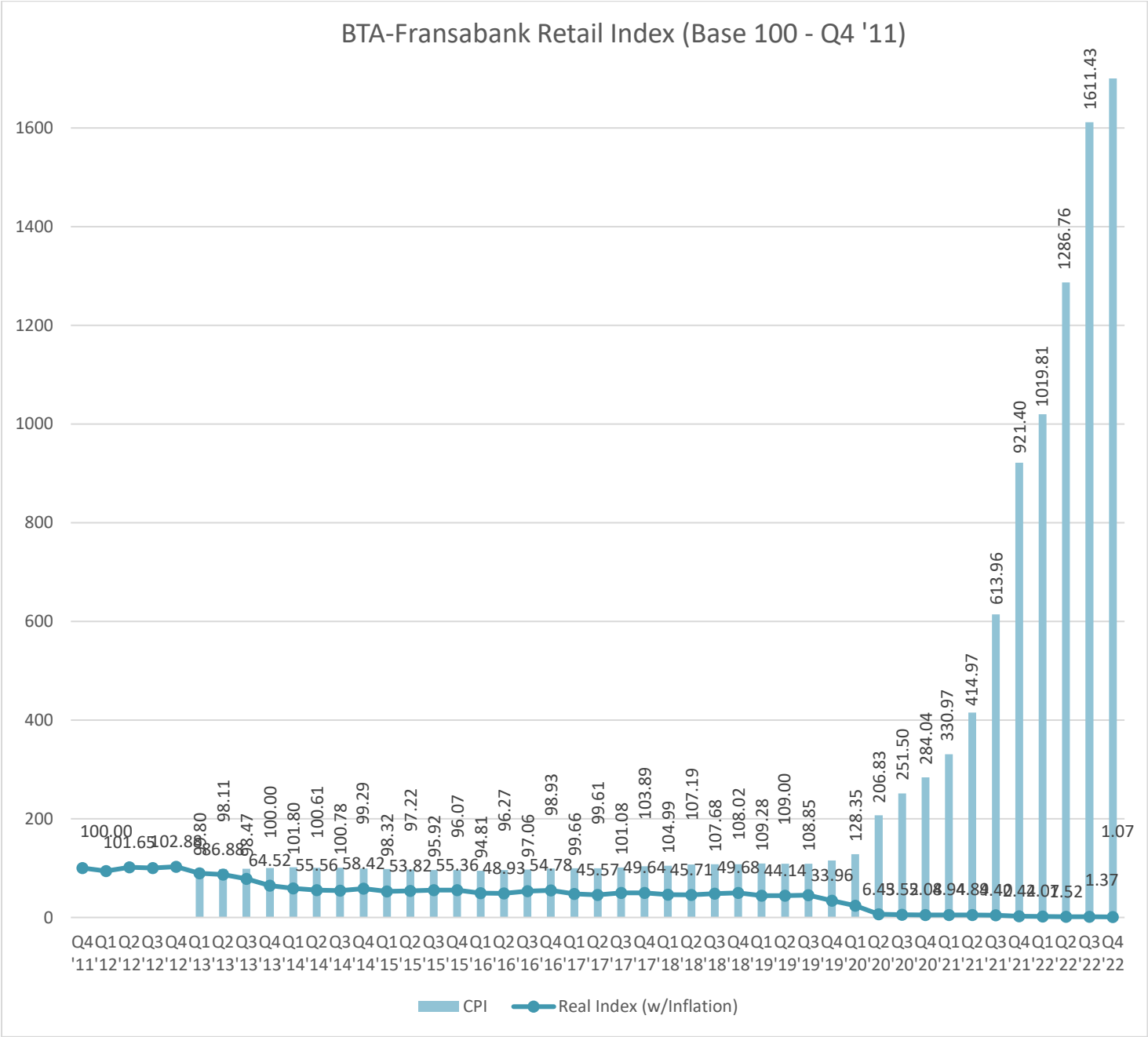
During this period, other sectors did witness a regain in activity.

- Cellular phones (+ 35.12 %)
- Pharmaceuticals (+ 6.30 %)
- Liquors (+ 4.69 %)

In conclusion, with our base index 100 fixed at the fourth quarter of 2011, coupled with a quarterly inflation rate of +26.93 % for the fourth quarter of 2022, as per the official CAS report, we hereby announce that the “BTA-Fransabank Retail Index” is (with all sectors included): **1.07** for the fourth quarter of the year 2022. This figure compares to the level of 1.37 for the third quarter of this year.

BTA - FRANSABANK Retail Index For Q2 - 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	46.76	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	45.57	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							
		Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22	Q4 '22				
Nominal Index - w/out inflation		21.36	21.63	21.65	24.10	22.82	22.68	27.15	28.90				
Real Index - w/ inflation		4.94	4.887	4.398	2.444	2.07	1.52	1.37	1.07				
CPI		330.97	414.97	613.96	921.40	1019.81	1286.76	1611.43	2045.46				



Thus, quarter after quarter, we can observe that the “BTA-Fransabank Retail Trade Index” maintained its accelerating deterioration during the fourth quarter of 2022, to display an almost 99% decline from its 100% level during the fourth quarter of 2011.

Again and again, the main requisite is the adoption of the Recovery Plan submitted by the Economic Organizations to concerned officials without further delay, and the reactivation of negotiations with the IMF and other donor parties.





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