“BTA-Fransabank Retail Index”
For the Second Quarter of 2024 (Q2-2024)

The Recessionary Trend Persists, But At A Slower Pace

A certain number of retail trade sectors were able to maintain, during the second quarter of 2024, the same levels of activity and turnover than those of the same quarter of the previous year – and some of them did even post better results. Yet, once consolidated, the overall retail trade performance figures remained lower than those of the same quarter in the previous year.

Such relatively positive indicator lies in the fact that the Lebanese consumer seems to have adapted to a new consumption behavior that suits best the ongoing recessionary situation. It also lies in the fact that the CPI (Consumer Price Index) has dropped, between Q2 2023 and Q2 2024, to the level of + 41.78 % from 70.36% between Q1 2023 and Q1 2024, while the seasonal variation in the CPI – i.e. between the first and the second quarters of 2024, has posted + 2.04 % only. The above does give an explanation on why the drop in the results was lesser than what was reported in previous quarters.

Despite the ongoing regional political tensions and the persisting local economic recession, the traders remained positive and were hoping for a progression in the retail trade activities in the summer season, especially that the BDL has reported an increase in its Foreign Currency Reserves, approximating the 10 billion dollars level, and that reports of an increase in transfers from abroad were released, whereby these transfers almost reached 7 billion dollars – a figure that represents a large part of the expected GDP. On top of this, the stability of the Lebanese Pound against the US Dollar did also contribute positively.

All the above factors did help the markets witness a lower slowdown in their turnover figures during the second quarter of ’24.

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 %
Q2 ’24 / Q2 ‘23	**+ 41.78 %**
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 %	The CPI
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 %	
Q2 '24 / Q1 '24	**+ 2.04 %**	

Increases relative to every sector were, between the 2nd quarter of 2023 and the 2nd quarter of 2024, as follows:

Inflation Rates per Sector as per CAS figures between the 2nd Quarter of 2023 and the 2nd Quarter of 2024	
Education (+ 589.23 % in the previous quarter)	587.67%
Health (previous + 45.01 %)	47.24%
Recreation, Amusement, and Culture (previous + 70.76 %)	38.06%
Communication sector (previous + 28.89 %)	31.10%
Supermarkets and Food Shops (previous + 51.37 %)	29.58%
Clothing and Footwear (previous + 39.48 %)	26.74%
Restaurants and Hotels (previous + 30.86 %)	23.77%
Transport (previous + 13.22 %)	18.55%
Liquor, Spirits and Tobacco (previous + 36.20 %)	16.76%
Furniture & Home Appliances and Equip. (previous + 9.50 %)	-7.31%

These figures are much lower than those in previous quarters, following the slowdown that started to be noticed during the 1st quarter, except the very high annual rate that is still posted in the Education sector and that stands very close to 600 %; such observation calls for worries about consequences and repercussions on the new generations in Lebanon, be it at the schools, colleges or universities levels.

Yet, and despite better CPI results, many sectors in the Retail Trade markets continued to display a drop in their turnovers, albeit at a slower rate than in the same quarter of last year or even than in the 1st quarter of this year.

The consolidated **“nominal”** retail trade turnover figures for the second quarter of 2024 stood at - 3.33 % as compared to the results of the second quarter of 2023, after excluding the Fuel sector performance, where a + 15.63 % increase was posted in terms of quantities sold.

(This – 3.33 % 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 (+ 41.78 % between Q2 of 2023 and Q2 of 2024 – as compared to + 70.36 % posted for the previous quarter), it appears that the **“real”** consolidated turnovers continued to drop, although at a slower pace (a pace that appears to be almost equal to the slowdown ratio witnessed in the CPI).

Simultaneously, the quarterly inflation increase between Q1 and Q2 ’24 also showed deceleration, as it stood at + 2.04 % only, after having started to fall to the level + 5.74 % in the previous quarter after the highs reported in previous quarters.

The quarterly CPI increases relative to every sector were, between the 1st quarter and the 2nd quarter of 2024, as follows:

per CAS figures Inflation Rates per Sector as between the 1st Quarter and the 2nd Quarter of 2024	
Restaurants and Hotels (+ 2.56 % in the previous quarter)	6.66%
Clothing and Footwear (+ 1.44 % in the previous quarter)	5.31%
Transport (+ 4.69 % in the previous quarter)	5.12%
Liquor, Spirits and Tobacco (+ 8.05 % in the previous quarter)	1.90%
Health (+ 1.03 % in the previous quarter)	0.61%
Education (+ 0.59 % in the previous quarter)	0.32%
Communication sector (- 0.20 % in the previous quarter)	0.07%
Supermarkets and Food Shops (+ 5.80 % in the previous quarter)	-0.36%
Recreation, Amusement, and Culture (+ 6.18 % in the previous quarter)	-4.15%
Furniture & Home Appliances and Equip. (+ 2.00 % in the previous quarter)	-9.14%

As a result, and as mentioned previously, the fall in markets turnovers was less acute than what previously experienced.

Yet, this slowdown did not have a sufficient positive impact on the quarterly consolidated results, and a “real” deterioration of – 16.97 % was reported between Q1 and Q2 2024, as compared to the – 31.73 % experienced during the previous quarter (i.e. after weighting with the corresponding CPI and excluding the Fuel sector, where a + 10.15 % increase in terms of quantities sold).

By looking into the details for every sector, it appears that some sectors did post better results than the others, as presented below with real quarterly results for the most important ones.

Sectors that had improvement in their "real" results between the 1st and the 2nd quarter of 2024 included:

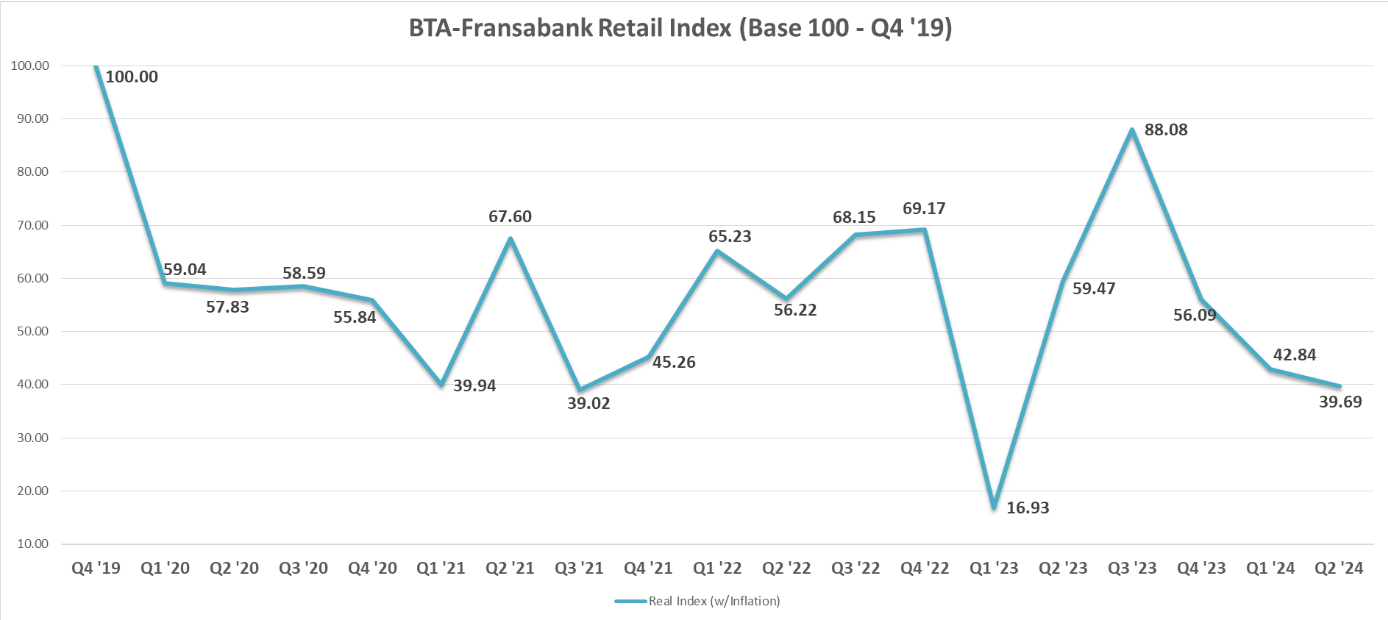
- → *Pharmaceuticals (+ 51.07 %)*
- → *Tobacco (+ 27.96 %)*
- → *Household Electrical Equipment (+ 19.11 %)*
- → *Perfumes and Cosmetics (+ 18.16 %)*
- → *Furniture (+ 17.71 %)*
- → *Supermarkets and Food Shops (+ 10.56 %)*
- → *Shoes & Leather Products (+ 7.62 %)*
- → *Books & Stationery & Supplies (+ 4.15 %)*

But many other sectors continued to experience a decline in activity, sharp for some – in comparison to their results during the previous quarter, as detailed below:

- → Construction Materials (- 67.85 %)
- → Commercial shopping centers (- 12.51 %)
- → *Watches and jewelry (- 9.79 %)*
- → *Medical Equipment (- 9.36 %)*
- → *Clothing (- 4.89 %)*
- → *Liquors (- 3.25 %)*
- → *Bakeries & pastries (- 3.14 %)*
- → *Restaurants and snacks (- 0.34 %)*

*As a result, **and with our base index 100 fixed at the fourth quarter of 2019**, and with a quarterly inflation rate of + 2.04 % for the second quarter of 2024, as per the official CAS report, we hereby announce that the new "BTA-Fransabank Retail Index" is (with all sectors included):* **39.69** *for the second quarter of the year 2024 (Base 100 on Q4 '19).*

BTA - FRANSABANK Retail Index For Q2 - 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 '24	Q2 '24	Q3 '24	Q4 '24				
Nominal Index - w/out inflation		58.14	54.98						
Real Index - w/ inflation		42.84	39.69						
CPI		6,321.16	6,450.23						



In conclusion, and despite the continued drop in the "BTA-Fransabank Retail Index", a drop that was relatively limited for the second quarter of 2024, it can be stated that the Lebanese economy has started to adapt to the crisis status it has been going through, bearing in mind that multiple factors, of which the stability of the Lebanese Pound, and the absence of major developments during the second quarter in the local and regional scenes, have contributed in slowing down the recessionary trend experienced.

The main request formulated by the Lebanese private sector in general, and the trade sector in particular, resides in the necessity for concerned official parties to design – better late than never, a blue print for the future of the Lebanese Economy, a blue print that should not be based on punctual solutions to situational problems or issues, but rather one that gives immunity against such ad hoc hazards and that focuses primarily on growth, with all what such vision entails in terms of financial, tax and customs decisions.

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) =

$$\frac{turnover\ of\ the\ current\ quarter - turnover\ of\ same\ quarter\ last\ year}{turnover\ of\ same\ quarter\ last\ year}$$

Percent change of turnover of current quarter compared to previous quarter of the same year =

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

- ✓ 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 (ISIC[1] 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