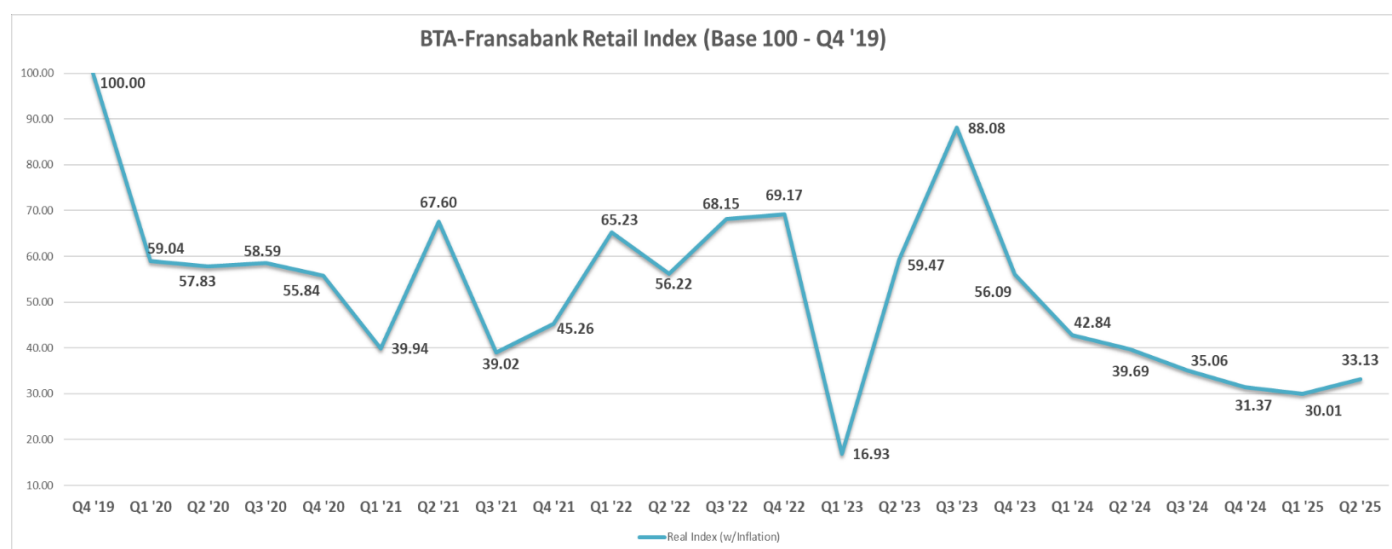


“BTA-Fransabank Retail Index” For the Second Quarter of 2025 (Q2-2025)

Relative market recovery... The World Bank expects GDP growth and declining inflation

The prevailing situation during the second quarter of 2025 was relatively positive, as most parties anticipated a temporary improvement in the upcoming period. This optimism seemed to resonate with consumers in the domestic market, where the commercial activity improved noticeably compared to previous periods. Quarterly results showed renewed hopes of a gradual recovery.

In figures, the “Beirut Traders Association – Fransabank Retail Trade Index” for Q2 2025 recorded a level of 33.13 (compared to 30.01 in the previous quarter), noting that the base index (100) refers to Q4 2019. Price inflation during Q2 2025, according to the Central Administration of Statistics (CAS), was +2.76%.



The main factors driving this positive trend included intensive efforts related to reforms, serious and continuous work to restore relations and cooperation with international partners, particularly those in the Gulf region. Diplomatic momentum was very active during that period, and Mr. Karim Souaid took over the post of new Governor of the Central Bank of Lebanon, pledging to implement key reforms in combating money laundering, strengthening monetary policy independence, and protecting depositors’ funds — measures expected to help restore confidence in the banking system and revive the country’s financial cycle.

In parallel, Parliament amended the Banking Secrecy Law, and the Cabinet approved a draft law for restructuring the banking sector. Concurrently, some international bodies, such as the World Bank and FAO, began granting Lebanon modest loans to help the government start implementing reform projects (for example, USD 250 million from the World Bank to support and address crises in the electricity sector).

The World Bank also reported signs of improved economic performance and forecasted Lebanese GDP growth of 4.7% in 2025, supported by reform momentum, exchange rate stability, and a relative recovery in tourism and consumption.


Finally, although Eurobond prices continued to improve modestly, Lebanon's international credit rating remained in the "grey list" of high-risk countries — a factor increasing pressure on the government to accelerate reforms.

The government's achievements and Parliament's legislation, though slow, are the primary drivers of recovery. However, sustainable recovery will not happen until key obstacles are addressed, especially after implementing the required reforms — most importantly: Passing the Financial Gap Law, helping banks regain their pivotal economic role, setting a repayment plan satisfactory to depositors, fighting corruption in public administration, curbing illegal trade cycles and the large number of unregistered workers, and reaching a tax settlement formula with the Ministry of Finance for all companies and institutions — something the Beirut Traders Association is actively working on, paving the way for a fresh start for all economic players on sound foundations. Added to that are the plans and agreements to ensure the return of displaced persons to their countries, which will certainly restore balance to public spending and expand job opportunities for Lebanese youth.





As such, the Index reached 33.13 in Q2 2025 (compared to 30.01 in Q1 2025), recording a real quarterly improvement in aggregate retail trade sector results, excluding fuel sales, which increased by only +3.51% in volume (compared to +29.24% in the previous quarter).

In detail: turnover figures across all market sectors showed a clear improvement, with the aggregate retail trade sector recording a real annual decline of just -0.86% compared to Q2 2024, alongside a notable quarterly real improvement of +11.53% compared to Q1 2025 (excluding fuel in both cases).

I. Main Indicators (for Q2 '25)

- Exchange rate of the Lebanese Lira: LBP 89,500 / USD 
- Annual Inflation: +15.00% (down from +20.74% in Q1 2025) 
- Quarterly Inflation: +2.76% (down from +14.19% in Q1 2025) 
- Consolidated Real Turnover: -0.86% annually excl. fuel (vs. -10.77% in Q1) 
- Consolidated Real Turnover: +11.53% quarterly excl. fuel (vs. -14.92% in Q1) 

I. Key Annual Results in Real Turnover:

- Malls (+ 42.61 %) 
- Cellular Phones (+ 42.06 %) 
- Retail Sales of Fuel - Quantities (+ 31.68 %) 
- Shoes & Leather Products (+ 13.54 %) 

- Electronics, Electrical Equipment & Appliances (+ 11.01 %)
- Clothings (+ 10.93 %)
- Watches & Jewelry (+ 10.19 %)
- Tobacco (+ 0.32 %)
- Construction Equipment (- 21.62 %)
- Optical Instruments (- 20.58 %)
- Perfumes & Cosmetics (- 19.15 %)
- Sportswear - Sports Foot wear (- 19.00 %)
- Restaurants & Snacks (- 18.54 %)
- Medical Equipment (- 17.59 %)
- Bakeries & Sweets Shops (- 16.02 %)
- Pharmaceuticals (- 12.12 %)
- Liquors & Spirits (- 11.62 %)
- Supermarkets (- 7.40 %)
- Furniture (- 3.84 %)



II. Key Quarterly Results in Real Turnover:

- Bakeries & Sweets Shops (+ 39.46 %)
- Liquors & Spirits (+ 37.00 %)
- Cellular Phones (+ 30.32 %)
- Electronics, Electrical Equipment & Appliances (+ 24.88 %)
- Shoes & Leather Products (+ 19.59 %)
- Tobacco (+ 19.58 %)
- Perfumes & Cosmetics (+ 15.24 %)
- Watches & Jewelry (+ 13.22 %)
- Supermarkets (+ 7.38 %)
- Optical Instruments (+ 7.03 %)
- Medical Equipment (+ 6.64 %)
- Pharmaceuticals (+ 6.54 %)
- Clothings (+ 4.16 %)
- Retail Sales of Fuel - Quantities (+ 3.51 %)
- Restaurants & Snacks (+ 2.58 %)
- Construction Equipment (- 7.47 %)
- Furniture (- 2.41 %)



- Malls (- 0.34 %)
- Sportswear - Sports Foot wear (- 0.22 %)



As for inflation, while the World Bank indicated in its latest report on Lebanon that it expects a decline in the inflation rate, the annual inflation rate in the second quarter of this year reached 15.00%, marking a drop of more than 5 percentage points compared to the previous quarter (+20.74%). Meanwhile, the quarterly inflation rate (i.e., between Q1 and Q2 of 2025) fell sharply from +14.19% to only +2.76%, with hopes that this downward trend will be accompanied by a gradual recovery in purchasing power.

The money supply continued to increase, approaching LBP 30 trillion by the end of Q2. This raises questions about the future of the Lebanese pound's exchange rate, especially at a time when the Central Bank of Lebanon has stopped financing government spending. This highlights the importance of accelerating fiscal discipline and ensuring the real independence of monetary policy, thereby contributing to the reactivation of the economy and the country's economic cycle, so that the money supply becomes a positive factor encouraging both investment and consumption, rather than a driver of higher dollar exchange rates and increased inflation.

In this context, it should be noted that the annual inflation rate for this quarter recorded its lowest level since late 2019 (+15.00%), as well as the very noticeable quarterly drop (between Q1 and Q2) from +14.19% to only +2.76%.

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 %
Q3 '24 / Q3 '23	+ 32.92 %
Q4 '24 / Q4 '23	+ 18.12 %
Q1 '25 / Q1 '24	+ 20.74 %
Q2 '25 / Q2 '24	+ 15.00 %

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 %
Q4 '23 / Q3 '23	+ 20.25 %
Q1 '24 / Q4 '23	+ 5.74 %
Q2 '24 / Q1 '24	+ 2.04 %
Q3 '24 / Q2 '24	+ 2.45 %
Q4 '24 / Q3 '24	+ 6.86 %
Q1 '25 / Q4 '24	+ 14.19 %
Q2 '25 / Q1 '25	+ 2.76 %

The inflation slowdown relative to every sector, between the 2nd quarter of 2024 and the 2nd quarter of 2025, was as follows:

Inflation Rates per Sector as per CAS figures between the 2nd Quarter of 2024 and the 2nd Quarter of 2025	
Communication (previous - 2.90 %)	-3.27%
Transport (previous + 7.26 %)	1.91%
Furniture & Home Appliances and Equip. (previous - 6.53 %)	3.88%
Recreation, Amusement, and Culture (previous + 11.00 %)	8.82%
Clothing and Footwear (previous + 12.62 %)	9.71%
Restaurants and Hotels (previous + 20.26 %)	12.29%
Liquor, Spirits and Tobacco (previous + 23.33 %)	13.42%
Supermarkets and Food Shops (previous + 28.41 %)	20.79%
Health (previous + 23.34 %)	21.70%
Education (+ 31.51 % in the previous quarter)	30.60%

To note that the inflation rates in sectors such as education, food, and healthcare have remained high, similar to the same quarter of last year.

As for the quarterly inflation rate (i.e., between the first and second quarters of 2025), it recorded the following levels in each sector:

Inflation Rates per Sector as per CAS figures between the 1st and the 2nd Quarter of 2025	
Recreation, Amusement, and Culture (+ 4.54 % in the previous quarter)	-0.22%
Communication (- 2.71 % in the previous quarter)	-0.50%
Supermarkets and Food Shops (+ 21.37 % in the previous quarter)	-0.84%
Education (+ 30.74 % in the previous quarter)	0.21%
Health (+ 22.07 % in the previous quarter)	0.30%
Liquor, Spirits and Tobacco (+ 14.14 % in the previous quarter)	1.26%
Restaurants and Hotels (+ 17.27 % in the previous quarter)	2.14%
Furniture & Home Appliances & Equipment (- 8.37 % in the previous quarter)	3.01%
Clothing and Footwear (+ 11.03 % in the previous quarter)	4.05%
Transport (+ 2.46 % in the previous quarter)	4.57%

The quarterly inflation shows a significant decline across many sectors, with the exception of the household equipment and transportation sectors.

BTA - FRANSABANK Retail Index For Q2 - 2025									
(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				2025			
		Q1 '24	Q2 '24	Q3 '24	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25
Nominal Index - w/out inflation		58.14	54.98	49.79	47.83	53.33	60.54		
Real Index - w/ inflation		42.84	39.69	35.06	31.37	30.01	33.13		
CPI		6,321.16	6,450.23	6,450.23	7,061.07	7,218.28	7,417.78		

With the emergence of positive indicators, sustainable recovery remains contingent on resolving the core issues. Therefore, the recommendations for the next stage can be summarized as follows:

- Passing the financial gap law and helping banks regain their role, while establishing a satisfactory repayment plan for depositors.

- Highlighting the importance of combating corruption and the informal economy (smuggling, unregistered trade, and unregulated services), as these continue to drain liquidity from the official economic cycle and may undermine the effectiveness of reforms.
- Urgently developing a clear plan for public debt management and Eurobond restructuring, as this remains a pressing factor on the financial situation and affects the state's ability to attract foreign investments.
- Addressing the issue of the return of displaced persons, which would contribute to restoring balance to public finances and expanding job opportunities for Lebanese citizens.

In conclusion, it should be emphasized that the slow pace of implementing these recommendations must be avoided, as it could dissipate the positive momentum and bring markets back to a state of uncertainty and stagnation.



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 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 =

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

- ✓ 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 (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