



Byblos Bank/AUB Consumer Confidence Index: Tax increases Affect Consumer Confidence in First Quarter of 2018

Byblos Bank Headquarters, May 9, 2018: Byblos Bank issued today the results of the Byblos Bank/AUB Consumer Confidence Index for the first quarter of 2018.

The results show that the Index decreased by 0.6% in January from the preceding month, regressed by 0.3% in February and declined by 6.4% in March 2018. Further, the Index averaged 60.8 in the first quarter of 2018, constituting a decrease of 1.6% from 61.8 in the fourth quarter of 2017 and an increase of 4% from 58.5 in the first quarter of 2017. In addition, the Byblos Bank/AUB Present Situation Index averaged 59.3 in the first quarter of 2018 and retreated by 1.1% from the preceding quarter, while the Byblos Bank/AUB Expectations Index averaged 61.8 and regressed by 2% from the fourth quarter of 2017. Further, the average monthly score of the Index in the first quarter of 2018 was 42.5% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008, and remained 37.1% below the annual peak score of 96.7 reached in full year 2009.

Commenting on the results, Mr. Nassib Ghobril, Chief Economist and Head of the Economic Research and Analysis Department at Byblos Bank Group stated: “the main factor that affected household sentiment in the first quarter of the year was the implementation of the tax increases on consumption, income and profits, in addition to the hike in fees on a large number of administrative transactions that the parliament enacted last October.”

He noted: “consumer confidence retreated in the first quarter of 2018, as citizens waited throughout 2017 for government measures that would improve their quality of living and economic well-being. Instead, households started to feel in the first months of 2018 the early impact of last year's tax increases through inflationary pressures, economic stagnation and higher cost of living, along with a lack of tangible improvement in their quality of living.” As a result, household confidence decelerated in each of the first three months of the year, with the March outcome representing a retreat of 18% from the recent peak that the Index reached in June 2017.

Mr. Ghobril added that "Lebanese households remain highly skeptical about the flood of political promises that started in the first quarter of the year in the run-up to the May 6 parliamentary elections, a factor that reflects the prevailing crisis of confidence between citizens and the political class in general." He added that "the sharp divergence between the priorities of citizens and those of politicians has prevented the level of household sentiment from gaining traction.”

He also added that the first-quarter results of the Index continue to show that Lebanese consumers need to see concrete evidence and tangible solutions that improve their economic well-being in order for their outlook to pick up, as they have repeatedly seen many politicians put personal or partisan agendas ahead of the national interest.

Further, the Byblos Bank/AUB Expectations Index posted higher values than the Byblos Bank/AUB Present Situation Index in each of the first three months of 2018. However, Mr. Ghobril cautioned that "the results do not reflect a shift in the prevailing level of skepticism among Lebanese households, as only 10.4% of the Lebanese polled in the first quarter of 2018 expected their financial condition to improve in the coming six months, while 63.1% of respondents believed that their financial situation will deteriorate and 23.9% forecast their financial condition to remain the same over the covered period of time. In addition, 7.4% of the Lebanese surveyed in March 2018 expected business conditions in Lebanon to improve in the coming six months, while 68.3% of respondents anticipated business conditions to deteriorate, relative to 68.9% in January and 68.7% in February 2018.

The results of the Byblos Bank/AUB Consumer Confidence Index for the first quarter of 2018 show that male consumers had a higher level of confidence than their female counterparts, and consumers in the 21 to 29 year-old bracket posted the highest confidence level relative to citizens in other age brackets during the covered quarter. Also, households with an income of USD 2,500 or more per month continued to be more confident than those earning less. Moreover, public sector employees were more optimistic than the self-employed, students, private sector employees, housewives and the unemployed in the first quarter of the year. In addition, consumers in Mount Lebanon posted the highest confidence level, followed by consumers in the North, Beirut, the South and the Bekaa. Further, Druze consumers had a higher level of confidence than Christian, Sunni and Shiite consumers.

The Byblos Bank/AUB Consumer Confidence Index is a measure of the sentiment and expectations of Lebanese consumers toward the economy and their own financial situation. The Index is compiled, implemented and analyzed in line with international best practices and according to criteria from leading consumer confidence indices worldwide. It is composed of two sub-indices, the Byblos Bank/AUB Present Situation Index and the Byblos Bank/AUB Expectations Index. The first sub-index covers the current economic and financial conditions of Lebanese consumers, and the second one addresses their outlook over the coming six months. In addition, the data segregates the Index based on age, gender, income, profession, administrative district, and religious affiliation. The Byblos Bank Economic Research and Analysis Department has been calculating the Index on a monthly basis since July 2007, with January 2009 as its base month. The Index is based on a face-to-face monthly survey of a nationally representative sample of 1,200 males and females living throughout Lebanon. The monthly field survey is conducted by Statistics Lebanon Ltd, a market research and opinion-polling firm.

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