

Byblos Bank/AUB Consumer Confidence Index: Consumer Confidence Declines in First Quarter of 2016

Byblos Bank Headquarters, May 16, 2016: Byblos Bank issued today, in cooperation with the Olayan School of Business at the American University of Beirut, the results of the Byblos Bank/AUB Consumer Confidence Index for the first quarter of 2016.

The results show that the Byblos Bank/AUB Consumer Confidence Index improved by 5.7% in January, but declined by 1.3% in February and regressed by 10% in March 2016, which constituted the steepest monthly drop since September 2015. Further, the Index averaged 35.9 in the first quarter of 2016 and decreased by 2.6% from 36.9 in the fourth quarter of 2015. In addition, the Byblos Bank/AUB Present Situation Index averaged 32.9 in the first quarter of 2016 and regressed by 0.4% from the preceding quarter, while the Byblos Bank/AUB Expectations Index averaged 37.9 and declined by 3.9% from the fourth quarter of 2015. The deterioration in the first quarter of 2016 was reflected in the answers of consumers to the Index's survey questions, as 77.3% of the surveyed Lebanese in the first quarter of 2016 considered that their personal financial situation is "worse off" than it was six months earlier and 19.2% stated that their financial situation remained the same. In contrast, only 3.5% of them said that their financial situation is "better off" than it was six months earlier, the fourth lowest such quarterly percentage since the Index's inception in July 2007.

Mr. Nassib Ghobril, Chief Economist and Head of Group Economic Research and Analysis Department at Byblos Bank, indicated that "two major developments influenced consumer sentiment in the first quarter of 2016." He said that "the first development was the historic reconciliation and new alliance between the Lebanese Forces Party and the Free Patriotic Movement, which led the Byblos Bank/AUB Present Situation Index to jump by nearly 9% and the Byblos Bank/AUB Expectations Index to rise by 4% in January." He added that "the second development was the eruption of the political crisis between Gulf Cooperation Council countries and Lebanon, and the resulting concerns about spillovers on the Lebanese economy, which contributed to dragging down the Present Situation Index by a cumulative 15% and the Expectations Index by 9.3% in February and March."

Mr. Ghobril pointed out that "other factors that contributed to maintaining confidence at low levels include the repeated failure of the Lebanese Parliament to elect a President and the paralyzed decision-making process within public institutions, along with the widespread skepticism about the government's ability to find a permanent and sustainable solution to the waste disposal crisis." In parallel, he said that "stable security conditions, record-low local gasoline retail prices, and the fading away of imported inflation contained the decline in household sentiment."

Further, the Byblos Bank/AUB Expectations Index posted higher values than the Byblos Bank/AUB Present Situation Index during each of the first three months of 2016, in line with



each of the 12 months in 2015. However, Mr. Ghobril cautioned that "the results do not reflect a shift in households' attitudes, as only 6.7% of Lebanese polled in the first quarter of 2016 expected their financial conditions to improve in the coming six months, while 71% of them believed their financial situation will deteriorate, and 19.7% stated that their financial conditions would remain the same." In addition, only 3.4% of the Lebanese surveyed during the first quarter expected business conditions in the country to improve in the following six months, the lowest such quarterly percentage since the index's inception, while 79.3% anticipated that the business environment would deteriorate and 14.1% forecast business conditions in Lebanon to remain the same.

The results of the Byblos Bank/AUB Consumer Confidence Index for the first quarter of 2016 show that female consumers had a relatively higher level of confidence than their male counterparts; while consumers in the 21 to 29 year-old bracket were more optimistic than older citizens. Also, households with an income of USD 2,500 or more per month continued to have a higher level of confidence than those earning less. Moreover, students had a higher level of confidence than private sector employees, the self-employed, housewives, public sector employees and the unemployed, in the first quarter of 2016. In addition, consumers in Mount Lebanon posted the highest confidence level across administrative districts, or *mohafaza*, in the first quarter of the year, followed by consumers in the South, the North, Beirut and the Bekaa. Further, Christian consumers had a higher level of confidence than those from other religious affiliations during the covered quarter, followed by Druze, Sunni, and Shiite consumers.

The Byblos Bank/AUB Consumer Confidence Index is a measure of the sentiment and expectations of Lebanese consumers towards 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 & 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 survey has a margin of error of $\pm 2.83\%$, a confidence level of 95% and a response distribution of 50%. The monthly field survey is conducted by Statistics Lebanon Ltd, a market research and opinion-polling firm.

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