



Byblos Bank/AUB Consumer Confidence Index: Consumer Confidence stagnates in Third Quarter of 2016

Byblos Bank Headquarters, October 20, 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 third quarter of 2016.

The results show that the Byblos Bank/AUB Consumer Confidence Index averaged 36.4 in the third quarter of 2016, nearly unchanged from 36.1 in the second quarter of the year. In addition, the Byblos Bank/AUB Present Situation Index averaged 36.3 in the third quarter of 2016 and grew by 6.2% from the preceding quarter, while the Byblos Bank/AUB Expectations Index averaged 36.4 and declined by 2.8% from the second quarter of 2016. Moreover, the average monthly score of the Index in the third quarter constituted a decline of 65.7% from the quarterly peak score of 105.8 registered in the fourth quarter of 2008 and a drop of 62.4% from the annual peak score of 96.7 reached in full year 2009. Also, the third-quarter results show a decrease of 32.2% from the monthly trend average score of 53.6 since July 2007.

The stagnation in confidence during the third quarter of 2016 was reflected in the answers of consumers to the Index's survey questions, as 77.6% of the surveyed Lebanese considered that their personal financial situation is "worse off" than it was six months earlier, and 17.2% stated that their financial situation remained the same. In contrast, 5.3% of the surveyed Lebanese said that their financial situation is "better off" than it was six months earlier.

Mr. Nassib Ghobril, Chief Economist and Head of the Economic Research and Analysis Department at the Byblos Bank Group, indicated that "the prevailing status-quo on the political and economic fronts in the country has caused the level of consumer confidence to remain at low levels in the third quarter of 2016". He reiterated: "the repeated failure of the Lebanese Parliament to elect a President, the prevailing uncertainties about holding parliamentary elections and the paralyzed decision-making process within public institutions, are factors that continued to weigh on consumer sentiment."

Mr. Ghobril said that "Lebanese households have met with skepticism the attempts that started in late September towards a potential breakthrough in the presidential elections stalemate, as citizens have developed throughout the years and particularly since the presidential vacuum that started in May 2014, a solid dose of doubt about political initiatives." He added that the third-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 their personal or partisan agendas ahead of the national interest.

Mr. Ghobril considered that "the election of a President in the near term would help reverse the current stagnation in consumer sentiment." But in case such a positive political shock gets further delayed, and given the deep stagnation in sentiment since the first quarter of 2012, he suggested that authorities can help support consumer sentiment through practical and concrete measures that would improve the livelihood and quality of living of citizens. He added that "the proper enforcement of the anti-smoking law of 2011 and of the road safety law of 2012, along with the strengthening of the country's consumer protection agency, are concrete measures that would improve the well-being of citizens, which, in turn, may raise household confidence."

Further, the Byblos Bank/AUB Expectations Index posted higher values than the Byblos Bank/AUB Present Situation Index in two out of three months of the third quarter of 2016. However, Mr. Ghobril cautioned that "the results do not reflect a shift in households' attitudes, as only 6% of Lebanese polled in the third quarter of 2016 expected their financial conditions to improve in the coming six months, compared to 71.6% who believed that their financial situation will deteriorate, and 20% stated that their financial conditions would remain the same." In addition, only 3% of the Lebanese surveyed during the third 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 80% anticipated that the business environment would deteriorate and 14.6% forecast business conditions in Lebanon to remain the same.

The results of the Byblos Bank/AUB Consumer Confidence Index for the third quarter of 2016 show that female consumers had a relatively higher level of confidence than their male counterparts; while consumers in the 40 to 49 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 have a confidence level that is higher than those earning less. Moreover, private sector employees were more optimistic than the self-employed, housewives, students, public sector employees and the unemployed in the third quarter of 2016. In addition, consumers in Mount Lebanon posted the highest confidence level across administrative districts, or *mohafaza*, in the third quarter of the year, followed by consumers in Beirut, the North, the South and the Bekaa. Further, Christian consumers had a higher level of confidence than those from other religious affiliations during the covered quarter, followed by Sunni, Druze 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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