



Byblos Bank/AUB Consumer Confidence Index: Momentum in Consumer Confidence Slows Down in First Quarter of 2017

Byblos Bank Headquarters, April 20, 2017: 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 2017.

The results show that the Index regressed by 2.5% in January from the preceding month, dropped by 19% in February and declined by 13.7% in March 2017. But the Index averaged 58.5 in the first quarter of the year, constituting an increase of 16% from 50.4 in the fourth quarter of 2016. In addition, the Byblos Bank/AUB Present Situation Index averaged 52.4 in the first quarter of 2017 and increased by 8.4% from the preceding quarter, while the Byblos Bank/AUB Expectations Index averaged 62.5 and improved by 20.8% from the fourth quarter of 2016.

Commenting on the results, Mr. Nassib Ghobril, Chief Economist and Head of the Economic Research and Analysis Department at the Byblos Bank Group, indicated that "the recovery in sentiment in the first three months of the year remains tentative at best, especially when compared to the surge in confidence following the Doha Accord in May 2008, as the results of the first quarter of 2017 are 27% lower than the results of the third quarter of 2008."

He added "Lebanese households had high expectations that the end of the 30-month political deadlock would lead authorities to put the priorities and needs of citizens at the top of their agenda. Instead, the government's focus on increasing taxes on consumption, income and profits, as well as the debilitating and endless bickering among political parties about the parliamentary electoral law, halted the momentum in confidence that started towards the end of 2016." He noted that "as a result, household confidence has decelerated in each of the first three months of the year, with the March outcome representing a retreat of 32% from the recent peak that the Index reached in December 2016."

Further, the average monthly score of the Index in the first quarter of 2017 is 44.8% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008, and remains 39.5% below the annual peak score of 96.7 reached in full year 2009. But the first-quarter results were 9% higher than the monthly trend average score of 53.7 since the inception of the Index in July 2007, which marks the first time that the quarterly results exceed the trend average since the third quarter of 2011.

Mr. Ghobril cautioned that "the authorities' misplaced priorities will likely close the window of opportunity offered by the current goodwill and relative optimism of Lebanese households." He added that "Lebanese households consider that last year's political breakthrough needs to translate into concrete improvements in their quality of living and

economic well-being in order for their confidence to remain at a high level. So if authorities do not fulfill these expectations in the near term, citizens are likely to see the presidential elections, the formation of the government and the re-activation of Parliament as just a power-sharing deal among the political class, which will likely raise consumers' skepticism and reduce their confidence to significantly lower levels."

Mr. Ghobril noted "the results of the Index's survey reflect the prevailing skepticism of Lebanese households, as only 10.4% of the Lebanese polled in the first quarter of 2017 expected their financial condition to improve in the coming six months, while 64.1% of respondents in the first quarter believed that their financial situation will deteriorate and 23.1% forecast their financial condition to remain the same over the same period of time. In addition, 6.8% of the Lebanese surveyed in March 2017 expected business conditions in Lebanon to improve in the coming six months, down from 15.4% in January and 8.7% in February 2017. In contrast, 76% of respondents anticipated business conditions to deteriorate in March 2017, up from 59.4% in January and 68.8% in February 2017."

The results of the Byblos Bank/AUB Consumer Confidence Index for the first quarter of 2017 show that female consumers had a higher level of confidence than their male counterparts, and 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 be more confident 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 first quarter. In addition, consumers in Mount Lebanon posted the highest confidence level across administrative districts or *mohafaza*, followed by consumers in Beirut, the North, 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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