



Byblos Bank/Aub Consumer Confidence Index: Tax Hikes Hurt Consumer Confidence In Third Quarter Of 2017

Byblos Bank Headquarters, 4 December 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 third quarter of 2017.

The results show that the Index dropped by 13.5% in July from the preceding month, declined by 5.5% in August and regressed by 2.2% in September 2017. However, the Index averaged 58.4 in the third quarter of the year and increased by 6.6% from 54.8 in the second quarter of the year. In addition, the Byblos Bank/AUB Present Situation Index averaged 56.5 in the third quarter of 2017 and improved by 9.7% from the preceding quarter, while the Byblos Bank/AUB Expectations Index averaged 59.7 and grew by 4.8% from the second quarter of 2017. Moreover, the average monthly score of the Index in the third quarter of 2017 was 44.8% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008, and remained 39.6% 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, "Two parallel developments in July influenced consumer sentiment throughout the third quarter of 2017." He said, "The first development was the ratification by Parliament of the tax law that raised taxes on consumption, income and profits, and increased fees on a large number of public services; while the second development was the across-the-board increase in the wages and salaries of public sector employees and workers."

He stated, "The steep decline of the Byblos Bank/AUB Consumer Confidence Index in July, and its continuing decline in August and September, show that the negative impact of the tax hikes on sentiment is a lot more significant than any potential positive impact of the public-sector wage increase."

In fact, the positive impact of the wage increase was limited to public sector employees, as the value of the sub-index for this segment of the population jumped by 72% in July and was the highest by far among all occupational categories. In contrast, the value of the sub-index for private sector employees and the self-employed dropped by 28% and 13%, respectively, in the same month, while the confidence of the unemployed and of students fell by 17% and 22%, respectively. Furthermore, the confidence level of public sector employees remained the highest among all occupational categories throughout the third quarter, while the confidence level of all other occupational categories continued to regress in August and September.

Mr. Ghobril noted, "The results clearly show that the massive tax hike will offset the much-hyped positive impact of the public-sector wage increase on consumption and, by

extension, on economic activity.” He added: “Lebanese households had high expectations at the beginning of the year that the new government will put the priorities and needs of citizens at the top of its agenda. Instead, the authorities’ determination to increase taxes and fees, at the expense of households’ day-to-day needs, exacerbated consumers’ skepticism and added an unnecessary burden on the already stretched budgets of households.”

In fact, the results of the Index's survey reflect the prevailing skepticism of Lebanese households, as only 10.9% of the Lebanese polled in the third quarter of 2017 expected their financial condition to improve in the coming six months, while 66.6% of respondents believed that their financial situation will deteriorate and 20.2% forecast their financial condition to remain the same over the covered period of time. In parallel, 10% of the Lebanese surveyed in September 2017 expected business conditions in Lebanon to improve in the coming six months, while 74% of respondents anticipated business conditions to deteriorate, up from 68.2% in July and 70% in August 2017.

The results of the Byblos Bank/AUB Consumer Confidence Index for the third quarter of 2017 show that female consumers had a higher level of confidence than their male 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, private sector employees, students, housewives and the unemployed in the third quarter. In addition, consumers in Mount Lebanon posted the highest confidence level across administrative districts or *mohafaza*, 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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