CONSUMER CONFIDENCE IN LEBANON

THE BYBLOS BANK/AUB CONSUMER CONFIDENCE INDEX

Second Half 2019 Results and Analysis

Consumer Confidence Retreats in Second Half of 2019

CONTENTS

HIGHLIGHTS

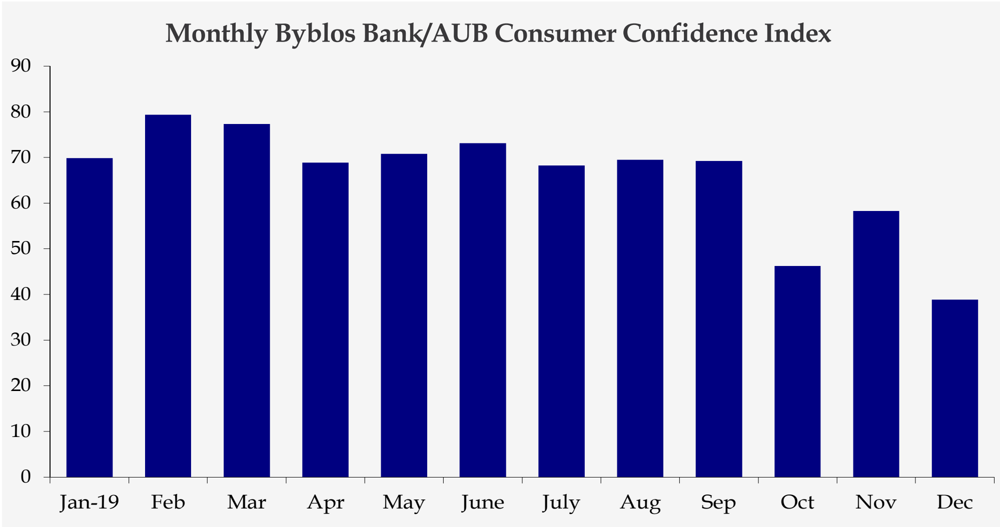
- The Byblos Bank/AUB Consumer Confidence Index posted a monthly average of 69 points in the third quarter of 2019 and retreated by 2.7% from the preceding quarter. The Index reached 47.8 points in the fourth quarter of 2019 and dropped by 31% from the preceding three months.
- The results of the third quarter of 2019 were the 15th highest since the Index's inception in July 2007, while the outcome of the fourth quarter was the 21st lowest in 50 quarters.
- The deterioration in socioeconomic and political conditions that prevailed throughout the second half of 2019 led to the decline in consumer sentiment in the third and fourth quarters of 2019.
- The Byblos Bank/AUB Consumer Confidence Index posted a monthly average of 58.4 in the second half of 2019, constituting a decline of 20.2% from the first half of the year.
- The results of the second half of 2019 represent a drop of 40% from the semi-annual peak registered in the first half of 2009.
- The Byblos Bank/AUB Consumer Confidence Index has been sending warning signals about the frustrations and receding expectations of Lebanese households since at least June 2017.
- Only 5.6% of surveyed Lebanese in the fourth quarter of 2019 expected their financial conditions to improve in the coming six months, while just 5.5% of respondents anticipated economic conditions in Lebanon to improve over the same forecast horizon.
- Public-sector employees were more optimistic than other occupational categories about near-term economic prospects during the second half of 2019.
- The Byblos Bank/AUB Consumer Confidence Index posted a monthly average of 65.8 in 2019 compared to an average of 71.4 in 2018.

I - Analysis of Results

A - ANALYSIS ON A CALENDAR BASIS

Consumer confidence in Lebanon regressed in the third and fourth quarters of 2019, as reflected by the results of the Byblos Bank/AUB Consumer Confidence Index. The Index reached 68.3 in July 2019, down by 6.6% from 73.1 in June 2019. It then increased by 1.9% to 69.5 in August and was nearly unchanged at 69.2 in September 2019. Further, the Index posted a score of 46.3 in the October 2019 survey, and dropped by 33.2% from the previous month. It then improved by 26% to 58.3 in November and retreated by 33.3% to 38.9 in December 2019.

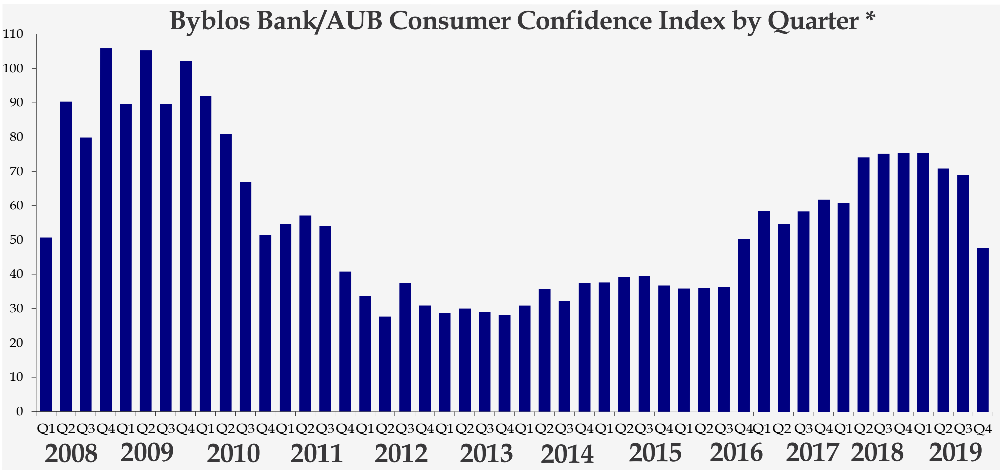
Consumer sentiment peaked in August during the second half of 2019



Source: Byblos Research, based on surveys conducted by Statistics Lebanon

The Byblos Bank/AUB Consumer Confidence Index averaged 69 in the third quarter of 2019 and declined by 2.7% from the second quarter of the year, while it fell by 30.7% to an average of 47.8 in the fourth quarter of 2019. The results of the third quarter of 2019 were the 15th highest since the Index's inception in July 2007, while the fourth-quarter results posted their 21st lowest quarterly reading in 50 quarters.

Household sentiment declined in the third and fourth quarters of 2019



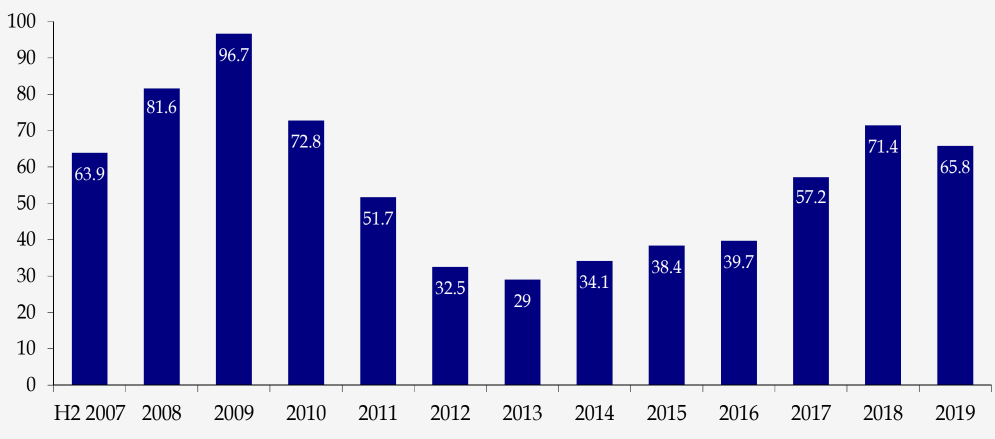
** average monthly score by quarter*
Source: Byblos Research, based on surveys conducted by Statistics Lebanon

Household sentiment has been affected by political and security developments in Lebanon, a trend that was upheld during the third and fourth quarters of 2019. In this context, household confidence regressed in the third quarter of 2019 due to several events that were sending clear warning signals about the socioeconomic crisis. Further, consumer sentiment retreated significantly in the fourth quarter of 2019 and reached its lowest level since the fourth quarter of 2016, due to the mounting frustrations of Lebanese citizens at the worsening socioeconomic conditions, which led to the eruption of nationwide protests on October 17.

The average monthly score of the Index in the third quarter of 2019 was 34.8% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008. Still, the third-quarter results were 22.5% higher than the monthly trend average score of 56.3 since the inception of the Index in July 2007. Further, the average monthly score of the Index in the fourth quarter of 2019 was 54.8% lower than the outcome of the fourth quarter of 2008, and came 15.1% lower than the monthly trend average score since July 2007.

In parallel, the Index posted an average monthly value of 58.4 in the second half of 2019, constituting a decrease of 20.2% from 73.2 in the first half of 2019. The second-half results represented the Index's 12th highest level in 25 semi-annual readings. They were also 3.7% higher than the Index's trend average score. But the average monthly score of the second half of 2019 represented a decline of 39.6% from the peak of 97.5 registered in the first half of 2009.

Byblos Bank/AUB Consumer Confidence Index on a Calendar Basis *



** average monthly score for the period*
Source: Byblos Research, based on surveys conducted by Statistics Lebanon

On a monthly basis, the results of the Byblos Bank/AUB Consumer Confidence Index for the second half of 2019 were mixed, in line with the political developments in the country. The Index decreased in four months and increased in two months during the covered period, reaching its lowest level of 38.9 in December amid the deepening of the economic and political crisis in the country.

In addition, the Byblos Bank/AUB Consumer Confidence Index posted a monthly average score of 65.8 in 2019, constituting a decrease of 7.9% from an average of 71.4 in 2018. The level of consumer sentiment in 2019 was 32% lower than the Index's peak score of 96.7 in full year 2009, while it was 16.8% higher than the Index's monthly trend average since its inception.

Results of the Byblos Bank/AUB Consumer Confidence Index, the Byblos Bank/AUB Present Situation Index and the Byblos Bank/AUB Expectations Index

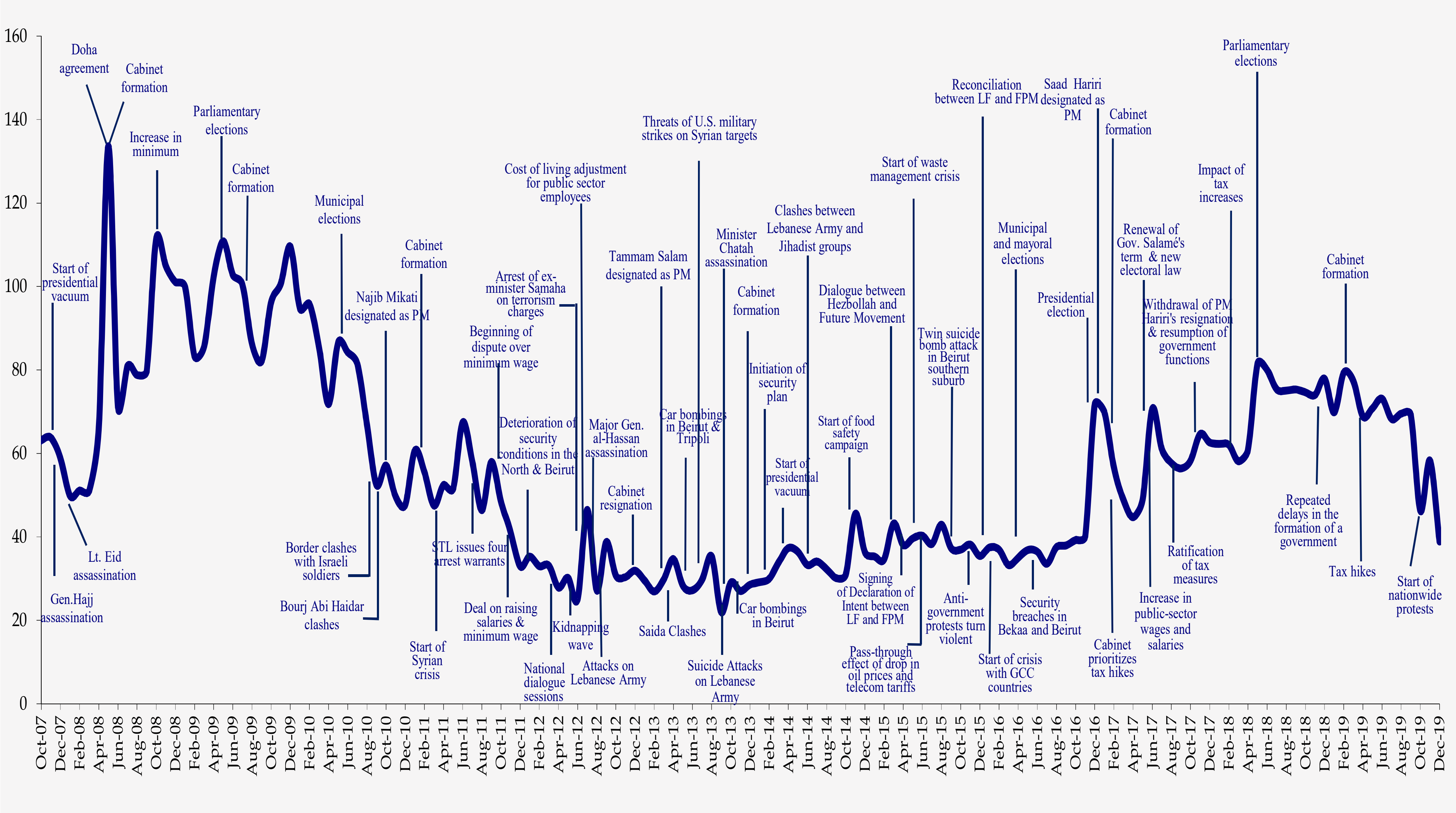
	Q3 2019			Q4 2019		
	Jul-19	**Aug-19**	**Sep-19**	**Oct-19**	**Nov-19**	**Dec-19**
CCI*	**68.3**	**69.5**	**69.2**	**46.3**	**58.3**	**38.9**
Month-on-month change (%)	-6.6%	1.9%	-0.4%	-33.2%	26.0%	-33.3%
Year-on-year change (%)	-9.4%	-7.4%	-8.1%	-38.0%	-21.2%	-50.1%
PSI**	**61.9**	**62.8**	**62.4**	**39.5**	**51.2**	**30.1**
Month-on-month change (%)	-4.0%	1.5%	-0.6%	-36.6%	29.5%	-41.3%
Year-on-year change (%)	-5.7%	-4.1%	-6.8%	-39.2%	-22.2%	-56.6%
EI***	**72.5**	**74.0**	**73.8**	**50.7**	**63.0**	**44.8**
Month-on-month change (%)	-8.1%	2.1%	-0.3%	-31.3%	24.2%	-29.0%
Year-on-year change (%)	-11.4%	-9.1%	-8.8%	-37.4%	-20.7%	-46.5%

** CCI: Byblos Bank/AUB Consumer Confidence Index*
*** PSI: Byblos Bank/AUB Present Situation Index*
**** EI: Byblos Bank/AUB Expectations Index*
Source: Byblos Research, based on surveys conducted by Statistics Lebanon

METHODOLOGY

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, geographical region, 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 +/- 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.

Evolution of the Byblos Bank/AUB Consumer Confidence Index (July 2007 - December 2019)



Source: Byblos Research

B -TIMELINE ANALYSIS

The results of the third quarter of 2019 supported the trend in consumer confidence that started towards the end of 2016 and that ushered a period of relative political stability. However, the exceptional socioeconomic and political developments that took place in Lebanon during the fourth quarter of 2019 led the country to enter a new phase of renewed and deepened uncertainties, which drove us to classify this timeframe as a period of "Heightened Uncertainties".

We identified six distinct periods in the history of the Byblos Bank/AUB Consumer Confidence Index: a period of Great Uncertainties, one of Relative Stability, a Return of Uncertainties phase, a period of Deepening Uncertainties, a Return to Relative Stability phase, and a sixth of Heightened Uncertainties.

The first period started in July 2007 and ended in April 2008, with the Index averaging 60.1 during this timeframe. It was a "high risk" period that was dominated by security and political uncertainties.

The second period extended from May 2008 to June 2010 and was characterized by a significantly higher level of confidence, as the Index averaged 94 during the 26-month period. This timeframe was a "low risk" period that saw several positive political events that helped revive consumer confidence.

The third period, which stretched from July 2010 to December 2011, saw the return of uncertainties and an increase in political risks, as the Index averaged 54.2 during the 18-month span.

The fourth period started in January 2012, with the Index averaging 33.8 during the 54 months ending in June 2016. It was a "very high risk" period as political and institutional paralysis increased and security conditions worsened, which negatively weighed on consumer sentiment. As such, the Index averaged 33.9 over the January 2012-September 2016 period, constituting the lowest level of household sentiment over the six periods.

The period of Return to Relative Stability extended into the third quarter of 2019

Further, the fifth period started in the fourth quarter of 2016 and extended into 2017, 2018 and the first nine months of 2019. Several political and security developments helped improve consumer confidence, which led us to classify this timeframe as a period of "Return to Relative Stability". This phase started with the election of President Michel Aoun and the formation of a government of national unity towards the end of 2016, and continued in 2017 with the renewal of the term of Banque du Liban's Governor Riad Salamé and the approval of a new parliamentary electoral law.

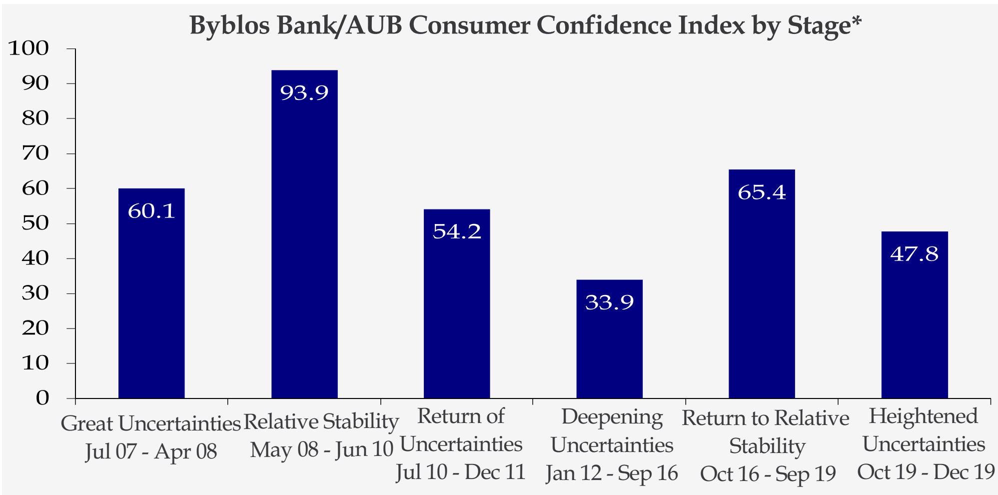
Also, this period carried into 2018 to reflect improved expectations of households following the parliamentary elections in May 2018, and continued during the first nine months of 2019 with the government's formation in late January 2019. As such, the Index averaged 65.4 during the October 2016-September 2019 timeframe, constituting the second highest level of household confidence among the six periods.

B -TIMELINE ANALYSIS

A new period of Heightened Uncertainties emerged in the fourth quarter of 2019

Further, a series of unprecedented events took place during the fourth quarter of 2019 and led to the deepening of the economic and political crisis in Lebanon. These exceptional developments have significantly dented consumer and business confidence, and weighed on the future expectations and decisions of households, which led us to classify this timeframe as a period of "Heightened Uncertainties". The Index averaged 47.8 during the October 2019-December 2019 timeframe, constituting the third lowest level of household confidence among the six periods.

This phase, which started in October 2019, began with the eruption of nationwide protests on October 17, the Cabinet's resignation in late October, as well as the deliberate obstacles to the formation of a new government with genuine popular legitimacy. As such, Lebanon entered a new phase of heightened economic and political uncertainties, which was aggravated by the open confrontation between protestors who demanded radical change, and political parties in power that aim to maintain the status quo.



** average monthly score for the period*
Source: Byblos Research, based on surveys conducted by Statistics Lebanon

C - ANALYSIS OF PRESENT SITUATION & EXPECTATIONS INDICES

The Byblos Bank/AUB Present Situation Index improved by 0.8% in the third quarter of 2019 from the preceding three months, while the Byblos Bank/AUB Expectations Index regressed by 4.6% in the covered period. In parallel, the Present Situation Index retreated by 35.4% in the third quarter of 2019 from the second quarter, while the Expectations Index dropped by 28.1% quarter-on-quarter.

The Byblos Bank/AUB Expectations Index posted higher values than the Present Situation Index during the third and fourth quarters of 2019, similar to the trend in all quarters since 2015. Also, the gap between the Expectations Index and the Present Situation Index registered a positive spread of +11.1 in the third quarter of 2019 and widened to +12.6 in the fourth quarter.

The Expectations Index was higher than the Present Situation Index during the second half of 2019

The Present Situation Index and the Expectations Index moved in the same direction in all three months of the third quarter of 2019. The Present Situation Index decreased by 4% in July, increased by 1.5% in August and regressed by 0.6% in September 2019; while the Expectations Index declined by 8.1% in July, improved by 2.1% in August and regressed by a marginal 0.3% in September 2019. Also, the Present Situation and Expectations indices averaged 62.3 and 73.5, respectively, in the third quarter of 2019, constituting their 15th and 17th highest quarterly readings, respectively, since the Index's inception in July 2007.

In addition, the two indices moved in the same direction in every month of the fourth quarter of 2019. As such, the Present Situation Index decreased by 36.6% in October, increased by 29.5% in November and dropped by 41.3% in December 2019, while the Expectations Index declined by 31.3% in October, rose by 24.2% in November and decreased by 29% in December 2019. In addition, the Present Situation and Expectations indices averaged 40.3 and 52.8, respectively, in the fourth quarter of 2019, constituting their 22nd highest quarterly readings in 50 quarters.

Generally, Lebanese consumers have been more optimistic about their conditions over the near term than about their current situation, a trend upheld in the third and fourth quarters of 2019, as the Expectations Index posted higher values than the Present Situation Index in each of the last six months of 2019. In fact, Lebanese consumers have been more optimistic about the future than about present circumstances in 40 out of 50 quarters and in 115 out of 150 months between July 2007 and December 2019, representing a 76.7% monthly frequency of occurrence.

The results of the second half of 2019 reflect the frustrations of Lebanese households about their future conditions, as 7% of Lebanese polled in the covered period expected their personal financial conditions to improve in the coming six months relative to 10% in the first half of 2019. In addition, 68.6% of respondents in the second half of 2019 believed that their financial situation will deteriorate in the coming six months, while 22.4% expected their financial conditions to remain the same.

D - GENERAL TRENDS

Consumer confidence in Lebanon retreated during the second half of 2019, as the decrease in consumer sentiment in the third quarter was followed by a more pronounced decline in confidence in the fourth quarter of the year. The accumulation of citizens' grievances over worsening economic conditions, as well as their increased dissatisfaction at the failure of the political class to address persistent socioeconomic challenges in the country, affected households' expectations and led the Byblos Bank/AUB Consumer Confidence Index to regress during the third, and particularly, the fourth quarter of 2019. Also, the onset of nationwide protests in October 2019 significantly affected the confidence of Lebanese consumers during the fourth quarter of the year. Protestors demanded the dismissal of a political class that they accused of mismanaging public finances and bringing the economy to the verge of collapse. The national protests provided hope for citizens for a real change and a new political class. However, the obstructionism of political parties in power and the deliberate policy inaction prevented any buildup in sentiment and, instead, dented households' confidence in the covered quarter.

Citizens' dissatisfaction about tax measures in the 2019 budget prevented any buildup in confidence in third quarter of 2019

Consumer sentiment continued to be largely impacted by political developments during the third quarter of 2019, as the decline in July reflected the citizens' disappointment in the 2019 budget measures, as well as the sustained lack of trust in the seriousness of the political class to improve the quality of living of households. The budget, which was enacted by Parliament on July 19 after repeated delays and political disagreements, failed to meet the needs and expectations of citizens, as the so-called reform measures consisted of increases in taxes and fees that are bound to reduce the disposable income and purchasing power of households.

In fact, Lebanese citizens have come to realize that the authorities' concept of reforms usually translates into repeated and arbitrary increases in taxes and fees, given the massive tax increases that went into effect at the start of 2018 and the additional tax hikes in the 2019 budget, instead of the authorities taking genuine reform measures to improve the standard of living of citizens. As such, the lack of action by the government has transformed the long-standing skepticism of households into disillusionment about the seriousness of the political class to improve their quality of living, and has prevented any buildup in confidence in the third quarter of 2019.

Only 9% of respondents in September 2019 expected their financial conditions to improve in the coming six months

The results of the Index's monthly survey clearly reflect the level of frustrations of Lebanese households and the weakening of their expectations, as only 3% of Lebanese polled in September 2019 considered that their personal financial conditions improved from March 2019, while 64% of respondents said that their financial situation deteriorated from six months earlier. Further, 9% of the Lebanese polled in September believed that their personal financial conditions would improve in the coming six months, while 63% of households considered that their financial conditions will deteriorate by March 2020.

In parallel, 5% of the Lebanese surveyed in September 2019 considered that business conditions in Lebanon improved from March 2019, while 69% indicated that economic conditions deteriorated from six months earlier. In addition, 9% anticipated economic conditions to improve, while 70% of respondents expected business conditions to deteriorate by March 2020.

The results of the September survey were a clear harbinger for things to come, as household sentiment regressed remarkably during the fourth quarter of 2019. The Index plunged to its lowest level since the fourth quarter of 2016, as the mounting frustrations of Lebanese citizens at their deteriorating socioeconomic conditions led to the eruption of nationwide protests on October 17. Tens of thousands of Lebanese citizens took to the streets following the government's announcement of austerity measures in the 2020 draft budget. The protests were sparked by the accumulation of grievances over worsening economic conditions, as well as by the increased dissatisfaction at the failure of the political class to address the long-standing challenges in the country. The protests were also triggered by a build-up of anger over the perceived corruption in the public sector and the mismanagement of public finances.

The national protests were the most impactful development in the fourth quarter of 2019

Citizens demanded a new government composed of politically-independent experts, early parliamentary elections, and a credible fight against corruption and nepotism. But the perceived indifference and lack of any sense of urgency by the political class to address these demands worsened the skepticism of households.

In addition, the emergence of US dollar shortages in the market, the downgrade of Lebanon's sovereign and bank ratings, as well as the flood of rumors and scare tactics about the impending collapse of the banking sector and of the national currency, created panic among citizens during the fourth quarter. These factors significantly increased households' uncertainties and weakened consumer and business sentiment in the fourth quarter of 2019.

Worsening socioeconomic conditions have increased households' uncertainties in the fourth quarter

The detailed results of the Index's monthly survey reflected further weakening in households' expectations, as only 2.9% of Lebanese polled in December 2019 considered that their personal financial conditions improved from six months earlier, while 78.3% of respondents said that their financial situation deteriorated from June 2019. Further, 2.6% of the Lebanese polled in December believed that their personal financial conditions would improve in the coming six months, while 79.6% of households expected their financial conditions to deteriorate by June 2020. In parallel, 3.7% of the Lebanese surveyed in December 2019 considered that economic conditions in Lebanon improved from six months earlier, while 91.3% indicated that economic conditions deteriorated from June 2019. In addition, 3.3% anticipated economic conditions to improve in the coming six months, while 86.2% of respondents expected business conditions to deteriorate by June 2020.

The Byblos Bank/AUB Consumer Confidence Index has been sending warning signals about the frustrations and receding expectations of Lebanese households since at least June 2017. In fact, since this date, 65.8% of surveyed Lebanese, on average, said that their personal financial conditions have deteriorated from the six months that preceded the monthly poll, with a high of 78.3% in December 2019 and a low of 58% in May 2018.

Looking at the full year's results, consumer confidence regressed from 2018, but still posted its fifth highest level on an annual basis since 2008. Most of the decrease occurred during the fourth quarter of 2019, as the Index was unchanged in the first quarter, declined by 6.1% in the second quarter, regressed by 2.7% in the third quarter and dropped by 30.7% in the fourth quarter.

The formation of the government in late January 2019 was a positive development that affected household sentiment in the first quarter of 2019. However, the impact of this development was short-lived, as it was insufficient to create a durable recovery in confidence during the remaining quarters of the year. Instead, the Byblos Bank/AUB Consumer Confidence Index declined in the second, third and fourth quarters of 2019 amid worsening socioeconomic conditions, especially in the last quarter of the year, which added to the prevailing uncertainties and clouded households' expectations.

The government's arbitrary decisions affected the prospects of private-sector employees in 2019

In addition, the impact of the arbitrary and ill-conceived government decisions has affected the performance of the private sector and, therefore, the prospects of private-sector employees. In fact, the increase in the public sector's wages and salaries in 2018 continued to weigh on the confidence level of private-sector employees and of the self-employed in 2019. In fact, a particular segment of the population has benefited from the increase at the expense of the broader society, especially that the private sector constitutes the engine of economic activity in Lebanon. The confidence level of private-sector employees has consistently exceeded the confidence level of public-sector workers since the Index's inception. However, this trend reversed in 2018 and persisted throughout 2019, when public-sector employees started to post much higher confidence levels than their private-sector counterparts.

Moreover, the confidence level of public-sector workers was 38% higher than the sentiment of private-sector employees in the first half of 2019, while it was 44% higher than the confidence level of private-sector employees in the second half of the year. The wide discrepancy throughout 2019 reflected in part the negative impact of the increase of the public sector's wages and salaries on economic activity and on the prospects of the private sector.

The Byblos Bank/AUB Consumer Confidence Index posted mixed results in 2019, as the Index decreased in seven out of 12 months. It reached a low of 38.9 in December, as a result of worsening economic conditions and the absence of tangible measures by the government, and a high of 79.4 in February 2019, following the formation of a new government in late January 2019.

In parallel, the spread between the Byblos Bank/AUB Expectations Index and the Byblos Bank/AUB Present Situation Index remained positive in each month of 2019. The spreads ranged from a low of +10.7 in July to a high of +16.5 in March 2019.

A high level of consumer confidence requires serious measures to improve standards of living

The results of the Byblos Bank/AUB Consumer Confidence Index for 2019 reflected the citizens' increased skepticism about the seriousness of the traditional political class to deliver the much-needed reforms that would improve the country's prospects and, in turn, raise the citizens' quality of living and economic well-being of households. In fact, citizens have repeatedly seen many politicians put their personal or partisan agendas ahead of the national interest, instead of facilitating the implementation of measures to address the prevailing socioeconomic emergencies. In addition, the open confrontation between protestors who demanded real change, and political parties in power who aim to maintain the status quo, signaled that the country has entered a new phase that is defined by heightened uncertainties and weakening sentiment. As such, the acceleration of serious reform measures is the main factor that could lift the confidence and expectations of households in the long term.

E - CONSUMERS' NEAR-TERM OUTLOOK

Lebanese females had a more optimistic near-term outlook than their male counterparts in the third and fourth quarters of 2019. The average monthly reading of the Expectations Index was 76.3 for females compared to 70.6 for males in the third quarter of 2019, while it reached 55.2 for females relative to 50.5 for males in the fourth quarter of the year.

Younger consumers were the most optimistic in the second half of 2019

Consumers who are in the 21 to 29 year-old bracket were more optimistic about near-term economic prospects than their counterparts in other age brackets during the third and fourth quarters of 2019, while consumers who are 60 years or older were the most pessimistic during the covered quarters.

Further, students were the least pessimistic about economic prospects among occupational sub-categories in the third and fourth quarters of 2019, as the Expectations Index for this segment averaged 111 in the third quarter and 77.6 in the fourth quarter. Conversely, private-sector employees were the most pessimistic about the near future among all occupational categories in the third and fourth quarters of 2019, with the Expectations Index for this category averaging 44.9 in the third quarter and 30.7 in the fourth quarter of the year.

Weaker socioeconomic conditions dented the expectations of citizens across the board

In parallel, consumers who earn a monthly income of $2,500 or higher had higher expectations about future economic prospects than citizens in other income brackets during the third and fourth quarters of 2019. In contrast, citizens with a monthly income between $1,500 and $2,499 were the most pessimistic about the near future among all income categories during the third quarter of the year, while consumers with a monthly income between $750 and $1,499 were the least optimistic about future economic prospects than citizens in other income brackets during the fourth quarter of 2019, mostly reflecting the deterioration in socioeconomic conditions and increased uncertainty among the Lebanese about their future financial situation.

In addition, residents of the Bekaa had a more positive outlook than their counterparts in other geographical regions during the third quarter of 2019, while residents of the North were more optimistic than citizens in other geographical regions during the fourth quarter of the year. Conversely, consumers who reside in Beirut were more pessimistic about future prospects than those in other geographical regions during the third and fourth quarters of 2019.

Shiite citizens were the most optimistic about future prospects in the fourth quarter of 2019

In terms of religious affiliation, Christian citizens were more positive about the country's near-term economic outlook in the third quarter of 2019 than Lebanese from other religious denominations, while Shiite households were the most optimistic in the fourth quarter of the year. In parallel, Druze consumers were the most pessimistic about future prospects during the third quarter of 2019, while Sunni households were the least optimistic during the fourth quarter of the year.

II - Results by Category

A - CONSUMER CONFIDENCE BY GENDER

The results of the Byblos Bank/AUB Consumer Confidence Index show that female consumers registered a higher level of confidence than their male counterparts during the third and fourth quarters of 2019. Also, females were more confident than males in five out of six months in the second half of 2019.

Females were more confident than males in the second half of 2019

The confidence level of females regressed by 2% in the third quarter and dropped by 31% in the fourth quarter of 2019, while the sentiment of males decreased by 3.5% in the third quarter and retreated by 30.5% in the fourth quarter of the year. Females and males posted average confidence levels of 71.4 and 66.6, respectively, in the third quarter of 2019, as well as confidence levels of 49.3 and 46.3, respectively, in the fourth quarter of the year. The third-quarter results represented the 15th highest level of confidence for Lebanese females since the Index's inception, while the confidence level of males was the 16th highest. Moreover, the fourth-quarter results constituted the 21st lowest level of confidence for both female and male consumers in 50 quarterly readings.

On a semi-annual basis, female and male consumers posted average confidence levels of 60.4 and 56.4, respectively, in the second half of 2019, relative to confidence levels of 75.4 and 71, respectively, in the first half of 2019. As such, the confidence level of females decreased by 20% and it dropped by 20.5% for males in the second half of 2019. Also, females and males posted their 15th and 13th lowest levels of confidence, respectively, in 25 semi-annual results.

The results show that female consumers had a higher confidence level than their male counterparts in seven out of the first eight quarters following the Index's inception in July 2007. This trend reversed, as males became more confident than females in 21 out of the following 22 quarters until the end of 2014. The trend changed again in 2015, as females started to post higher confidence levels than their male counterparts in 17 out of the following 20 quarters ending in the fourth quarter of 2019.

On an annual basis, Lebanese females had a higher level of confidence than their male counterparts in 2019, representing their sixth such instance since the start of the Index's calculation. Female consumers have been more confident than females in 75 out of 150 months since the Index's inception in July 2007, representing a 50% frequency of occurrence.

Byblos Bank/AUB Consumer Confidence Index by Gender

Month	Male	Female
Jul-19	65.3	71.2
Aug-19	66.7	72.3
Sep-19	67.8	70.7
Av. Index Q3 2019	66.6	71.4
Oct-19	44.8	47.7
Nov-19	55.1	61.6
Dec-19	39.0	38.8
Av. Index Q4 2019	46.3	49.3

** average monthly score*

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

B - CONSUMER CONFIDENCE BY AGE

Older consumers were less optimistic than citizens in other age brackets in the fourth quarter of 2019

Consumers in the 21 to 29 year-old bracket posted a higher level of confidence than citizens in other age brackets in the third and fourth quarters of 2019. In contrast, citizens who are between 40 and 49 years old were the least confident among other age segments in the third quarter of 2019, while consumers who are 60 years or older posted the lowest level of confidence among other age brackets in the fourth quarter of the year.

The level of sentiment increased by 3.3% among consumers who are 60 years or older, and expanded by 1.9% for citizens aged between 21 and 29 years in the third quarter of 2019; while the confidence level of consumers in the 40 to 49 year-old bracket declined by 11.8% in the covered quarter, followed by citizens who are between 50 and 59 years old (-4.4%) and consumers aged between 30 and 39 years old (-2.2%). Further, the confidence level of consumers in the 21 to 29 year-old bracket dropped by 39% in the fourth quarter of the year, followed by citizens aged between 30 and 39 years (-30.2%), consumers who are 60 years or older (-25.6%), citizens in the 50 to 59 year-old bracket (-25%), and consumers aged between 40 and 49 years old (-21.5%).

Consumers who are in the 21 to 29 year-old bracket had the highest level of confidence in the second half of 2019, constituting the 20th such occurrence in 25 semi-annual periods. They were followed by citizens aged between 30 and 39 years, then those who are in the 50 to 59 year-old bracket, consumers who are 60 years or older, and citizens aged between 40 and 49 years. Consumers who are in the 21 to 29 year-old bracket had the highest level of confidence among all age segments in five out of the six months of the second half of 2019. In contrast, citizens who are 60 years or older were the least confident in three out of the six months of the second half of the year.

Young citizens have a more positive outlook than older ones

Generally, consumers aged between 21 and 29 years have been more confident than older consumers, as they posted the highest confidence level in 41 out of 50 quarters, which represents an 82% frequency of occurrence. Also, citizens who are 21 to 29 years old have been the most confident in 104 out of 150 months since the Index's inception, representing a 69.3% frequency of occurrence. Also, consumers in the 21 to 29 year-old bracket were more confident in 2019 than older consumers, the 10th such annual occurrence since 2008. This trend reflects the energy and outlook of young men and women in Lebanon, as they led the national protests of October 17, in contrast to the constant self-serving and fact-free rumors about the despondency of Lebanese youth.

Byblos Bank/AUB Consumer Confidence Index by Age

Month	21-29 yrs	30-39 yrs	40-49 yrs	50-59 yrs	≥60 yrs
Jul-19	82.7	65.5	57.4	64.6	60.4
Aug-19	84.9	66.4	59.9	68.6	57.6
Sep-19	87.6	69.2	55.7	60.5	59.6
Av. Index Q3 2019*	85.1	67.0	57.7	64.6	59.2
Oct-19	50.1	45.8	46.0	44.4	39.9
Nov-19	69.0	58.0	51.2	54.5	49.7
Dec-19	36.4	36.6	38.7	46.4	42.4
Av. Index Q4 2019*	51.8	46.8	45.3	48.4	44.0

** average monthly score*
Source: Byblos Research, based on surveys conducted by Statistics Lebanon

C - CONSUMER CONFIDENCE BY OCCUPATION

Students posted a higher level of confidence than consumers in other occupational categories in the second half of 2019. When excluding students, public-sector employees were more optimistic than other occupational categories in the covered period. In contrast, private-sector employees were the most pessimistic during the second half of 2019, constituting the second such instance in 25 semi-annual periods since the start of the Index's calculation. This reflects the impact of the arbitrary and ill-conceived government decisions that continued to hurt the performance of the private sector and, therefore, the prospects of private-sector employees.

Public-sector workers were significantly more confident than private-sector employees and the self-employed

The sentiment of the unemployed improved by 6.7% quarter-on-quarter in the third quarter of 2019, followed by housewives (+4.3%), the self-employed (+2.2%), public-sector employees (+0.7%), and private-sector employees (+0.5%); while the confidence level of the self-employed deteriorated by 7.3% in the covered quarter. However, the sentiment of private-sector employees dropped by 34% during the fourth quarter of 2019, followed by the sentiment of students (-33%), the unemployed (-29.3%), housewives (-28.6%), the self-employed (-27.1%), and public-sector employees (-23.8%).

Moreover, the confidence level of public-sector workers was 43.8% higher than the confidence level of private-sector employees in the second half of 2019, while it was 37.8% higher than the sentiment of private-sector employees in the first half of the year. The wide discrepancy throughout 2019 reflected in part the negative impact of the increase of the public sector's wages and salaries on economic activity.

In addition, private-sector employees were the least confident among all occupational categories in 2019, constituting the first such instance since the Index's inception. In parallel, the sentiment level of students was the highest in 86 out of 150 months, representing a 57.3% frequency of occurrence, followed by private-sector employees with an incidence of 21.3%, public-sector employees with 8%, the self-employed with 6%, the unemployed with 5.3%, and housewives with a frequency of 2%.

Byblos Bank/AUB Consumer Confidence Index by Occupation

Month	Private Sector Employee	Public Sector Employee	Self-employed	Student	Housewife	Unemployed
Jul-19	53.9	70.1	60.6	103.9	70.3	57.8
Aug-19	54.6	72.8	62.0	109.0	70.6	66.2
Sep-19	54.3	77.4	64.1	102.7	69.4	64.7
Av. Index Q3 2019*	54.2	73.5	62.3	105.2	70.1	62.9
Oct-19	37.2	60.0	41.8	82.4	47.4	37.8
Nov-19	46.0	73.6	52.2	96.9	62.4	54.3
Dec-19	24.3	34.4	42.1	32.2	40.4	41.2
Av. Index Q4 2019*	35.8	56.0	45.4	70.5	50.1	44.4

** average monthly score*

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

D - CONSUMER CONFIDENCE BY INCOME

The results of the Byblos Bank/AUB Consumer Confidence Index show that consumers with an income of $2,500 or more per month were more confident than citizens in lower income brackets in the third and fourth quarters of 2019. Conversely, citizens in the $1,500 to $2,499 per month income bracket were the least confident among all income categories in the third quarter, while consumers who earn a monthly income of $750 to 1,499 per month were the most pessimistic in the fourth quarter of 2019.

Consumer sentiment remains correlated to income levels

The confidence level of consumers with a monthly income of $750 or less grew by 7% in the third quarter of 2019 from the preceding quarter and increased by 5.2% for citizens with a monthly income of $2,500 or more; while it regressed by 8.5% for consumers in the $750 to $1,499 per month income bracket and declined by 7.8% for citizens who earn between $1,500 and $2,499 per month. Moreover, the confidence level of consumers with an income of $750 to $1,499 per month dropped by 35% in the fourth quarter of 2019, followed by citizens who earn $750 or less (-34%), consumers with an income of $1,500 to $2,499 per month (-25%), and citizens who earn $2,500 or more per month (-20.4%).

On a semi-annual basis, consumers with a monthly income of $2,500 or more had the highest level of confidence among all income brackets in the second half of 2019. Consumer sentiment for this category posted an average reading of 80.9 in the second half of 2019 and decreased by 6.4% from 86.4 in the first half of the year. Citizens with a household income of $2,500 or higher held the highest level of confidence in all semi-annual readings since the start of the Index's calculation.

On an annual basis, consumers with a monthly income of $2,500 or more had a higher level of confidence than those in lower income brackets in 2019, in line with the results since 2014. In addition, consumers with an income of $2,500 or more per month had the highest level of confidence in 64 out of 72 months, representing an 89% frequency of occurrence.

Byblos Bank/AUB Consumer Confidence Index by Income*

Month	<$750	$750-$1,499	$1,500-$2,499	≥$2,500
Jul-19	66.8	65.4	66.7	85.0
Aug-19	70.3	64.9	67.1	89.5
Sep-19	66.9	68.7	62.6	95.9
Av. Index Q3 2019*	68.0	66.3	65.5	90.1
Oct-19	43.3	43.6	41.9	80.9
Nov-19	55.1	54.9	56.4	88.5
Dec-19	36.2	31.1	49.4	45.8
Av. Index Q4 2019*	44.9	43.2	49.2	71.7

** monthly household income ** average monthly score*
Source: Byblos Research, based on surveys conducted by Statistics Lebanon

E - CONSUMER CONFIDENCE BY GEOGRAPHICAL REGION

The results of the Byblos Bank/AUB Consumer Confidence Index show that residents of the Bekaa region had a higher level of confidence relative to consumers in other regions in the last two quarters of 2019. Conversely, Beirut residents were the most pessimistic among all geographical regions in the third quarter of 2019, while residents of the South were the least optimistic in the fourth quarter of the year.

Consumer sentiment in the Bekaa grew by 4.9% in the third quarter of 2019 and posted the only increase across geographical regions. In contrast, the confidence level of consumers in Beirut dropped by 10.4% in the covered quarter, followed by residents of the South (-5.8%), citizens in the North (-4.1%), and consumers in Mount Lebanon (-1.9%). Further, the sentiment of citizens in the North retreated by 39.4% in the fourth quarter of 2019, followed by residents of the Bekaa (-38.1%), the South (-32.8%), Mount Lebanon (-23.5%), and Beirut (-18.7%).

Household sentiment in the Bekaa was the highest across regions in the second half of 2019

On a semi-annual basis, households in the Bekaa region posted the highest level of confidence in the second half of 2019, followed by consumers in the North, residents of Mount Lebanon, citizens in the South and consumers in Beirut. Residents of the Bekaa region posted the highest level of confidence among geographical regions in the July, August, September and November 2019 surveys, while citizens in the North were the most optimistic in October 2019 and consumers in Beirut were the least pessimistic in December 2019. In contrast, consumers in Beirut registered the lowest level of confidence in five out of the six months of the second half of 2019, while residents in the North were the least optimistic in December 2019.

On an annual basis, residents of the Bekaa posted the highest level of confidence among geographical regions in 2019, the first such instance since 2008. They were followed by citizens in the North, then households in Mount Lebanon, in the South and in Beirut. Overall, consumers in Mount Lebanon held the highest level of confidence in 50 out of 150 months, representing a 33.3% frequency of occurrence, followed by consumers in the North with an incidence of 23.3%, households in the South with 18.7%, consumers in Beirut with 14% and households in the Bekaa with a frequency of 10.7%.

Byblos Bank/AUB Consumer Confidence Index by Geographical Region

Month	Beirut	Mount Lebanon	North	Bekaa	South
Jul-19	57.9	59.8	79.2	90.3	61.6
Aug-19	55.1	65.5	77.5	91.0	60.5
Sep-19	50.3	64.7	80.8	92.0	59.7
Av. Index Q3 2019*	54.4	63.4	79.2	91.1	60.6
Oct-19	29.9	49.2	54.7	51.3	38.4
Nov-19	42.9	58.0	66.2	69.8	51.4
Dec-19	59.9	38.3	23.1	48.2	32.3
Av. Index Q4 2019*	44.2	48.5	48.0	56.4	40.7

** average monthly score*
Source: Byblos Research, based on surveys conducted by Statistics Lebanon

F - CONSUMER CONFIDENCE BY RELIGIOUS AFFILIATION

The results of the Byblos Bank/AUB Consumer Confidence Index show that Shiite households were the most optimistic among all religious affiliations in the third quarter of 2019, while Druze citizens were the least pessimistic in the fourth quarter of the year. The results of the third quarter of 2019 constituted the eighth time since the Index's inception that Shiite households post the highest level of confidence on a quarterly basis, while the fourth-quarter results represented the 14th time in 50 quarters that Druze households post the highest confidence level.

In parallel, Druze citizens were the most pessimistic during the third quarter of 2019, while Sunni citizens were the least confident in the fourth quarter of the year. In general, Christians held the highest level of confidence in 56 out of 150 months since the Index's inception, representing a 37.3% frequency of occurrence, followed by Druze citizens with an incidence of 31.3%, Shiite consumers with 17.3% and Sunni citizens with a frequency of 14%.

The confidence level of Druze households declined by 8% in the third quarter of 2019, the steepest decrease among all religious affiliations. It was followed by the sentiment of Christian households (-3%), Shiite citizens (-2.1%) and Sunni consumers (-0.9%). In parallel, the confidence level of Sunni consumers dropped by 35% in the fourth quarter of 2019, followed by Christian households (-30.2%), Shiite citizens (-29.5%) and Druze households (-22.3%).

Shiite households were the most optimistic in the second half of 2019

The sentiment of Druze consumers declined by 24.7% in the second half of 2019 from the first half of the year, while it decreased by 20.6% for Sunni households, regressed by 19.8% for Christian consumers, and dropped by 18.4% for Shiite households. Overall, Shiite households posted the highest level of confidence among all religious affiliations in the covered period.

Shiite consumers posted the highest level of confidence among all religious affiliations in 2019, the first such instance since 2008, followed by Druze, Christians and Sunni households. Christians held the highest level of confidence in 56 out of 150 months since the Index's inception, representing a 37.3% frequency of occurrence, followed by Druze citizens with an incidence of 31.3%, Shiite consumers with 17.3% and Sunni citizens with a frequency of 14%.

Byblos Bank/AUB Consumer Confidence Index by Religious Affiliation

Month	Christians	Sunnis	Shiites	Druze
Jul-19	67.4	66.9	72.5	65.3
Aug-19	69.7	68.7	71.9	65.0
Sep-19	68.9	69.7	70.5	66.3
Av. Index Q3 2019*	68.7	68.4	71.6	65.5
Oct-19	68.9	69.7	70.5	66.3
Nov-19	59.0	51.6	63.1	63.5
Dec-19	38.8	40.9	34.8	46.0
Av. Index Q4 2019*	55.6	54.0	56.1	58.6

** average monthly score*
Source: Byblos Research, based on surveys conducted by Statistics Lebanon

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