



Byblos Bank/AUB Consumer Confidence Index: Household Confidence drops to new record low in Third Quarter of 2020

- Consumer confidence drops to lowest level on record
- The explosion at the Port of Beirut and the indifference of the political class are main causes of historic low sentiment

Byblos Bank Headquarters, 16 November 2020: Byblos Bank issued today the results of the Byblos Bank/AUB Consumer Confidence Index for the third quarter of 2020.

The results show that the Index averaged 17.5 points in the third quarter of 2020, constituting a decrease of 8.2% from 19 points in the second quarter of 2020 and a drop of 74.7% from 69 points in the third quarter of 2019. The Index stood at 17.8 points in July 2020, the second lowest level on record at the time. It then dropped to a new all-time low of 14.8 points in August 2020 and reached 19.9 points in September 2020.

Further, the Byblos Bank/AUB Present Situation Index averaged 15.5 points in the third quarter of 2020 and retreated by 17.7% from the preceding quarter, while the Byblos Bank/AUB Expectations Index averaged 18.8 points and regressed by 2% from the second quarter of 2020. The two sub-indices reached their lowest levels in the covered quarter since the Index's inception.

In addition, the average monthly score of the Index in the third quarter of 2020 was 83.5% lower than the quarterly peak score of 105.8 points registered in the fourth quarter of 2008, and remained 82% below the annual peak of 96.7 points reached in full year 2009. The third-quarter results constitute their lowest level in 53 quarters.

Commenting on the results, Mr. Nassib Ghobril, Chief Economist and Head of the Economic Research and Analysis Department at the Byblos Bank Group, said: "The accumulating socioeconomic challenges since the start of the year and the inability of the executive branch to address them led the Index to drop to a record low in the second quarter of the year. However, the criminal negligence that produced the August 4 explosion at the Port of Beirut caused the Index to drop to a new all-time low in the third quarter of the year."

Mr. Ghobril attributed the steep drop of the Index to three converging factors. He said: "First, the collapse in household sentiment was mainly due to the multiple ramifications of the devastating explosion at the Port of Beirut and to the perceived indifference of the political class at the plight of tens of thousands of affected families and businesses, and, by implication, at the prospects of the entire country. Second, talks about the potential need to lift subsidies on basic goods further depressed sentiment. Third, the lack of any sense of urgency by most political parties to form a government, despite the mounting socioeconomic challenges and the added domestic and international pressures following the blast at the port, affected confidence even more."

Mr. Ghobril noted that “the deterioration in socioeconomic conditions to unprecedented levels took a heavy toll on household sentiment, as only 0.2% of Lebanese polled in September 2020 considered that their personal financial conditions improved from six months earlier, while 88.8% of respondents said that their financial situation deteriorated from March 2020. Also, only 0.1% of the Lebanese surveyed in September considered that economic conditions in Lebanon improved from six months earlier, while 91.6% indicated that economic conditions deteriorated from March 2020.”

Further, the detailed results of the Index's monthly survey show that only 0.2% of the Lebanese polled in September believed that their personal financial conditions would improve in the coming six months, while 86.6% of households considered that their financial conditions will deteriorate by March 2021. In addition, 0.8% of respondents polled in September anticipated economic conditions to improve in the coming six months, while 89.3% of respondents expected business conditions to deteriorate by March 2021.

The results of the Byblos Bank/AUB Consumer Confidence Index for the third quarter of 2020 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. Further, households with an income of USD 2,500 or more per month continued to be more confident than those who earn a lower income. Moreover, the self-employed were more optimistic than housewives, public-sector employees, private-sector employees, and the unemployed during the third quarter of 2020, while students were the most optimistic segment overall.

In addition, the confidence level of residents in the North decreased by 29% in the third quarter of 2020 from the second quarter of 2020, followed by households in Mount Lebanon (-14.6%), the Bekaa region (-12.3%), and Beirut (-6.1%); while the confidence level of residents in the South increased by 36.7% quarter on quarter. The sentiment of residents in Beirut was the highest among all geographic regions during the third quarter of 2020, followed by households in the South, the Bekaa, Mount Lebanon, and the North. Also, the confidence level of Druze households dropped by 14.1% quarter on quarter in the third quarter of 2020, followed by the sentiment of Christian households (-10.5%), and Sunni households (-6.4%); while the confidence level of Shiite households increased by 6.6% quarter on quarter. Shiite households registered the highest level of confidence in the third quarter of 2020, followed by Christian, Sunni and Druze households.

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 by age, gender, income, profession, geographical region, and religious affiliation. The Byblos Bank Economic Research and Analysis Team 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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