



Byblos Bank/AUB Consumer Confidence Index: Consumer Confidence Stagnates in Second Quarter of 2016

Byblos Bank Headquarters, August 4, 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 second quarter of 2016.

The results show that the Byblos Bank/AUB Consumer Confidence Index improved by 5.3% in each of April and May, while it regressed by 1% in June 2016. The Index averaged 36.1 in the second quarter of 2016, nearly unchanged from 35.9 in the first quarter of the year. In addition, the Byblos Bank/AUB Present Situation Index averaged 34.2 in the second quarter of 2016 and grew by 4.1% from the preceding quarter, while the Byblos Bank/AUB Expectations Index averaged 37.4 and declined by 1.4% from the first quarter of 2016. The stagnation in confidence during the second quarter of 2016 was reflected in the answers of consumers to the Index's survey questions, as 78% of the surveyed Lebanese in the second quarter of 2016 considered that their personal financial situation is "worse off" than it was six months earlier and 17.6% stated that their financial situation remained the same. In contrast, only 4.4% of them said that their financial situation is "better off" than it was six months earlier, the eighth lowest such quarterly percentage since the Index's inception in July 2007.

Mr. Nassib Ghobril, Chief Economist and Head of Group Economic Research and Analysis Department at Byblos Bank, indicated that the municipal and mayoral elections that took place in May had a positive impact on sentiment. He noted that "the anticipation by Lebanese citizens that the elections would take place within the constitutional deadline led the Byblos Bank/AUB Present Situation Index to rise by 8% and the Byblos Bank/AUB Expectations Index to increase by nearly 4% in April 2016." He added that "the elections represented the first opportunity in six years for Lebanese citizens to exercise their constitutional right to choose their representatives, which gave them a sense of empowerment as well as hope for better governance at the local level." As such, he considered that "the fact that the elections took place led the Present Situation Index to grow by another 4% and the Expectations Index to jump by another 6% in May." He said: "however, the security breaches in the Bekaa and Beirut, and the resulting concerns about spillovers on the Lebanese economy ahead of the summer season, contributed to dragging down the Expectations Index by nearly 8% in June."

Mr. Ghobril pointed out that "despite the successful electoral process at the municipal level, the persistent vacuum at the presidential level, the prevailing uncertainties about the parliamentary elections, along with the paralyzed decision-making within public institutions, are factors that continued to weigh on consumer sentiment during the second quarter." He added that "the deterioration in public service delivery and the stagnation in the job market also contributed to maintaining confidence at low levels." He said: "on the security front, generally stable conditions across the country and the ongoing countrywide crackdown on suspected terrorists by security forces prevented consumer sentiment from deteriorating during the second quarter." He added: "low gasoline retail prices continued to provide some

reprieve to the strained budgets of households, which, in turn, supported consumer sentiment."

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 second quarter of 2016, and in five out of the first six months of the year. However, Mr. Ghobril cautioned that "the results do not reflect a shift in households' attitudes, as only 7.1% of Lebanese polled in the second quarter of 2016 expected their financial conditions to improve in the coming six months, compared to the 71.2% who believed that their financial situation will deteriorate, and 19.5% stated that their financial conditions would remain the same." In addition, only 3.1% of the Lebanese surveyed during the second 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 79% anticipated that the business environment would deteriorate and 15.4% forecast business conditions in Lebanon to remain the same.

The results of the Byblos Bank/AUB Consumer Confidence Index for the second quarter of 2016 show that female consumers had a relatively higher level of confidence than their male counterparts; while 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 have a confidence level that is higher than those earning less. Moreover, students had a higher level of sentiment than private sector employees, housewives, the self-employed, public sector employees and the unemployed, in the second quarter of 2016. In addition, consumers in Mount Lebanon posted the highest confidence level across administrative districts, or *mohafaza*, in the second quarter of the year, followed by consumers in Beirut, the South, the North and the Bekaa. Further, Christian consumers had a higher level of confidence than that of 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 & 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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