



## **Byblos Bank and American University of Beirut launch Consumer Confidence Index in Lebanon**

**Byblos Bank Headquarters, 16 November 2011:** In the first initiative of its kind in Lebanon and the Arab world, the Byblos Bank Group and the Olayan School of Business (OSB) at the American University of Beirut launched the Byblos Bank/OSB Consumer Confidence Index for Lebanon.

The project is the first cooperation of its kind between the private sector and an academic institution in Lebanon. It is also the first consumer confidence index produced by a banking and financial institution in the Middle East and North Africa.

The launch took place in the presence of members of the International Monetary Fund delegation visiting Lebanon, representatives of the World Bank, the International Finance Corporation, the French Development Agency, the Association of Banks in Lebanon, the economic associations, commercial attachés at several embassies, AUB professors and administrators, and senior managers at Byblos Bank.

Mr. Semaan Bassil, Vice Chairman and General Manager of Byblos Bank, noted that the Consumer Confidence Index will serve as a key reference to measure consumer sentiment in Lebanon, and hence, to better understand its impact on the current and future economic situations. He added "Byblos Bank is and will always be a reliable financial source that aims to bolster the confidence of Lebanese residents and expatriates in the future of the local economy."

Dr. George Najjar, Dean of OSB, said "the Olayan School of Business at AUB is proud to be part of this ambitious undertaking pursued jointly with one of the country's leading banks. In teaming together to publish Lebanon's first comprehensive Consumer Confidence Index, Byblos Bank and OSB hope to be providing a major tool to economic and business researchers, policy makers, local and international analysts, as well as filling a part of the statistical gap in the country. "

The Byblos Bank/OSB Consumer Confidence Index is a measure of the sentiment and expectations of Lebanese consumers towards the economy and their own financial situation, in line with leading consumer confidence indices worldwide. Household consumption is the driver of the Lebanese economy and accounts for about 79% of the country Gross Domestic Product. Therefore, measuring consumer sentiment in Lebanon would play a vital role in assessing and evaluating the current and future spending of consumers and in measuring economic conditions. Indeed, consumers with high confidence in future economic conditions are likely to spend more, thus generating economic activity, while low confidence tends to reduce consumers' propensity to spend, therefore slowing economic activity.

The Byblos Bank/OSB Consumer Confidence Index will fill a major market gap by measuring a key driver of economic activity, by increasing the transparency of the Lebanese economy, and by providing a new analytical tool to local, regional and international stakeholders.

### **Methodology**

The Byblos Bank/OSB Consumer Confidence Index is based on a nationally representative survey of 1,200 face-to-face interviews with adult males and females living throughout Lebanon, whereby residents are asked a number of questions about current and future economic conditions, their personal financial situation, and their intention regarding major purchases. The Index covers the present situation as viewed by consumers, as well as the future expectations of consumers in Lebanon. Also, the questionnaire includes additional questions addressing the propensity of respondents to buy various goods and services.

The monthly field survey is conducted by Statistics Lebanon, one of the leading opinion polling firms in the country. The firm draws a random sample of the population for each monthly survey. The Index calculation and analysis are conducted by the Economic Research and Analysis Team at Byblos Bank as well as by Dr. Philippe Zgheib, Assistant Professor at OSB. The Olayan School of Business joined the project in mid-2009 and its role consists of complementing the analysis of Byblos Bank, monitoring the data for any discrepancies, suggesting new approaches, and reviewing the statistical analysis.

The Byblos Bank/OSB Consumer Confidence Index is calculated on a monthly basis, with January 2009 as its base month. It is composed of two sub-indexes, the Byblos Bank/OSB Present Situation Index and the Byblos Bank/OSB 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. The Index calculation started in July 2007 and is produced every month. So the Byblos Bank/OSB Consumer Confidence Index currently reflects 51 months of data till September 2011. In addition, the data segregates the Index based on age, gender, income, profession, region, and religious affiliation.

Mr. Nassib Ghobril, Chief Economist and Head of Economic Research and Analysis Department at Byblos Bank, said "the results of our Index show that consumer confidence in Lebanon is significantly affected by political events, whether they are negative or positive." He added that "the sharp movements in the Consumer Confidence Index were caused by political shocks, while there is little impact on confidence from economic developments, especially that there haven't been major economic decisions throughout the covered period to raise and sustain the confidence level of Lebanese consumers." He noted that consumer confidence in Lebanon was highest between May 2008 and June 2010, a period of improved political and security conditions in the country." However, "the level of consumer confidence level started to drop systematically when political tensions resurfaced in the second half of 2010 and escalated in 2011."

### **Results**

On a calendar basis, consumer confidence was highest in 2009 where the Index averaged 96.7, followed by 2008 with an average reading of 81.6, then 2010 when the Index's average reached 72.8; the second half of 2007 with an average of 63.9, and the first nine months of 2011 whereby the Index reading was 55.3. The Byblos Bank/OSB Consumer Confidence Index reached its highest level in May 2008 at 133.6 and its second highest level in October 2008 at 111.5,

while it reached its lowest level in August 2011 at 46.4 and its second lowest reading in March 2011 at 47.5.

The results of the Byblos Bank/OSB Consumer Confidence Index for the July 2007 to September 2011 period show that the male and female Lebanese consumers have the same level of confidence; people between 21 and 39 years of age have a higher level of confidence than those above this age bracket; and consumers with household income above USD 2,000 per month have a higher level of confidence than those earning less. Moreover, private sector employees and university students display a higher level of confidence than self-employed and public sector employees. In addition, the level of confidence is generally close across administrative districts, or mohafaza; with the exception of the Bekaa, where the level of consumer confidence is significantly lower than the national average and other regions. Further, Christian and Sunni consumers have identical levels of confidence, and also have the highest level of confidence among religious denominations. Druze consumers have the next highest level of confidence, while the Shiite consumers display the lowest level of confidence across the covered period.

Mr. Ghobril explained that the results of the Present Situation Index and the Expectations Index show that Lebanese consumers are optimistic in general but remain very skeptical. He added that "the near-term expectations of consumers are consistently higher than their views of their current conditions. However, they need to see concrete results that improve their economic conditions in order to maintain their level of optimism." He noted that this shows the economic potential of the country if authorities take the necessary measures that would help increase consumer confidence and maintain it at high levels.

Dr. Philippe Zgheib added, "The Doha Accord had the biggest positive impact on confidence between July 2007 and September 2011. Other political events that affected confidence materially include the parliamentary elections of 2009, the formation of the Siniora and Hariri Cabinets in 2008 and 2009 respectively, the designation of Mr. Najib Mikati as Prime Minister in January 2011, and the formation of the Mikati Cabinet in June 2011. "

The events that negatively affected confidence the most were the assassinations of political and military figures that took place in 2007 and in early 2008, the presidential vacuum that started in November 2007, the border clashes with Israel and the domestic clashes among armed factions in August 2010, and the start of the crisis in Syria in March 2011. The only economic event that positively affected confidence was the raise in the minimum wage and the start of its implementation in October 2008.

In line with Byblos Bank's tradition of transparency and with OSB's standards of excellence, the two institutions will release a comprehensive report that will include the full results of the index and the sub-indexes; in-depth analysis of the results and index fluctuations; further details on the methodology, sample selection, and index calculation; as well as the full results of the index by categories.

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