

CONSUMER CONFIDENCE IN LEBANON

THE BYBLOS BANK/AUB CONSUMER CONFIDENCE INDEX

First Half 2020 Results and Analysis

Consumer Confidence Deteriorates in First Half of 2020

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HIGHLIGHTS

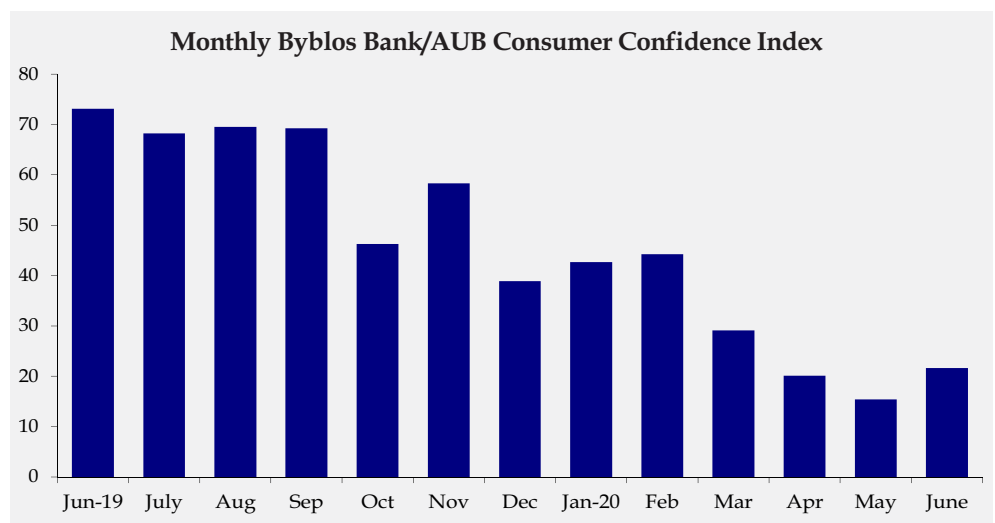
- The Byblos Bank/AUB Consumer Confidence Index posted a monthly average of 38.7 points in the first quarter of 2020 and retreated by 19% from the preceding quarter. The Index reached 19 points in the second quarter of 2020 and dropped by 51% from the previous three months.
- The results of the first quarter of 2020 were the 19th lowest since the Index's inception in July 2007, while the outcome of the second quarter was the lowest in 52 quarters.
- The deepening of the socioeconomic crisis throughout the first half of 2020, along with policy inaction and the outbreak of coronavirus in the country, led to the decline in consumer sentiment in the first and second quarters of 2020.
- The outcome of the Byblos Bank/AUB Consumer Confidence Index in the first half of 2020 shows a decline of 51% from the second half of 2019.
- The results of the first half of 2020 represent a drop of 70.4% 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 0.3% of surveyed Lebanese in the second quarter of 2020 expected their financial conditions to improve in the following six months, while just 0.7% of respondents anticipated economic conditions in Lebanon to improve over the same forecast horizon.
- Excluding students, public-sector employees were more optimistic than other occupational categories about near-term economic prospects during the first half of 2020.

I - Analysis of Results

A - ANALYSIS ON A CALENDAR BASIS

Consumer confidence in Lebanon deteriorated significantly in the first and second quarters of 2020, as reflected by the results of the Byblos Bank/ AUB Consumer Confidence Index. The Index reached 42.7 in January 2020, up by 9.8% from a low base of 38.9 in December 2019. It then increased by 3.6% to 44.2 in February and dropped by 34.2% to 29.1 in March 2020. Further, the Index posted a score of 20.1 in the April 2020 survey, the lowest level on record at the time, and fell by 31% from the previous month. It further decreased by 23.2% to a new all-time low of 15.4 in May, before rebounding by 40% from a low base to 21.6 in June 2020.

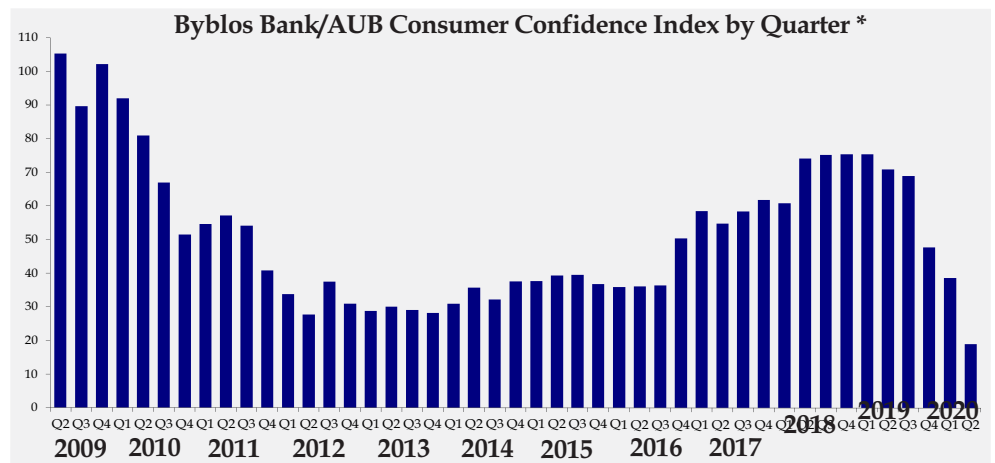
Consumer sentiment plunged in May to its lowest level on record



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

The Byblos Bank/ AUB Consumer Confidence Index averaged 38.7 in the first quarter of 2020 and declined by 19% from the fourth quarter of 2019, while it fell by 50.8% to an average of 19 in the second quarter of 2020. The results of the first quarter of 2020 were the 19th lowest since the Index's inception in July 2007, while the second-quarter results posted their lowest quarterly reading in 52 quarters.

Household sentiment dropped in the first and second quarters of 2020



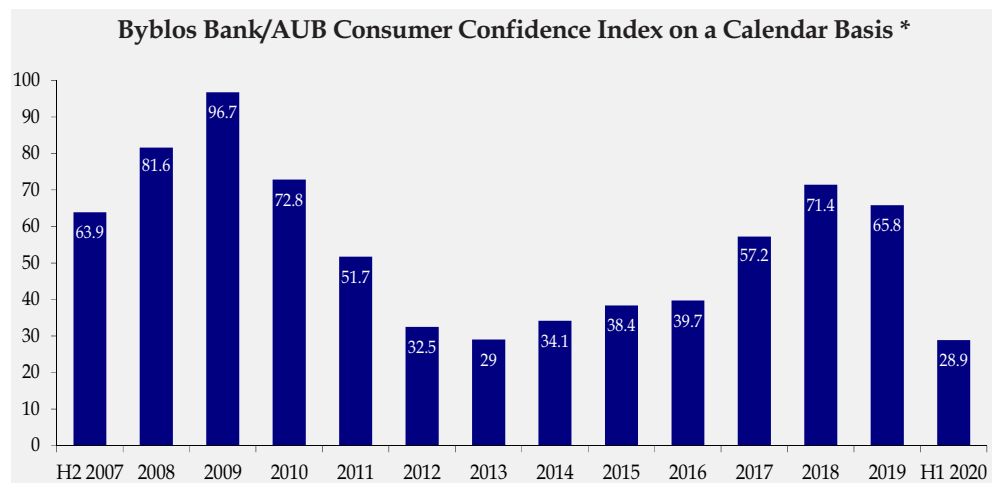
* average monthly score by quarter

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

Household sentiment has been historically affected by political developments in Lebanon. However, this trend changed in the first and second quarters of 2020, as consumer confidence was mostly affected by the prevailing socioeconomic conditions in addition to political uncertainty. In this context, household confidence regressed in the first quarter of 2020 due to mounting socioeconomic uncertainties for households amid the worsening economic conditions and dim outlook, as well as to policy inaction and the widespread indifference of the political class to the plight of citizens. Further, consumer sentiment retreated significantly in the second quarter of 2020 and reached its lowest level on record, due to the government's token action to tackle the economic and financial crisis that was exacerbated by the outbreak of the coronavirus pandemic in the country.

The average monthly score of the Index in the first quarter of 2020 was 63.4% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008, and came 60% below the annual peak of 96.7 points reached in full year 2009. Further, the average monthly score of the Index in the second quarter of 2020 was 82% lower than the outcome of the fourth quarter of 2008, and 80.3% below the annual peak in 2009. Also, the second-quarter results were 65.5% lower than the monthly trend average score of 55.3 since the Index's inception in July 2007.

In parallel, the Index posted an average monthly value of 28.9 in the first half of 2020, constituting a decrease of 50.6% from 58.4 in the second half of 2019. The first-half results represented the Index's second lowest level in 26 semi-annual readings, following an all-time low of 28.6 in the second half of 2013. They were also 47.8% lower than the Index's trend average score, while they came



* 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 first half of 2020 were subdued, in line with the economic and political conditions in the country. In fact, the monthly results of the Index in the covered period fluctuated in a very low range and remained significantly lower than the outcomes in the first six months of 2019. The Index decreased in three months and increased in three months during the first half of 2020, reaching its lowest level on record in May 2020 due to the deepening of the economic and political crisis, as well as to the shutdown of the economy amid the coronavirus outbreak in the country.

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

	Q1 2020			Q2 2020		
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
CCI*	42.7	44.2	29.1	20.1	15.4	21.6
Month-on-month change (%)	9.8%	3.6%	-34.2%	-31.0%	-23.2%	40.1%
Year-on-year change (%)	-38.9%	-44.2%	-62.3%	-70.8%	-78.2%	-70.4%
PSI**	35.5	35.9	28.1	20.8	14.7	21.1
Month-on-month change (%)	18.2%	0.9%	-21.8%	-25.7%	-29.4%	43.4%
Year-on-year change (%)	-41.8%	-49.3%	-58.4%	-65.0%	-76.2%	-67.3%
EI***	47.5	49.8	29.8	19.6	15.9	22.0
Month-on-month change (%)	6.1%	5.0%	-40.1%	-34.3%	-18.9%	38.1%
Year-on-year change (%)	-37.3%	-41.5%	-64.4%	-73.9%	-79.3%	-72.2%

* 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, but the March, April and May 2020 surveys were conducted through computer-aided telephone interviews due to the coronavirus outbreak. 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.

B -TIMELINE ANALYSIS

The results of the first and second quarters of 2020 supported the trend in consumer confidence that started during the fourth quarter of 2019 with the mounting frustrations of Lebanese citizens at their worsening socioeconomic conditions. Indeed, the exceptional political and financial developments that took place in Lebanon led the country to enter a 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 in the January 2012-September 2016 period, constituting the lowest level of household sentiment during the six periods.

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 extended into 2018 to reflect the 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.

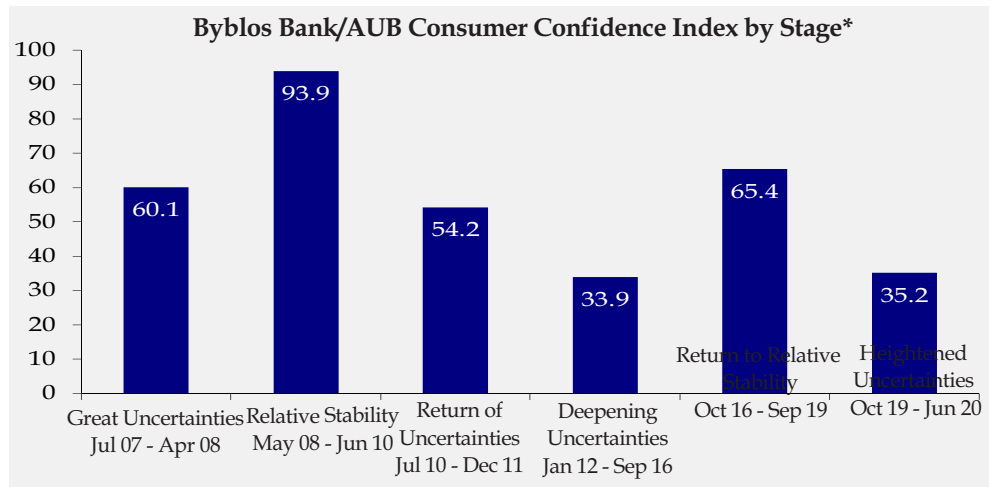
The period of Return to Relative Stability extended into the third quarter of 2019

B -TIMELINE ANALYSIS

Heightened uncertainties emerged in the fourth quarter of 2019 and extended into the first half of 2020

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 the country. 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 35.2 during the October 2019-June 2020 timeframe, constituting the second 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 that has genuine popular legitimacy. As such, Lebanon entered a new phase of heightened political and economic uncertainties, which was aggravated by the open confrontation between protestors who demanded radical change on one hand, and political parties in power that aim to maintain the status quo on the other hand. The worsening of socioeconomic conditions extended into the first half of 2020 which, along with the government's lack of action to address the crisis and the outbreak of the coronavirus in the country, deepened the uncertainties of households and led the Index to drop to its lowest level ever in April and then in May.



* 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 regressed by 17.7% in the first quarter of 2020 from the preceding three months, while the Byblos Bank/ AUB Expectations Index retreated by 20% in the covered period. Further, the Present Situation Index declined by 43% in the second quarter of 2020 from the first quarter, while the Expectations Index fell by 54.8% quarter-on-quarter. In parallel, the Present Situation Index dropped by 50% in the first quarter of 2020 from the same quarter last year, and by 69.5% year-on-year in the second quarter of 2020. Also, the Expectations Index declined by 48% year-on-year in the first quarter of 2020, and by 75% from the second quarter of 2019.

The Byblos Bank/ AUB Expectations Index posted higher values than the Present Situation Index during the first and second quarters of 2020, 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 +9.2 in the first quarter of 2020, but it narrowed to +0.3 in the second quarter.

The Present Situation Index and the Expectations Index moved in the same direction in all three months of the first quarter of 2020. The Present Situation Index rose by 18% in January, grew by 1% in February and dropped by 22% in March 2020; while the Expectations Index increased by 6% in January, improved by 5% in February and fell by 40% in March 2020. Also, the Present Situation and Expectations indices averaged 33.2 and 42.4, respectively, in the first quarter of 2020, constituting their 12th and 21st lowest 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 second quarter of 2020. As such, the Present Situation Index decreased by 26% in April, retreated by 29% in May and improved by 43% in June 2020, while the Expectations Index dropped by 34% in April, declined by 19% in May and rebounded by 38% in June 2020. In addition, the Present Situation and Expectations indices averaged 18.9 and 19.2, respectively, in the second quarter of 2020, and constituted their lowest quarterly readings in 52 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 first and second quarters of 2020, as the Expectations Index posted higher values than the Present Situation Index in each of the first six months of 2020. In fact, Lebanese consumers have been more optimistic about the future than about present circumstances in 42 out of 52 quarters and in 120 out of 156 months between July 2007 and June 2020, representing a 77% monthly frequency of occurrence.

The results of the first half of 2020 reflect the uncertain outlook of Lebanese households about their future conditions, as 1.4% of Lebanese polled in the covered period expected their personal financial conditions to improve in the coming six months relative to 7% in the second half of 2019. Also, 83% of respondents believed that their financial situation will deteriorate in the coming six months, while 14% expected their financial conditions to remain the same.

The Expectations Index and Present Situation Index dropped sharply in first half of 2020

D - GENERAL TRENDS

Consumer confidence in Lebanon retreated significantly during the first half of 2020, as the decrease in consumer sentiment in the first quarter was followed by a more pronounced decline in confidence in the second 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 the prevailing socioeconomic emergencies, affected households' expectations and led the Byblos Bank/AUB Consumer Confidence Index to deteriorate during the first and, more significantly, the second quarter of 2020 across all segments and categories of Lebanese society.

Socioeconomic pressures and coronavirus weighed on household sentiment in first half of 2020

A series of adverse events severely dented household sentiment during the first half of the year, including mounting economic and financial pressures, the weakening of the Lebanese pound's exchange rate in the parallel market and the rising cost of living, the impact of the government's decision to suspend all payments on its outstanding Eurobonds starting in March 2020, as well as the lockdown measures that the government enforced since March to contain the outbreak of the coronavirus in the country. In addition, the prevailing skepticism of households that has accumulated in previous years amplified their lack of trust in the ability of policymakers to carry out the reforms that they keep promising.

The onset of nationwide protests in October 2019 raised the hopes of citizens for genuine political change and accountability well into 2020. The protests were sparked by the accumulation of grievances over worsening economic conditions, as well as by a build-up of anger over the perceived corruption in the public sector and the mismanagement of public finances. However, the sustained obstructionism of political parties in power and their deliberate policy inaction prevented any buildup in sentiment and, instead, dented household confidence in the first and second quarters of 2020.

In fact, the legitimate demands of citizens became a conduit for rampant populism, and for anarchists who proceeded to destroy private and public properties. Also, hopeful citizens were caught between a wave of opportunists trying to ride the winds of change, and strident advocates of income redistribution, which overshadowed the popular calls for political change, improved governance, and genuine reforms. As such, the open confrontation between protesters 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 of heightened uncertainties and weakening sentiment. As such, consumer confidence in the first half of 2020 reached its second lowest level in 26 semi-annual readings.

The Byblos Bank/AUB Consumer Confidence Index plunged in the first quarter of 2020 to its lowest level since the fourth quarter of 2016, with the March result registering its lowest level since December 2013. The downward trend in sentiment is due to mounting socioeconomic uncertainties for households amid the dim economic outlook. In addition, the substantial increase in consumer prices and the government's inability to contain the hikes further weighed negatively on confidence. Moreover, the government's emerging intention to implement a haircut on deposits shook the confidence of depositors and contributed to the steep drop of the Index in March.

Further, the outbreak of the coronavirus in Lebanon since late February 2020 and the subsequent lockdown measures that the government enforced to limit the spread of the virus, raised the anxiety of households and businesses that were already struggling to survive amid the financial and economic crisis that the country is facing.

Only 0.2% of respondents in March 2020 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 0.3% of Lebanese polled in March 2020 considered that their personal financial conditions improved from September 2019, while 78.2% of respondents said that their financial situation deteriorated from six months earlier. Further, 0.2% of the Lebanese polled in March believed that their personal financial conditions would improve in the coming six months, while 81.4% of households considered that their financial conditions will deteriorate by September 2020.

In parallel, none of the Lebanese surveyed in March 2020 considered that business conditions in Lebanon improved from September 2019, while 89.3% indicated that economic conditions deteriorated from six months earlier. In addition, 1.2% anticipated economic conditions to improve, while 86.4% of respondents expected business conditions to deteriorate by September 2020.

Confidence level dropped to record lows in April and May 2020

The collapse in household sentiment in the second quarter of 2020 was due to the government's limited action to tackle the economic and financial crisis that was exacerbated by the coronavirus pandemic. In addition, the Lebanese pound's exchange rate continued to weaken in the parallel market, which, along with the substantial surge of consumer prices and the government's inability to contain the hikes, reduced the purchasing power of households and negatively affected sentiment. Further, the shutdown of the economy due to the coronavirus pandemic, led several companies to cut salaries or, in some cases, to lay off some of their employees, which further reduced households' income and increased their level of uncertainties in the second quarter of the year. As such, the Index dropped in April 2020 to its lowest level on record at the time, and to a new all-time low in May, before recovering in June 2020 to its third lowest level since the inception of the Index.

The detailed results of the Index's monthly survey reflected further weakening in households' expectations, as only 0.6% of Lebanese polled in June 2020 considered that their personal financial conditions improved from six months earlier, while 85.5% of respondents said that their financial situation deteriorated from December 2019. Further, 0.3% of the Lebanese polled in June believed that their personal financial conditions would improve in the coming six months, while 85.6% of households expected their financial conditions to deteriorate by December 2020. In parallel, 0.1% of the Lebanese surveyed in June 2020 considered that economic conditions in Lebanon improved from six months earlier, while 91.1% indicated that economic conditions deteriorated from December 2019. In addition, 0.8% anticipated economic conditions to improve in the coming six months, while 90.3% of respondents expected business conditions to deteriorate by December 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, 68.5% of surveyed Lebanese, on average, said that their personal financial conditions have deteriorated from the six months that preceded the monthly poll, with a low of 58% in May 2018 and a high of 89.5% in May 2020.

In parallel, the spread between the Byblos Bank/ AUB Expectations Index and the Byblos Bank/ AUB Present Situation Index remained positive in five out of the first six months of 2020, and ranged between -1.2 in April and +14 in February 2020. The spread between the two indices narrowed significantly since March 2020 and fluctuated at a very low range in the following months. On a quarterly basis, the gap between the two indices registered a positive spread of +9.2 in the first quarter of 2020, but it narrowed to +0.3 in the second quarter of the year.

The two indices regressed sharply on a quarterly basis, and even more steeply year-on-year. But the alarming trend is that, after mass protests clamoring for positive change raised the hopes of citizens for a better future, households reversed course quickly, as their near-term outlook turned gloomy along with their perception of a rapid deterioration in their current socioeconomic conditions.

This trend was likely driven by the performance of a new government that seemed overwhelmed by the prevailing financial and economic challenges, and that designed policies that citizens viewed as hostile to the private sector, which negatively affected the outlook of households and markets.

The results of the Byblos Bank/ AUB Consumer Confidence Index for the first half of 2020 continue to reflect the citizens' lost trust and 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 households' quality of living and their economic well-being. 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. As such, the lack of action by the government transformed the longstanding 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 first half of 2020.

As such, the swift formation of an effective and credible government that will meet the legitimate expectations of the Lebanese people and address the main challenges facing the country would be the first step towards restoring the confidence of households and improving their long-term outlook.

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

E - CONSUMERS' NEAR-TERM OUTLOOK

Lebanese females had a more optimistic near-term outlook than their male counterparts in the first and second quarters of 2020. The average monthly reading of the Expectations Index was 43.8 for females compared to 40.9 for males in the first quarter, while it reached 21.3 for females relative to 17 for males in the second quarter of the year.

Younger consumers were the most optimistic in the first half of 2020

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 first and second quarters of 2020, 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 first and second quarters of 2020, as the Expectations Index for this segment averaged 54.1 in the first quarter and 32.9 in the second quarter. Conversely, private-sector employees were the most pessimistic about the near future among all occupational categories in the first and second quarters of 2020, with the Expectations Index for this category averaging 24.3 in the first quarter and 11.3 in the second 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 first and second quarters of 2020. In contrast, citizens with a monthly income between \$750 and \$1,499 were the most pessimistic about the near future among all income categories during the first quarter of the year, while consumers with a monthly income of \$750 or less were the least optimistic about future economic prospects relative to citizens in other income brackets during the second quarter of 2020, mostly reflecting the deterioration in socioeconomic conditions and the weakening purchasing power of households, especially of those who belong to lower income groups.

In addition, Beirut residents had a more positive outlook than their counterparts in other geographical regions during the first and second quarters of 2020. Conversely, consumers who reside in the South were more pessimistic about future prospects than those in other geographical regions during the first quarter of 2020, while residents of the North were the least optimistic compared to citizens in other geographical regions during the second quarter of the year.

Druze citizens were the most optimistic about future prospects in the second quarter of 2020

In terms of religious affiliation, Shiite citizens were more positive about the country's near-term economic outlook in the first quarter of 2020 than Lebanese from other religious denominations, while Druze households were the most optimistic in the second quarter of the year. In parallel, Druze consumers were the most pessimistic about future prospects during the first quarter, while Shiite households were the least optimistic in the second 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 first and second quarters of 2020. Also, females were more confident than males in each month of the first half of 2020.

Confidence level of males and females dropped significantly in first half of 2020

The confidence level of females regressed by 19.2% in the first quarter and dropped by 46.8% in the second quarter of 2020, while the sentiment of males decreased by 19% in the first quarter and retreated by 55% in the second quarter of the year. Females and males posted average confidence levels of 39.9 and 37.5, respectively, in the first quarter of 2020, as well as confidence levels of 21.2 and 16.9, respectively, in the second quarter of the year.

The first-quarter results represented the 20th lowest level of confidence for Lebanese females since the Index's inception, while the confidence level of males was the 17th lowest. Moreover, the second-quarter results constituted the lowest level of confidence for both female and male consumers in 52 quarterly readings.

On a semi-annual basis, female and male consumers posted average confidence levels of 30.5 and 27.2, respectively, in the first half of 2020, relative to confidence levels of 60.4 and 56.4, respectively, in the second half of 2019. As such, the confidence level of females decreased by 49.5% and it dropped by 51.8% for males in the first half of 2020. Also, females posted their fifth lowest level of confidence in 26 semi-annual results, while males registered their lowest sentiment level since the second half of 2007.

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 relatively 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 19 out of the following 22 quarters ending in the second quarter of 2020.

Byblos Bank/AUB Consumer Confidence Index by Gender			
Month	Male	Female	
Jan-20	42.4	43.0	
Feb-20	42.9	45.6	
Mar-20	27.3	31.0	
Av. Index Q1 2020	37.5	39.9	
Apr-20	18.6	21.6	
May-20	13.2	17.7	
Jun-20	19.0	24.3	
Av. Index Q2 2020	16.9	21.2	

* average monthly score

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

B - CONSUMER CONFIDENCE BY AGE

Consumers in the 21 to 29 year-old bracket posted a higher level of confidence than citizens in other age brackets in the first quarter of 2020, while citizens who are between 50 and 59 years old were the least confident among other age segments in the second quarter of the year. In contrast, citizens who are 60 years or older were the least confident among other age segments in the first and second quarters of 2020.

The level of sentiment decreased by 22% among consumers aged between 50 and 59 years in the first quarter of 2020, followed by citizens who are 60 years or older (-21.4%), consumers in the 21 to 29 year-old bracket (-20.3%), citizens who are between 40 and 49 years old (-19.3%), and consumers aged between 30 and 39 years old (-16%). Further, the confidence level of consumers who are 60 years or older dropped by 58.7% in the second quarter of 2020, followed by citizens aged between 30 and 39 years (-53.2%), consumers in the 21 to 29 year-old bracket (-50.7%), citizens in the 40 to 49 year-old bracket (-47.6%), and consumers aged between 50 and 59 years old (-43.1%).

Decline in confidence did not spare any age bracket in first half of 2020

Consumers who are in the 21 to 29 year-old bracket had the highest level of confidence in the first half of 2020, constituting the 21st such occurrence in 26 semi-annual periods. They were followed by citizens aged between 50 and 59 years, then those who are in the 30 to 39 year-old bracket, citizens aged between 40 and 49 years, and consumers who are 60 years or older. Consumers who are in the 21 to 29 year-old bracket had the highest level of confidence among all age segments in three out of the six months of the first half of 2020, while citizens who are aged between 50 and 59 years were the most confident in the remaining three months. In contrast, citizens who are 60 years or older were the least confident in four out of the six months of the first half of the year.

Generally, younger consumers, or those in the 21 to 29 years range, have been more confident than older consumers, as they posted the highest confidence level in 42 out of 52 quarters, which represents an 80.8% frequency of occurrence. Also, citizens who are 21 to 29 years old have been the most confident in 107 out of 156 months since the Index's inception, representing a 68.6% frequency of occurrence. This trend reflects the energy and outlook of young men and women in Lebanon, as they have been leading the calls for change, 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
Jan-20	47.9	42.8	40.3	40.3	34.9
Feb-20	47.8	45.8	40.9	40.9	41.5
Mar-20	28.4	29.4	28.5	31.9	27.5
Av. Index Q1 2020*	41.3	39.4	36.6	37.7	34.6
Apr-20	21.5	18.1	21.8	24.3	12.9
May-20	18.1	14.3	13.9	15.5	15.0
Jun-20	21.5	22.8	21.8	24.6	15.0
Av. Index Q2 2020*	20.4	18.4	19.2	21.5	14.3

* average monthly score

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

C - CONSUMER CONFIDENCE BY OCCUPATION

Consumer sentiment regressed across all occupational categories

Students posted a higher level of confidence than consumers in other occupational categories in the first half of 2020. When excluding students, housewives were more optimistic than other occupational categories in the covered period, followed by the self-employed, public-sector employees, and the unemployed. In contrast, private-sector employees were the most pessimistic during the first half of 2020, constituting the third such instance in 26 semi-annual periods since the start of the Index's calculation. This reflects the impact of the economic and financial crisis, aggravated by the lockdown measures that the government enforced to contain the coronavirus outbreak in the country, which significantly hurt the performance of the private sector and, therefore, the prospects of private-sector employees.

The deterioration of socioeconomic conditions and the rising cost of living dented the sentiment of citizens across all occupational categories in the first and second quarters of 2020. The sentiment of the public-sector employees regressed by 36% quarter-on-quarter in the first quarter of 2020, followed by students (-32.7%), housewives (-23.8%), the unemployed (-22.4%), private-sector employees (-21%), and the self-employed (-13.4%). Moreover, the sentiment of the unemployed dropped by 54.6% during the second quarter of 2020, followed by the sentiment of the self-employed (-49.6%), housewives (-45%), public-sector employees (-42.5%), and students (-37.2%).

Public-sector workers continued to be more confident than private-sector employees

The confidence level of public-sector workers was 31.7% higher than the confidence level of private-sector employees in the first half of 2020. The wide discrepancy reflects the increasing lack of job security in the private sector, in contrast to the public sector where workers have a social safety net and are not subject to the market pressures on the private sector.

In parallel, the sentiment level of students was the highest in 92 out of 156 months, representing a 59% frequency of occurrence, followed by private-sector employees with an incidence of 20.5%, public-sector employees with 7.7%, the self-employed with 5.8%, the unemployed with 5.1%, and housewives with a frequency of 1.9%.

Byblos Bank/AUB Consumer Confidence Index by Occupation						
Month	Private Sector Employee	Public Sector Employee	Self-employed	Student	Housewife	Unemployed
Jan-20	32.4	37.9	42.0	54.1	40.9	39.2
Feb-20	30.9	41.4	43.2	52.7	44.6	47.0
Mar-20	21.6	28.0	32.8	35.4	29.0	17.2
Av. Index						
Q1 2020*	28.3	35.8	39.3	47.4	38.2	34.5
Apr-20	16.6	19.6	20.3	32.0	22.5	15.1
May-20	10.1	13.9	16.1	26.3	15.8	15.0
Jun-20	16.9	28.1	23.1	31.0	24.7	16.8
Av. Index						
Q2 2020*	14.5	20.6	19.8	29.8	21.0	15.7

* 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 relatively more confident than citizens in lower income brackets in the first and second quarters of 2020. Conversely, citizens in the \$750 to \$1,499 per month income bracket were the least confident among all income categories in the first quarter, while consumers who earn a monthly income of \$750 or below were the most pessimistic in the second quarter of 2020.

The confidence level of consumers with a monthly income of \$2,500 or more declined by 27.6% in the first quarter of 2020 from the preceding quarter, followed by citizens with a monthly income of \$750 or less and consumers in the \$750 to \$1,499 per month income bracket (-19.2% each), and citizens who earn between \$1,500 and \$2,499 per month (-16.2%). Moreover, the confidence level of consumers with a monthly income of \$750 or less dropped by 57.7% in the second quarter of 2020, followed by citizens who earn between \$750 and \$1,499 per month (-53.3%), consumers in the \$1,500 to \$2,499 income bracket (-45.2%), and citizens who earn \$2,500 or more per month (-33.3%).

Consumer sentiment dropped across all income brackets

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 first half of 2020. Consumer sentiment for this category posted an average reading of 43.3 in the first half of 2020 and decreased by 46.5% from 80.9 in the second half of 2019. 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.

We have adopted in January 2014 four new income sub-categories for the Byblos Bank/ AUB Consumer Confidence Index to reflect more accurately the monthly income distribution of Lebanese citizens. Respondents were selected from a random population sample of 5,474 and were questioned about their monthly income. The results show that 29.23% of individuals earn below \$750 per month, 36.54% of Lebanese have incomes between \$750 and \$1,499 per month, 23.86% of citizens earn between \$1,500 and \$2,499 per month, while 10.38% of individuals reported earnings at \$2,500 or higher per month.

Byblos Bank/AUB Consumer Confidence Index by Income*				
Month	<\$750	\$750-\$1,499	\$1,500-\$2,499	≥\$2,500
Jan-20	37.8	38.7	45.1	65.0
Feb-20	41.1	37.5	49.3	64.9
Mar-20	29.9	28.6	29.4	26.0
Av. Index Q1 2020**	36.3	34.9	41.3	51.9
Apr-20	17.1	16.6	23.1	36.9
May-20	12.4	12.5	18.6	31.6
Jun-20	16.6	19.8	26.2	35.5
Av. Index Q2 2020**	15.4	16.3	22.6	34.7

* 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 Beirut residents had a higher level of confidence relative to consumers in other regions in the first two quarters of 2020. Conversely, residents of the South were the most pessimistic among all geographical regions in the first quarter of 2020, while residents of the North were the least optimistic in the second quarter of the year.

Consumer sentiment in Beirut grew by 7.4% in the first quarter of 2020 and posted the only increase across geographical regions. In contrast, the confidence level of consumers in the North dropped by 27.7% in the covered quarter, followed by residents of the South and the Bekaa (-25.2% each), and consumers in Mount Lebanon (-18.6%). Further, the sentiment of citizens in the North retreated by 65.3% in the second quarter of 2020, followed by residents of the Bekaa (-50.3%), the South (-49.7%), Mount Lebanon (-47%), and Beirut (-45%).

On a semi-annual basis, households in Beirut posted the highest level of confidence in the first half of 2020, followed by consumers in the Bekaa, residents of Mount Lebanon, citizens in the North and consumers in the South. Beirut residents posted the highest level of confidence among geographical regions in all six months of the first half of the year. In contrast, consumers in the South registered the lowest level of confidence in the January, February, March and April 2020 surveys, while households in the North were the least optimistic in the May and June surveys.

Overall, consumers in Mount Lebanon held the highest level of confidence in 50 out of 156 months, representing a 32% frequency of occurrence, followed by consumers in the North with an incidence of 22.4%, households in the South with 18%, consumers in Beirut with 17.3% and households in the Bekaa with a frequency of 10.3%.

The crisis affected consumer confidence in all geographical areas of the country

Byblos Bank/AUB Consumer Confidence Index by Geographical Region					
Month	Beirut	Mount Lebanon	North	Bekaa	South
Jan-20	50.9	40.6	43.0	47.0	35.4
Feb-20	52.5	43.2	40.4	52.5	35.9
Mar-20	39.1	34.5	20.8	27.2	20.0
Av. Index Q1 2020*	47.5	39.5	34.7	42.2	30.4
Apr-20	25.6	22.4	15.4	22.4	13.6
May-20	24.5	16.0	8.3	15.1	15.5
Jun-20	28.2	24.5	12.5	25.5	16.9
Av. Index Q2 2020*	26.1	21.0	12.0	21.0	15.3

* 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 first quarter of 2020, while Christian citizens were the least pessimistic in the second quarter of the year.

The results of the first quarter of 2020 constituted the ninth time since the Index's inception that Shiite households post the highest level of confidence on a quarterly basis, while the second-quarter results represented the 24th time in 52 quarters that Christian households post the highest confidence level. In parallel, Druze citizens were the most pessimistic during the first quarter of 2020, while Shiite citizens were the least confident in the second quarter of the year.

Household sentiment dropped across all religious affiliations in first half of 2020

The confidence level of Druze households declined by 42.5% in the first quarter of 2020, the steepest decrease among all religious affiliations. It was followed by the sentiment of Christian households (-20.5%), Shiite citizens (-14.5%) and Sunni consumers (-13.6%). In parallel, the confidence level of Shiite consumers dropped by 59.5% in the second quarter of 2020, followed by Sunni households (-51.8%), Christian citizens (-47.3%) and Druze households (-32.7%).

The sentiment of Druze consumers declined by 58% in the first half of 2020 from the second half of 2019, while it decreased by 50.3% for Shiite households, regressed by 50.1% for Christian consumers, and dropped by 49.5% for Sunni households. Overall, Shiite households posted the highest level of confidence among all religious affiliations in the first half of 2020, followed by Christian, Sunni, and Druze households.

Christians held the highest level of confidence in 59 out of 156 months since the Index's inception, representing a 37.8% frequency of occurrence, followed by Druze citizens with an incidence of 30.8%, Shiite consumers with 18% and Sunni citizens with a frequency of 13.5%.

Byblos Bank/AUB Consumer Confidence Index by Religious Affiliation				
Month	Christians	Sunnis	Shiites	Druze
Jan-20	43.3	40.2	49.0	28.8
Feb-20	41.1	46.8	51.2	33.1
Mar-20	29.9	28.6	29.4	26.0
Av. Index Q1 2020*	38.1	38.5	43.2	29.3
Apr-20	21.4	21.2	17.2	18.6
May-20	17.8	13.6	13.6	13.9
Jun-20	21.0	21.0	21.6	26.6
Av. Index Q2 2020*	20.1	18.6	17.5	19.7

* average monthly score

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

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