



Byblos Bank/AUB Consumer Confidence Index: Political Breakthrough lifts Consumer Confidence in Fourth Quarter of 2016

Byblos Bank Headquarters, January 18, 2017: 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 fourth quarter of 2016.

The results show that the Index increased by 3.5% in October, grew by 2.2% in November and rose by 79% in December 2016. Further, the Index averaged 50.4 in the fourth quarter of 2016 and improved by 38.6% from 36.4 in the third quarter of the year. The fourth-quarter results were the highest in 21 quarters and the 17th highest since the start of the Index's calculation in July 2007, while the quarter-on-quarter growth rate was the highest since the second quarter of 2008. In addition, the Byblos Bank/AUB Present Situation Index averaged 48.4 in the fourth quarter of 2016 and increased by 33.2% from the preceding quarter, while the Byblos Bank/AUB Expectations Index averaged 51.7 and jumped by 42.3% from the third quarter of 2016.

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 election of General Michel Aoun as President in October, the swift nomination of Mr. Saad Hariri as Prime Minister in November, and the formation of a government of national unity in December, caused the level of consumer confidence to pick up substantially in the fourth quarter of 2016.”

Mr. Ghobril noted that “consumer confidence has proven historically to be very sensitive to political and security developments, whether they are positive or negative. The positive political shock that ended the 30-month presidential vacuum in the country and restored the proper functioning of the government and parliament was the key factor for the surge in household sentiment.”

However, the average monthly score of the Index in the fourth quarter of 2016 constituted a decline of 52.4% from the quarterly peak score of 105.8 registered in the fourth quarter of 2008, and a drop of 48% from the annual peak score of 96.7 reached in full year 2009. Also, the fourth-quarter results of 2016 were 5.8% lower than the monthly trend average score of 53.5 since the inception of the Index in July 2007.

Mr. Ghobril cautioned that “even though the fourth-quarter results constitute significant progress from previous periods, they do not necessarily reflect a sustained shift in households' attitudes.” In fact, the results show that only 8.6% of the Lebanese polled in the fourth quarter of 2016 expected their financial condition to improve in the coming six months, while 67% of respondents believed that their financial situation will deteriorate

and 21.5% forecast their financial condition to remain the same over the same period. In addition, 13.5% of the Lebanese surveyed in December 2016 expected business conditions in Lebanon to improve in the coming six months, while 61% anticipated them to deteriorate and 21% forecast business conditions to remain the same.

Mr. Ghobril indicated that “Lebanese households consider that the political breakthrough in the country needs to translate into concrete improvements in their quality of living and economic well-being in order for their confidence to remain at a high level.”

The results of the Byblos Bank/AUB Consumer Confidence Index for the fourth quarter of 2016 show that female consumers had a higher level of confidence than their male counterparts, and consumers in the 40 to 49 year-old bracket posted the highest confidence level relative to citizens in other age brackets during the covered quarter. 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, private sector employees were more optimistic than the self-employed, housewives, students, public sector employees and the unemployed in the fourth quarter. In addition, consumers in Mount Lebanon posted the highest confidence level across administrative districts or *mohafaza*, followed by consumers in the North, Beirut, the South and the Bekaa. Further, Christian consumers had a higher level of confidence than those 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 and 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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