

# CONSUMER CONFIDENCE IN LEBANON

## THE BYBLOS BANK/AUB CONSUMER CONFIDENCE INDEX

*First Half 2014 Results and Analysis*

### Pick Up in Consumer Confidence in Early Months of 2014 Stalled by Negative Developments in May and June

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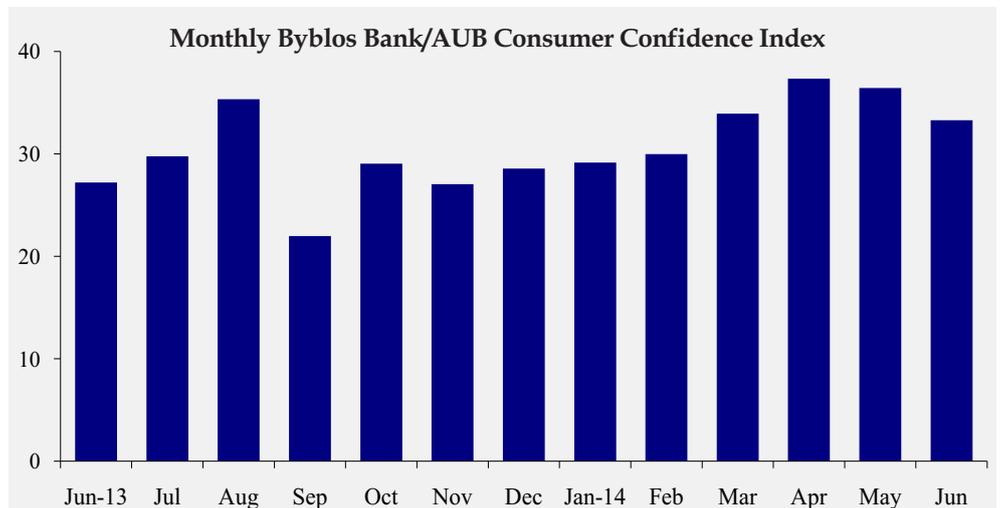
- The Byblos Bank/AUB Consumer Confidence Index recorded a monthly average of 33.4 in the first half of 2014, up by 16.5% from the second half of 2013, but constitutes the fourth lowest semi-annual reading since the index's inception in July 2007.
- The Byblos Bank/AUB Consumer Confidence Index posted averages of 31 and 35.7 in the first and second quarters of 2014, respectively, up by 10% and 15%, respectively, on a quarterly basis.
- The results of the first and second quarters of 2014 reflect the index's first consecutive quarterly increases since the first and second quarters of 2011, but constitute the seventh- and ninth-lowest results since the index's inception.
- On a monthly basis, the Byblos Bank/AUB Consumer Confidence Index reached in April 2014 its highest level since September 2012. The formation of a new Cabinet, the relative improvement in security conditions, the decline in political tensions and the prospects of a smooth presidential election improved sentiment in February, March and April.
- Parliament's failure to elect a President, renewed security breaches, the public policy stalemate, in addition to the growing spillovers from the crisis in Syria were the main factors that reversed in May and June the earlier pick up in consumer sentiment.
- The Byblos Bank/AUB Present Situation and Expectations indices posted their fourth lowest semi-annual readings in the first half of 2014 since the index's inception.
- The near-term expectations of consumers were generally lower or at the same level than their views of their current conditions during the first half of 2014.
- The level of consumer sentiment continues to be at such low levels that consumers require a positive political shock of the magnitude of the Doha Accord to restore their confidence to the levels of 2008, 2009 and 2010.

# I - Analysis of Results

## A - ANALYSIS ON A CALENDAR BASIS

The level of consumer confidence in Lebanon improved in relative terms during the first quarter of 2014, as reflected by the results of the Byblos Bank/AUB Consumer Confidence Index for January, February and March. The index reached 29.2 in the January 2014 survey, up by 2.1% from 28.6 in December 2013. It then increased by 2.8% to 30 in February and rose by another 13.2% to 33.9 in March 2014. The index further improved in the second quarter of 2014, as it registered 37.3 in the April 2014 survey, increasing by 10% from the previous month and reaching its highest level since September 2012. But it declined by 2.4% to 36.4 in May and dropped by another 8.6% to 33.3 in June 2014. The Byblos Bank/AUB Consumer Confidence Index posted in January its lowest level during the first half of the year, constituting its eleventh-lowest value since the start of the index's calculation in July 2007.

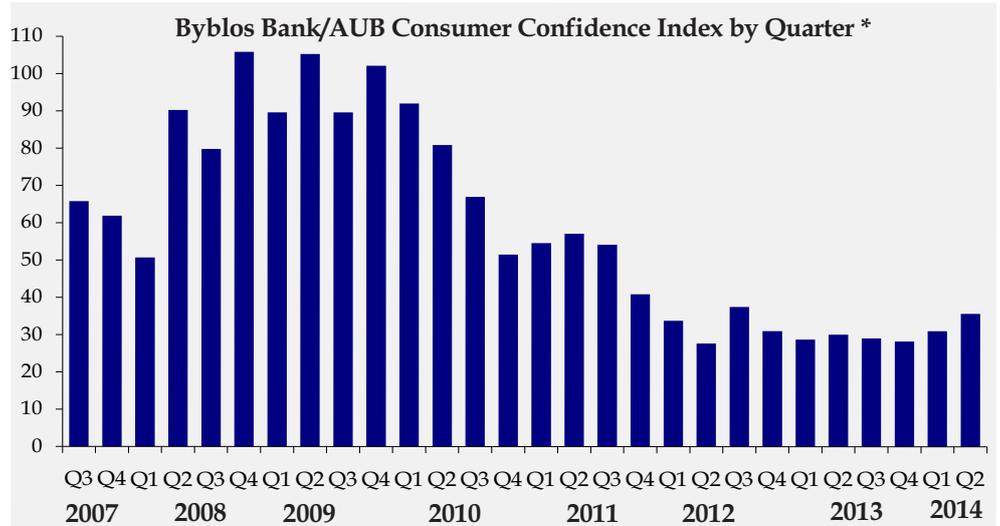
*Consumer sentiment was highest in April during the first half of 2014*



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

Overall, the Byblos Bank/AUB Consumer Confidence Index improved in the first half of 2014, as it rose from a record low reached in 2013. The Index grew by 9.9% in the first quarter to an average of 31, and rose by another 15% to an average of 35.7 in the second quarter of the year. Also, the index posted an average monthly value of 33.4 during the first half of 2014, constituting an increase of 16.5% from the second half of 2013. The results of the first and second quarters reflect the index's first consecutive quarterly increases since the first and second quarters of 2011. But despite the index's improvement, the results remained consistent with the ongoing trend of very low consumer sentiment in the country that has prevailed since the first quarter of 2012. In fact, the results of the first three months of the year were the seventh lowest in 28 quarters, while the second quarter posted the ninth-lowest quarterly reading since the index's inception. Further, the first-half results constituted the index's fourth-lowest level on a semi-annual basis. On a monthly basis, the confidence level of Lebanese consumers improved in each of the first four months of the year, as various positive political and security developments gave consumers a sense of relief. But sentiment reversed in May and June due to the Parliament's failure to elect a President by the constitutional deadline and to renewed security breaches.

*Consumer confidence in the first and second quarters of 2014 picked up from record low levels*

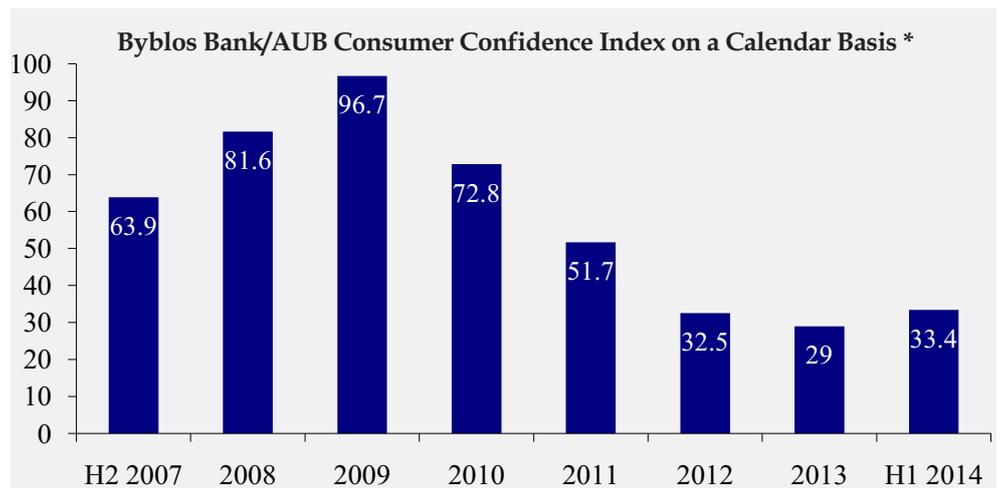


\* monthly average index by quarter

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

Despite the relative improvement, the results of the first and second quarters of 2014 extended the low confidence level that has prevailed since the fourth quarter of 2010 and that worsened since the fourth quarter of 2011, while they maintained the broader trend of decline that started at the end of the fourth quarter of 2009. Indeed, the average monthly score of the second quarter of 2014 constitutes a decline of 65.1% from the results of the fourth quarter of 2009 and a drop of 66.3% from the peak of 105.8 registered in the fourth quarter of 2008. Overall, the results of the Byblos Bank/AUB Consumer Confidence Index for the first half of 2014 constituted a relative improvement from the second half of 2013, but the index remained at very low levels, given the prevailing instability and the ensuing anxiety of Lebanese households.

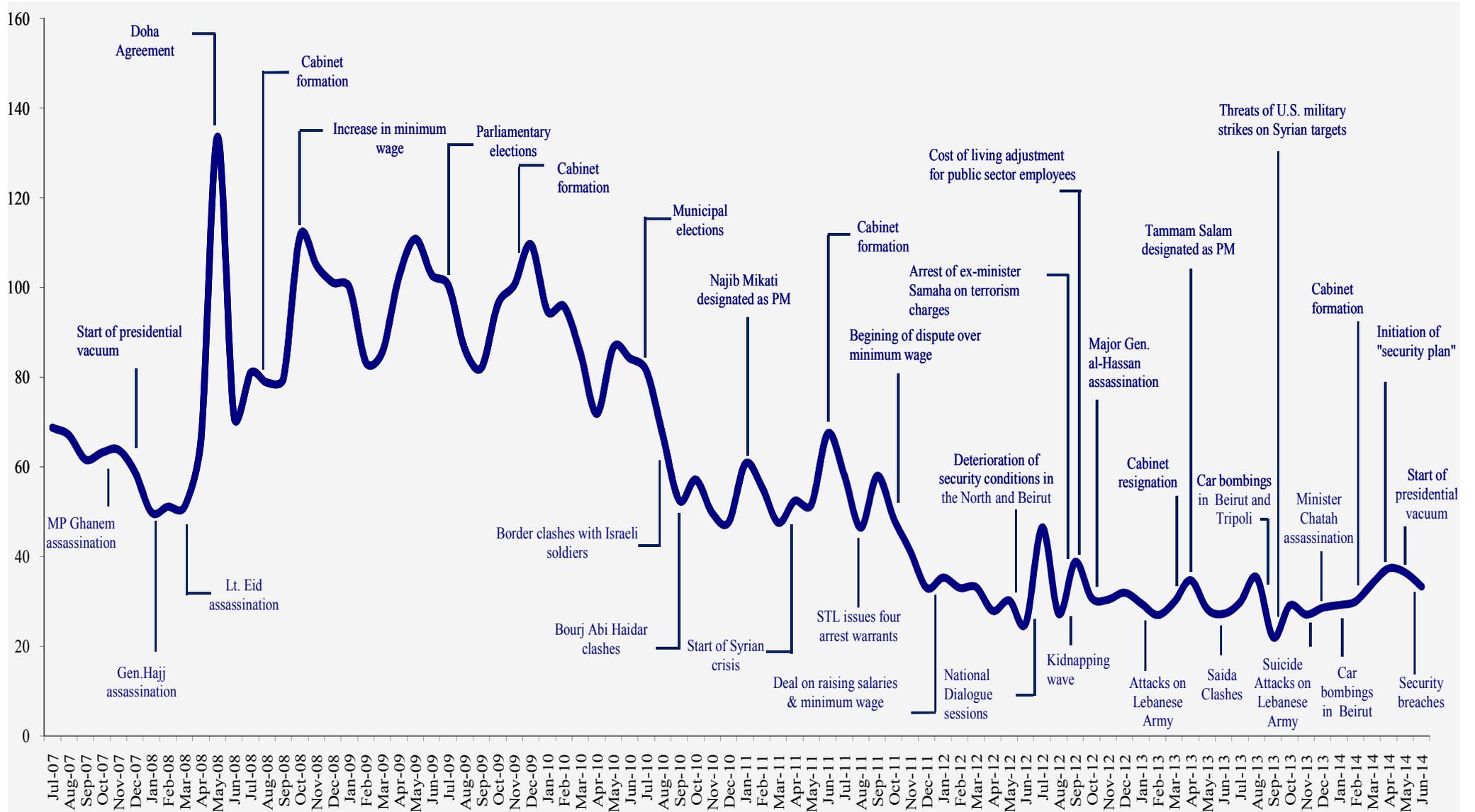
*Consumer confidence improved in the first half of 2014 but remained at very low levels*



\* monthly average index for the period

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

## Evolution of the Byblos Bank/AUB Consumer Confidence Index (July 2007-June 2014)



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

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

	Q1 2014			Q2 2014		
	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
<b>CCI*</b>	<b>29.2</b>	<b>30.0</b>	<b>33.9</b>	<b>37.3</b>	<b>36.4</b>	<b>33.3</b>
Month-on-month change (%)	2.1%	2.8%	13.2%	10%	-2.4%	-8.6%
Year-on-year change (%)	-1.3%	11.3%	13.8%	7.6%	28.8%	22.3%
<b>PSI**</b>	<b>32.8</b>	<b>28.1</b>	<b>34.0</b>	<b>39.2</b>	<b>36.6</b>	<b>37.5</b>
Month-on-month change (%)	4.7%	-14.3%	20.9%	15.2%	-6.6%	2.6%
Year-on-year change (%)	5.6%	-10.1%	9.3%	22.9%	30.9%	43.7%
<b>EI***</b>	<b>26.7</b>	<b>31.2</b>	<b>33.9</b>	<b>36.1</b>	<b>36.3</b>	<b>30.4</b>
Month-on-month change (%)	0.0%	16.9%	8.5%	6.6%	0.6%	-16.2%
Year-on-year change (%)	-6.3%	29.9%	16.9%	-1.3%	27.5%	8.9%

\* CCI: Byblos Bank/AUB Consumer Confidence Index

\*\* PSI: Byblos Bank/AUB Present Situation Index

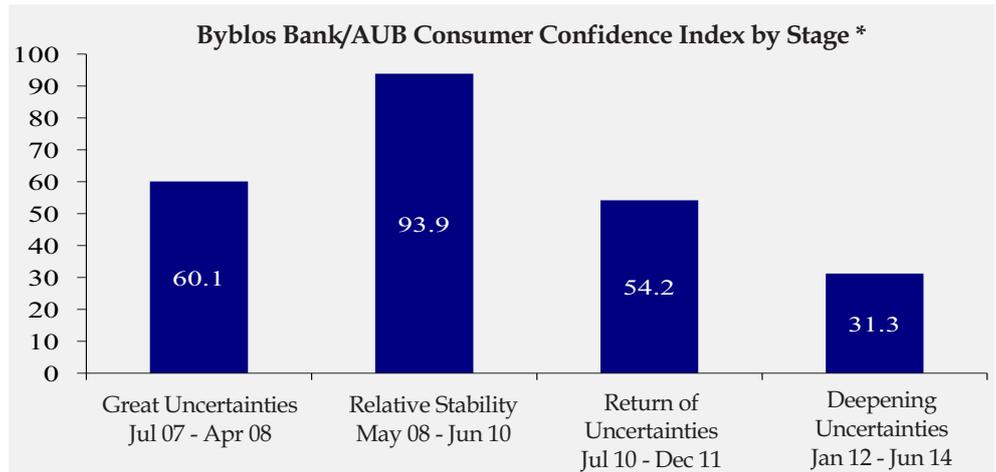
\*\*\* EI: Byblos Bank/AUB Expectations Index

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

## B -TIMELINE ANALYSIS

The results of the first and second quarters of 2014 upheld the trend in consumer confidence that started in January 2012. We have identified four 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, and a fourth of Deepening 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 dominated by political and security 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 span. 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 period. The fourth period started in January 2012, with the index averaging 30.8 during the 24 months ending in December 2013. It was a “very high risk” period where political and institutional paralysis increased and security conditions deteriorated, which helped worsen consumer sentiment. The results of the first and second quarters of 2014 extended and confirmed the Deepening Uncertainties period as the index averaged 31.3 over the January 2012-June 2014 period, constituting the lowest level of consumer confidence over the four periods.

*The period of deepening uncertainties extended into the first half of 2014*



\* monthly average index for the period

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

## C - ANALYSIS OF PRESENT SITUATION & EXPECTATIONS INDICES

The Byblos Bank/ AUB Present Situation Index and the Byblos Bank/ AUB Expectations Index moved in different directions in two out of three months of the first quarter of 2014. As such, the Present Situation Index increased by 4.7% in January, decreased by 14.3% in February and rose by 21% in March 2014; while the Expectations Index was unchanged in January, increased by 17% in February and grew by 8.5% in March. Similarly, the two indices moved in different directions during two out of three months of the second quarter of 2014. The Present Situation Index increased by 15.2% in April, declined by 6.6% in May and rose by 2.6% in June; while the Expectations Index improved by 6.6% in April, increased by 0.6% in May and fell by 16.2% in June 2014. The results of the Byblos Bank/ AUB Expectations and Present Situation indices showed monthly improvements in four out of six months during the first half of 2014, which reflected relatively higher levels of confidence in current as well as in future conditions. Indeed, the Present Situation Index was unchanged in the first quarter but improved by 19.3% in the second quarter of the year, while the Expectations Index increased by 17.7% in the first three months of the year and by another 12.1% in the second quarter. Still, the Present Situation Index posted its fourth-lowest semi-annual reading during the first half of 2014, while the Expectations Index registered its fifth-lowest result during the covered period. Also, the Present Situation and Expectations indices averaged 31.6 and 30.6, respectively, in the first quarter of 2014, constituting their sixth-lowest readings each in 28 quarters. Further, the Present Situation and Expectations indices posted averages of 37.8 and 34.3, respectively, in the second quarter of the year, constituting their 10th- and eighth-lowest quarterly readings, respectively, since the start of the index calculation. The Present Situation Index reached 28.1 in February 2014 and the Expectations sub-index reached 26.7 in January 2014, their seventh-lowest monthly reading since the inception of the indices. In parallel, the Present Situation Index was higher than the Expectations Index during the first and second quarters of 2014, which shows that Lebanese consumers were relatively more pessimistic about the future than they were about present circumstances. Generally, Lebanese consumers are more optimistic about future conditions over the near term than they are about their current situation. Indeed, there were only eight quarters between July

2007 and June 2014 when consumers were more, or equally, pessimistic about the future than they were about present circumstances. During the first half of 2014, the Expectations Index recorded a lower value than the Present Situation Index in January, March, April, May and June. As a result, consumers were more pessimistic about the future than about present conditions during the covered period. This trend demonstrates consumers' uncertain outlook and raises alarms over the depth of their concerns.

## D - GENERAL TRENDS

*Spillovers from the Syrian crisis continued to negatively affect consumer confidence during the first half of 2014*

Consumer confidence in Lebanon was very sensitive to political and security developments during the first half of 2014, in line with trends since July 2007. The year began with the Byblos Bank/ AUB Consumer Confidence Index at a record low level due to regional instability, repeated security breaches, a volatile political atmosphere and a rise in consumers' anxiousness throughout the second half of 2013. As such, sentiment in the month of January 2014 was influenced by the same trends that prevailed as of December 2013, mainly precarious security conditions and the political deadlock that continued to prevent Prime Minister designate Tammam Salam from forming a functional Cabinet. Indeed, several car bombs exploded in January in the southern suburbs of Beirut, leaving 14 dead and 125 injured citizens. Further, suicide bombers attacked the town of Hermel in the Bekaa on January 16 and February 1st, which led to 12 dead and more than 52 injured persons.

Consumer sentiment improved in relative terms in February, March and April due to several positive political and security developments. After 315 days of political deadlock, the formation of a Cabinet in February led to a collective sigh of relief and to renewed hopes that the breakthrough would reduce political tensions, would improve security conditions and would focus the authorities' attention on socio-economic issues. In addition, it raised expectations that the momentum behind the Cabinet's formation would carry over to the impending presidential elections and would result in the election of a President within the constitutional deadline, which would support the overall political outlook. This was reflected by the steady progress of the Expectations Index in February, March and April. The trend became more pronounced when authorities successfully implemented in April a security plan in Tripoli, with promises to extend the plan to the other areas of the country that have been suffering from security breaches.

*Security conditions weighed heavily on consumer sentiment*

The cumulative effects of the stream of positive developments translated into an improved outlook for households, as the Expectations Index posted higher or near equal values than the Present Situation Index in February and March. But although households' expectations about their present conditions increased substantially in March, the Present Situation Index was unchanged during the first three months of the year. Indeed, the frequency of security incidents across the country kept citizens on their edge, as twin suicide car bombs exploded simultaneously near the Iranian Cultural Center in Beirut on February 19th, which resulted in 11 dead and 120 injured citizens. Also, recurrent attacks on the Lebanese Army, particularly suicide attacks on two checkpoints in the Bekaa region on February 22 and March 29th, led to 7 dead and 19 injured persons.

Moreover, recurrent inter-factional clashes in Tripoli resulted in more than 31 casualties and at least 175 injuries during the first quarter of the year despite numerous attempts to stop the fighting in the city. This caused the Byblos Bank/AUB Present Situation Index and Expectations Index to remain subdued as each registered its sixth-lowest level in the first quarter of the year, which slowed down the improvement in sentiment.

*The formation of a new  
Cabinet improved  
households' outlook*

Still, the rise of the Expectations Index in the first quarter of the year reflected households' cautious optimism. Also, the two sub-indices improved in April on the strength of the positive political and security developments, which led the Byblos Bank/AUB Consumer Confidence Index to reach its highest level since September 2012. But consumers were more pessimistic about the future than about present conditions in April, while developments in May and June reinforced the gap during those two months. Indeed, the modest momentum that started in February and picked up in March and April stalled in May and June by adverse developments. As the May 25 constitutional deadline to elect Lebanon's next President approached, citizens anticipated that political parties would reach a consensus on a candidate, in time to avoid a vacuum at the highest position in the nation. This optimism was justified by the decline in political tensions and the less confrontational political discourse since the formation of the Cabinet, by the relative improvement in security conditions, and by the stated goodwill of local, regional and international stakeholders to facilitate the election.

*The upward momentum was  
stalled by negative political and  
security developments*

However, the Parliament's failure to elect a President by the constitutional deadline plunged the political process and the country into disarray and raised uncertainties to a new level. This took its toll on households' sentiment, as the monthly improvement in consumer confidence since the start of the year reversed its trend in May and resulted in the first decline of the Byblos Bank/AUB Consumer Confidence Index for the year. Further, consumers were clearly disillusioned, as reflected by the sharp drop in the Present Situation Index and by the stagnation of the Expectations Index during the same month. The trend deepened in June, as terrorist incidents in the Bekaa, and especially in Beirut, broke the brief normalization of security conditions in the country and reminded wary citizens of the precarious stability and of the simmering risks. Indeed, a suicide bombing attack on a military checkpoint on the Beirut-Damascus highway on June 20 led to one casualty and 32 injured citizens. Also, a bombing in Tayouné in the south of Beirut on June 24th, followed by security operations in two Beirut hotels on June 25th, left one dead and 31 injured and highlighted the prevailing instability. The combination of deepening political uncertainties and volatile security conditions was the final blow to the modest momentum in consumer sentiment. Indeed, households' renewed anxiousness resulted in the drop of the Byblos Bank/AUB Consumer Confidence Index in June for the second consecutive month, driven by their negative outlook.

The results of the Byblos Bank/AUB Consumer Confidence Index in the first half of 2014 do not bode well for a substantial resurgence of economic activity in the near term. Indeed, the index's rise in the covered period was due to base effects, as it increased from an all-time low level in the second half of 2013. Further, the index's momentum in the first four months of the year was cut short

by the realities of the regional and domestic political and security conditions. In addition, the Syrian conflict, with all its consequences, remained a drag on consumers' sentiment during the first half of the year, which limited the rise of the Byblos Bank/ AUB Consumer Confidence Index. Indeed, Lebanese consumers continued to feel the repercussions of the Syrian conflict in the first half of 2014, as its escalation led to recurrent political, security and socio-economic spillovers into the country.

In fact, consumer sentiment remained at such low levels that we reiterate that Lebanese consumers require a positive political shock of the magnitude of the Doha Accord, and not just the formation of a new government or the election of a new President, in order to restore their confidence to levels reached in 2008, 2009 and 2010. Therefore, we expect economic growth to remain subdued in the absence of any lasting positive political or economic shocks.

## METHODOLOGY

The Byblos Bank/ AUB 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 is calculated on a monthly basis, with January 2009 as its base month. 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, region, and religious affiliation. The index calculation started in July 2007. The Index is compiled, implemented and analyzed in line with international best practices and according to criteria from leading consumer confidence indices worldwide. The monthly field survey is conducted by Statistics Lebanon sarl, one of the leading market research and opinion polling firms in the country.

## E - CONSUMERS' NEAR-TERM OUTLOOK

During the first half of 2014, the level of consumer confidence rose in 20 out of 22 sub-categories relative to the second half of 2013. Male consumers had a relatively less pessimistic outlook for the coming six months than their female counterparts during the covered period. The average monthly reading of the Expectations Index was 31.2 for males compared to 30 for females in the first quarter of 2014, and reached 37.1 for males relative to 31.5 for females in the second quarter of the year.

*Consumer confidence continues to be higher among younger age groups*

Also, consumers aged between 21 and 29 years were less pessimistic over the near term than consumers in older age brackets during the first and second quarters of 2014. In contrast, consumers who are 60 years or older were the most pessimistic among age groups during each of the first and second quarters of the year. During the first quarter of 2014, private sector employees were the least pessimistic about economic prospects among occupational sub-categories, as the Expectations Index for this segment averaged 36 in the covered quarter. Freelancers and students followed with Expectations Index readings of 32.4 and 30.9, respectively. In the second quarter of 2014, private sector employees remained the least pessimistic with an average Expectations Index of 41, followed by freelancers and housewives with readings of 38.4 and 31.5, respectively. The unemployed were the most pessimistic among all occupational categories during the first and second quarters of 2014.

In parallel, consumers with a monthly household income of \$2,500 or higher were less pessimistic relative to other income brackets during the first half of 2014, as the Expectations Index for this segment averaged 32.8 and 44.9 during the first and second quarters of 2014, respectively. During the first quarter of 2014, consumers earning less than \$750 per month were less pessimistic than other income brackets, followed by consumers with a household income of \$2,500 or more per month. Moreover, during the second quarter of the year, consumers with a household income of \$2,500 per month and above had the most positive outlook among income sub-categories, as the Expectation Index for this segment jumped by 37% during the covered quarter.

*Christian consumers had the least pessimistic outlook in the second quarter of 2014*

Consumers in the North had the least pessimistic outlook among the country's five administrative districts during the first quarter of 2014, while those in Mount Lebanon were the least pessimistic relative to other administrative districts over the second quarter of the year. Consumers in the Bekaa remained the most pessimistic about future prospects during the first half of 2014, even though the Expectations Index for this category rose by 15% in the first quarter and by another 60% in the second quarter of the year.

In terms of religious affiliations, Druze consumers had the least pessimistic outlook in the first quarter of 2014, while Shiite consumers were the most pessimistic among all religious affiliations about their future prospects during the same quarter. In parallel, Christian consumers were the least pessimistic about the near-term economic outlook during the second quarter of 2014, while Druze consumers were the most pessimistic about future prospects during the covered quarter.

## II - Results by Category

### A - CONSUMER CONFIDENCE BY GENDER

The results of the Byblos Bank/AUB Consumer Confidence Index show that male consumers recorded a relatively higher level of confidence than their female counterparts during the first half of 2014. The results are in line with a trend that started in the first half of 2011. Also, male and female consumers posted higher confidence levels of 35.5 and 31.1, respectively, in the first half of 2014 compared to confidence levels of 31.5 and 25.8, respectively, in the second half of 2013.

*The confidence level of males was higher than that of females in the first half of 2014*

Male and female consumers posted average confidence levels of 32.4 and 29.6, respectively, during the first three months of 2014 and confidence levels of 38.7 and 32.7, respectively, in the second quarter of the year. As such, male and female consumers posted higher levels of confidence in the second quarter of 2014 compared to the first quarter of the year. Despite the improvement, the first quarter results represent males' sixth-lowest level of confidence in 28 quarters, while females' confidence level posted the seventh-lowest score ever in the same quarter of the year. Also, both male and female consumers posted their ninth-lowest quarterly results in the second quarter of 2014. Female consumers had a higher confidence level than their male counterparts in seven out of the first eight quarters since the index's inception in July 2007, but the trend reversed with males having a higher confidence level than females in 19 out of the following 20 quarters.

On a monthly basis, the confidence level of males and females reached 30.7 and 29.3, respectively, in February 2014, constituting their tenth- and 19th-lowest levels, respectively, in 84 months. On average, male consumers had higher confidence levels than female consumers in 58 out of 84 months, representing a 69.1% frequency of occurrence since the index's inception in July 2007.

Byblos Bank/AUB Consumer Confidence Index by Gender		
Month	Male	Female
Jan-14	30.8	27.5
Feb-14	30.7	29.3
Mar-14	35.8	31.9
Av. Index Q1 2014*	32.4	29.6
Apr-14	40.3	34.4
May-14	41.0	31.9
Jun-14	34.7	31.8
Av. Index Q2 2014*	38.7	32.7

\* average monthly index

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

## B - CONSUMER CONFIDENCE BY AGE

Consumers between 21 and 29 years old posted a higher level of confidence in the first half of 2014 than other age groups. This is consistent with the general trend observed since the index's inception, where consumers in this bracket consistently posted the highest confidence level on a semi-annual basis, with the exception of the semi-annual figures of 2012.

*Younger consumers tend to be less pessimistic*

Consumers in the 21 to 29 year-old bracket posted the highest confidence level during the first and second quarters of 2014, as the index for this age segment averaged 33.4 and 40.5, respectively. This is in line with the results of the July 2007-December 2013 period, with the exception of the first, second and fourth quarters of 2012. On a quarterly basis, the consumer confidence of one out of the five age groups reached an all-time low in the first quarter of 2014.

Further, consumers in the 21 to 29 year-old bracket registered a confidence level of 35.6 in February, 40.7 in April, 44.7 in May and 36.2 in June, constituting the highest readings among age segments in the first half of 2014. Also, consumers that are 60 years or older posted the highest level of confidence in January (32.1), while citizens aged between 30 and 39 years had the highest level of sentiment in March (37.8). On a monthly basis, consumers between 21 and 29 years old had their highest confidence level in 56 out of 84 months, representing a 66.7% frequency of occurrence.

Byblos Bank/AUB Consumer Confidence Index by Age					
Month	21-29 yrs	30-39 yrs	40-49 yrs	50-59 yrs	≥60 yrs
Jan-14	28.8	29.8	25.6	31.8	32.1
Feb-14	35.6	31.5	27.6	22.6	25.7
Mar-14	35.8	37.8	27.3	35.6	28.7
Av. Index Q1 2014*	33.4	33.0	26.8	30.0	28.9
Apr-14	40.7	35.3	37.5	38.1	32.0
May-14	44.7	34.0	32.6	32.8	33.9
Jun-14	36.2	33.3	30.7	29.1	35.6
Av. Index Q2 2014*	40.5	34.2	33.6	33.3	33.8

\* average monthly index

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

## C - CONSUMER CONFIDENCE BY OCCUPATION

Private sector employees recorded a better level of confidence relative to other occupational categories in the first half of 2014 with an average monthly reading of 37.6, constituting the fourth such occurrence in 14 semi-annual periods since the index's inception.

Moreover, private sector employees were relatively more confident during the first quarter of 2014, as the index for this segment averaged 33.7 in the covered period. They were followed by the self-employed with an average confidence level of 31.9, students with an average outcome of 31.6, public sector employees with an average reading of 30.9, the unemployed with an average of 28.9 and housewives with an average level of 26.9. Also, private sector employees had the highest level of confidence during the second quarter of 2014 as the index averaged 41.5 for this segment. They were followed by the self-employed with an average of 38.6, housewives with an average of 32.4 and public sector employees with an average of 28.3. On a quarterly basis, the consumer confidence of the unemployed reached its fourth- and second-lowest levels during the first and second quarters of 2014, respectively, with confidence level readings of 28.9 and 26.7, respectively.

*Private sector employees had the highest confidence level in the first and second quarters of 2014*

On a monthly basis, private sector employees were less pessimistic than other occupational groups as they registered higher confidence levels in the March (37.5), April (42.8), May (42.5) and June (39.2) polls. In contrast, the unemployed recorded the highest level of confidence in the January poll at 31.2, while students had the highest level of sentiment in the February poll at 37. Overall, students' consumer sentiment was highest in 46 out of 84 months, representing a 54.8% frequency of occurrence; while private sector employees had a better level of consumer confidence in 20 out of 84 months, reflecting a frequency of 23.8%.

Byblos Bank/AUB Consumer Confidence Index by Occupation						
Month	Private Sector Employee	Public Sector Employee	Self-employed	Student	Housewife	Unemployed
Jan-14	30.5	27.9	30.3	29.9	25.2	31.2
Feb-14	33.1	27.8	30.4	37.0	24.7	23.9
Mar-14	37.5	37.2	34.9	28.0	30.7	31.6
Av. Index						
Q1 2014*	33.7	30.9	31.9	31.6	26.9	28.9
Apr-14	42.8	31.3	41.3	25.6	32.9	31.0
May-14	42.5	22.7	40.8	35.2	29.9	24.2
Jun-14	39.2	31.0	33.5	23.5	34.5	24.8
Av. Index						
Q2 2014*	41.5	28.3	38.6	28.1	32.4	26.7

\* average monthly index

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

## D - CONSUMER CONFIDENCE BY INCOME

Consumers with a household income of \$2,500 or higher per month recorded the highest level of confidence among income brackets in the first half of 2014 with an average reading of 42.4.

The index shows that consumers with a household income below \$750 per month recorded the highest level of confidence among income brackets in the first quarter of 2014 with an average reading of 35.5. Conversely, consumers with a household income of \$2,500 or higher per month had the highest level of confidence among all income brackets in the second quarter, with an average index reading of 52.3. The first-half results indicate that consumers with a household income of \$2,500 or higher per month held the highest confidence level by income bracket in January (38), February (34.6), April (48.5), May (56.8) and June (51.7). Consumers at this income level held the highest level of confidence in five out of six months, representing an 83.3% frequency of occurrence. In parallel, consumers with a household income below \$750 per month held the highest confidence level in March 2014.

*Upper income consumers posted higher levels of confidence in the first half of 2014*

In January 2014, we have adopted four new income sub-categories for the Byblos Bank/ AUB Consumer Confidence Index to reflect more accurately the monthly income distribution of Lebanese households. As such, respondents were selected from a random population sample of 5,474 and were questioned about their monthly household income. The results showed that 29.23% of households earn below \$750 per month, 36.54% of Lebanese households have incomes between \$750 and \$1,499 per month, 23.86% of respondents earn between \$1,500 and \$2,499 per month, while 10.38% of households 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-14	32.1	28.2	24.1	38.0
Feb-14	31.6	26.7	30.6	34.6
Mar-14	42.9	31.1	29.8	25.0
Av. Index Q1 2014**	35.5	28.7	28.2	32.5
Apr-14	39.7	30.1	40.1	48.5
May-14	42.5	27.6	32.5	56.8
Jun-14	36.3	24.9	33.2	51.7
Av. Index Q2 2014**	39.5	27.5	35.3	52.3

\* monthly household income

\*\* average monthly index

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

## E - CONSUMER CONFIDENCE BY ADMINISTRATIVE DISTRICT

Consumers in Mount Lebanon posted the highest level of confidence among administrative districts in the first half of 2014 with an average reading of 37.1, constituting the fourth time since the index's inception that the district posts the highest level of confidence on a semi-annual basis.

Further, consumers in the North were the least pessimistic among all administrative districts in the first quarter of 2014, while their counterparts in Mount Lebanon were the least pessimistic in the second quarter of the year. There were only seven other instances where citizens in the North recorded the highest quarterly confidence level among administrative districts and nine other occurrences where Mount Lebanon registered the highest quarterly confidence level during the July 2007-June 2014 period.

*Households in Mount Lebanon were the least pessimistic in the second quarter of the year*

On a monthly basis, the results of the first half of 2014 show that consumers in Mount Lebanon registered the highest level of confidence among administrative districts in the April, May and June polls, with index readings of 42.1, 45.2 and 38.9, respectively. Also, residents in the North posted the highest confidence level in January and March at 38.8 and 41.5, respectively; while residents of the South registered the highest level of confidence among administrative districts in February at 38.5.

Overall, consumers in Mount Lebanon held the highest level of confidence in 24 out of 84 months, representing a 28.6% frequency of occurrence, followed by consumers in the South with an incidence of 25%, consumers in the North with 23.8%, Beirut consumers with 21.4% and consumers in the Bekaa with 1.2%.

Byblos Bank/AUB Consumer Confidence Index by Administrative District					
Month	Beirut	Mount Lebanon	North	Bekaa	South
Jan-14	25.1	32.6	38.8	15.7	25.3
Feb-14	24.0	30.9	34.8	18.4	38.5
Mar-14	32.2	33.0	41.5	23.0	38.5
Av. Index Q1 2014*	27.1	32.2	38.4	19.0	34.1
Apr-14	36.9	42.1	40.6	24.3	35.1
May-14	32.1	45.2	29.9	34.1	30.4
Jun-14	26.2	38.9	36.9	24.6	30.3
Av. Index Q2 2014*	31.7	42.1	35.8	27.6	31.9

\* average monthly index

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

## F - CONSUMER CONFIDENCE BY RELIGIOUS AFFILIATION

Druze consumers posted the highest level of confidence among all religious affiliations in the first half of 2014, constituting the sixth such semi-annual occurrence since the start of the survey's calculation.

*Druze households were the most optimistic in the first half of 2014*

Druze consumers were the least pessimistic among all religious affiliations during the first quarter of 2014 with an average reading of 52.8. They were followed by Sunni, Christian and Shiite consumers. Moreover, Christian consumers were the least pessimistic during the second quarter of 2014 with an average reading of 42.9. They were followed by Sunni, Shiite and Druze consumers. The confidence level of Druze consumers posted its lowest level in 28-quarters during the second quarter of 2014.

On a monthly basis, Druze consumers had the highest confidence level in January, February and March among religious affiliations; while Christians were the least pessimistic in April, May and June 2014. Christian households held the highest level of confidence in 34 out of 84 months, representing a 40.5% frequency of occurrence, followed by Druze consumers with an incidence of 28.6%, Sunni consumers with 16.7% and Shiite households with a frequency of 14.3%.

Byblos Bank/AUB Consumer Confidence Index by Religious Affiliation				
Month	Christians	Sunnis	Shiites	Druze
Jan-14	29.4	26.8	21.1	59.1
Feb-14	27.2	31.1	27.4	49.1
Mar-14	31.3	37.7	29.4	50.2
Av. Index Q1 2014*	29.3	31.9	26.0	52.8
Apr-14	43.0	38.6	30.7	25.4
May-14	46.3	28.2	31.4	24.1
Jun-14	39.3	31.8	26.2	27.6
Av. Index Q2 2014*	42.9	32.8	29.4	25.7

\* average monthly index

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

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