



## **Byblos Bank/AUB Consumer Confidence Index:**

### **Repeated Delays in Government Formation Hold Back Consumer Confidence in Third Quarter of 2018**

**Byblos Bank Headquarters, October 31, 2018:** Byblos Bank issued today the results of the Byblos Bank/AUB Consumer Confidence Index for the third quarter of 2018.

The results show that the Index decreased by 5.7% in July from the preceding month, and was nearly unchanged in August and September 2018. Further, the Index averaged 75.3 in the third quarter of 2018, constituting a marginal increase of 1.5% from 74.2 in the second quarter of 2018. In addition, the Byblos Bank/AUB Present Situation Index averaged 66 in the third quarter of 2018 and decreased by 2.3% from the preceding quarter, while the Byblos Bank/AUB Expectations Index averaged 81.4 and grew by 3.6% from the second quarter of 2018. Further, the average monthly score of the Index in the third quarter of 2018 was 29% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008, and remained 22.1% below the annual peak of 96.7 reached in full year 2009.

Commenting on the results, Mr. Nassib Ghobril, Chief Economist and Head of the Economic Research and Analysis Department at Byblos Bank Group stated: "the ongoing delays and procrastination in the formation of a new Cabinet in Lebanon were the main factor that affected household sentiment in the third quarter of 2018."

He noted that "the ongoing delays in the formation of a new government, following the May 2018 parliamentary elections, led to the stagnation of consumer sentiment in Lebanon during the third quarter of the year and sapped any momentum in confidence that the elections generated." He added that "Lebanese citizens had high expectations following the parliamentary elections that the various political parties would quickly form a government and implement concrete measures to improve their quality of living and economic well-being, as they were led to believe that changing the electoral law would improve the performance of politicians and would result in better accountability. Instead, citizens discovered that the political behavior of most parties hardly changed after the elections, given their prevailing quest for power and for dividing the political pie, which led to lost opportunities for the Lebanese economy and triggered rumors about the stability of the Lebanese pound and the state of public finances."

Meanwhile, households continued to feel the impact of last year's tax increases through inflationary pressures, economic stagnation, decrease in their purchasing power, and higher cost of living, along with a lack of tangible improvement in their quality of living.

Mr. Ghobril said that "the delay in the formation of the government has transformed the longstanding skepticism of households into disillusionment about the seriousness of the political class to improve the quality of living of citizens. As a result, the Byblos Bank/AUB Expectations Index retreated by 11% since last May."

In addition, Mr. Ghobril pointed out "the third-quarter results of the Index continue to show that Lebanese citizens need to see concrete evidence and tangible solutions that improve their economic well-being in order to sustain their confidence level, as they have repeatedly seen many politicians put personal or partisan agendas ahead of the national interest." He added that "the ongoing delay in the formation of a new government will continue to dent confidence and the future expectations of households."

Further, the third-quarter results do not reflect a change in outlook among Lebanese households, as only 11.5% of the Lebanese polled in the third quarter of 2018 expected their financial conditions to improve in the coming six months, nearly unchanged from 11.9% in the second quarter of the year. In parallel, 58.1% of respondents in the covered quarter believed that their financial situation will deteriorate and 28.2% forecast their financial condition to remain the same in the next six months. In addition, 9.9% of the Lebanese surveyed in September 2018 expected business conditions in Lebanon to improve in the coming six months compared to 11.2% in June 2018, while 67.4% of respondents anticipated business conditions to deteriorate, relative to 67.8% in June 2018.

The results of the Byblos Bank/AUB Consumer Confidence Index for the third quarter of 2018 show that female consumers had a higher level of confidence than their male counterparts, and consumers in the 21 to 29 year-old bracket posted the highest confidence level relative to citizens in other age brackets during the covered quarter. Also, households with an income of USD 2,500 or more per month continued to be more confident than those earning less. Moreover, public-sector employees were more optimistic than the self-employed, private sector employees and the unemployed in the third quarter of the year, while students were the most optimistic segment overall.

In addition, the confidence level of residents in Beirut increased by 14% in the third quarter of 2018 from the preceding quarter, followed by households in the Bekaa region (+13%), the North (+2.7%) and the South (+1%); while the sentiment of residents in Mount Lebanon regressed by 9.1% in the covered quarter. Still, the sentiment of residents in the Bekaa region was the highest among all geographic regions during the third quarter of 2018, followed by households in the North, the South, Beirut and Mount Lebanon. Further, the confidence level of Shiite households surged by 12.3% quarter-on-quarter in the third quarter of 2018 and rose by 9.4% for Sunni consumers; while the sentiment of Druze households retreated by 14.3% and that of Christian consumers regressed by 4.7% from the second quarter of 2018. Also, Shiite households registered the highest level of confidence in the third quarter of 2018, followed by Sunni, Druze and Christian households.

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, geographical region, 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, as well as analyzing its results since inception. 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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