

# CONSUMER CONFIDENCE IN LEBANON

## THE BYBLOS BANK/AUB CONSUMER CONFIDENCE INDEX

*First Half 2017 Results and Analysis*

### Consumer Confidence Improves in First Half of 2017

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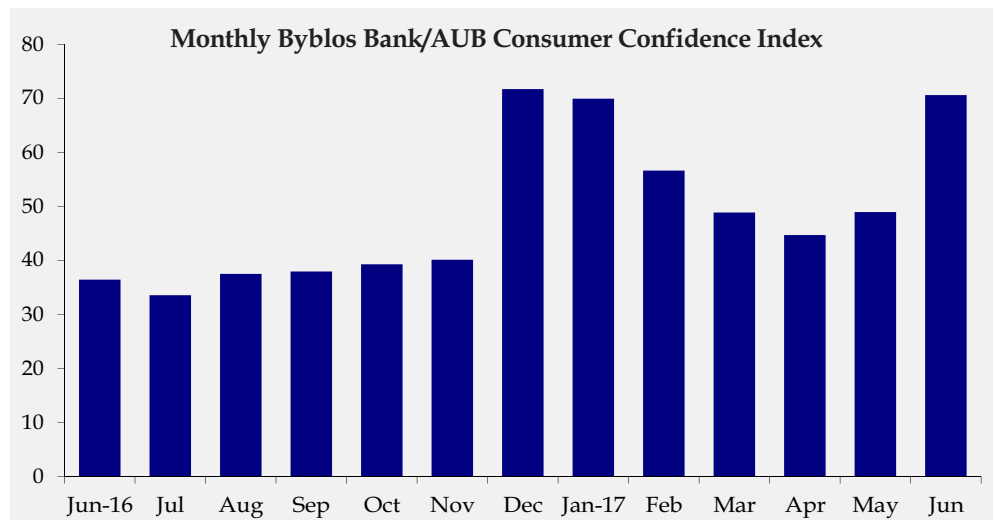
- The Byblos Bank/AUB Consumer Confidence Index posted a monthly average of 58.5 in the first quarter of 2017 and increased by 16% from the fourth quarter of 2016. The Index reached 54.8 in the second quarter of 2017 and regressed by 6.3% from the preceding three months.
- The results of the first quarter of 2017 were the 13th highest since the Index's inception in July 2007, while the outcome of the second quarter was the 15th highest in 40 quarters.
- The recovery in sentiment in the first half of 2017 was tentative, as households linked their confidence level to concrete improvements in their standard of living and economic well-being following the formation of the new Cabinet.
- The government's focus on increasing taxes on consumption, income and profits hurt consumers' expectations, while the renewal of the term of Banque du Liban's Governor Riad Salamé and the approval of a new parliamentary electoral law supported confidence.
- The Byblos Bank/AUB Consumer Confidence Index posted a monthly average of 56.6 in the first half of 2017, up by 30.6% from the second half of 2016.
- The level of sentiment in the first half reflected a drop of 42% from the semi-annual peak score registered in the first half of 2009, and an increase of 5.5% from the Index's monthly trend average score since the Index's inception.
- The near-term expectations of households were higher than their views of their current conditions during the first half of 2017.
- Only 10.4% of surveyed Lebanese in the first half of 2017 expected their financial condition to improve in the coming six months.
- Consumers with a monthly income of \$2,500 or higher were more confident than citizens in lower income brackets in the first half of 2017.

# I - Analysis of Results

## A - ANALYSIS ON A CALENDAR BASIS

Consumer confidence in Lebanon improved during the first quarter of 2017, while it declined in the second quarter of the year, as reflected by the results of the Byblos Bank/ AUB Consumer Confidence Index. The index reached 69.9 in January 2017, down by 2.5% from 71.7 in December 2016. It also decreased by 19% to 56.6 in February and regressed by another 13.7% to 48.9 in March 2017. Further, the index posted a score of 44.7 in the April 2017 survey, down by 8.5% from the previous month. It then grew by 9.5% to 49 in May and surged by 44.3% to 70.6 in June 2017.

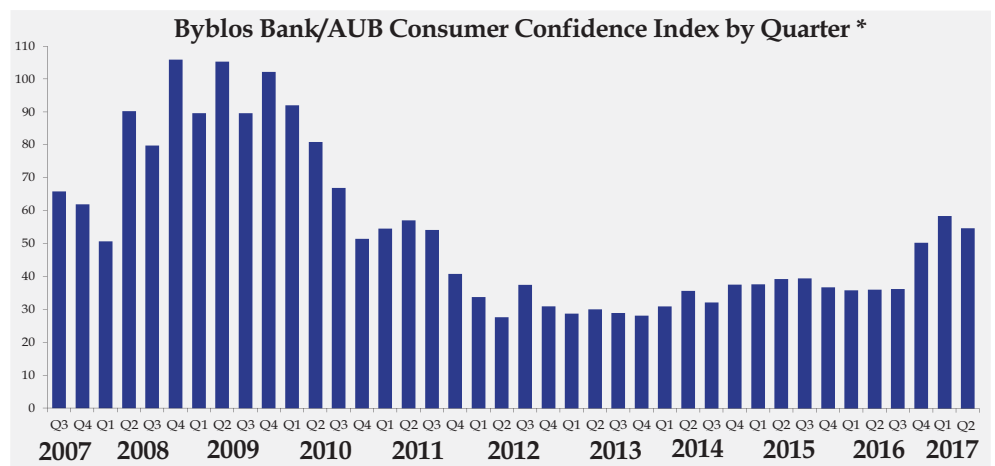
Consumer sentiment was highest in June during the first half of 2017



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

The Byblos Bank/ AUB Consumer Confidence Index averaged 58.5 in the first quarter of 2017, constituting an increase of 16% from 50.4 in the fourth quarter of 2016, while it regressed by 6.3% to an average of 54.8 in the second quarter of 2017. The results of the first quarter of 2017 were the 13th highest since the index's inception in July 2007, while the second quarter results posted their 15th highest quarterly reading in 40 quarters.

Consumer confidence improved in the first quarter of 2017



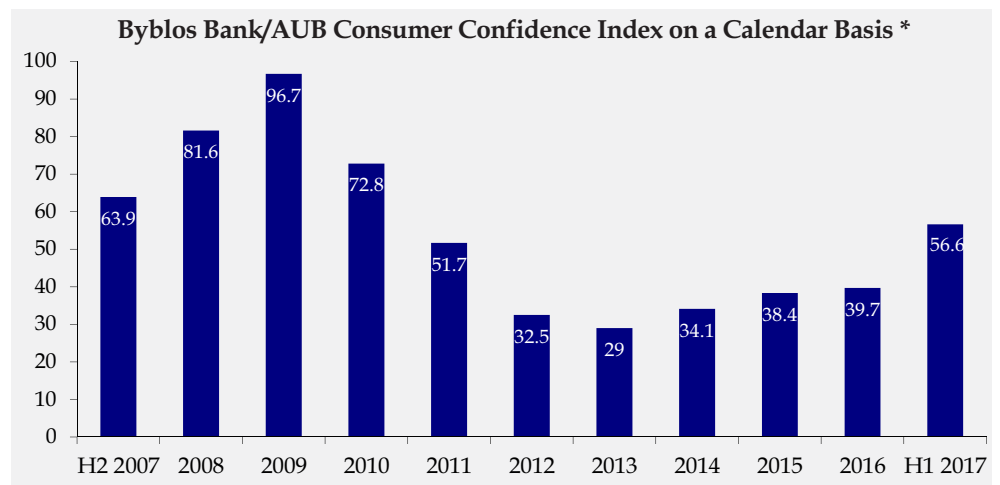
\* monthly average Index by quarter

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

The government's focus since the start of the year on tax increases, as well as the debilitating and endless bickering among political parties about the parliamentary electoral law, at the expense of households' day-to-day needs, halted the momentum in confidence that started towards the end of 2016. As a result, household sentiment decelerated in each of the first four months of the year. However, the renewal of the term of Banque du Liban's Governor Riad Salameh and the approval of a new parliamentary electoral law lifted consumer sentiment in May and especially in June 2017.

The average monthly score of the Index in the first quarter of 2017 was 44.8% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008. Still, the first-quarter results were 9% higher than the monthly trend average score of 53.7 since the inception of the Index in July 2007, which marked the first time that the quarterly results exceed the trend average since the third quarter of 2011. In parallel, the average monthly score of the Index in the second quarter of 2017 was 48.3% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008. But the second-quarter results were 2% higher than the monthly trend average score of 53.7 since the inception of the Index in July 2007.

*Household sentiment was significantly below the peak level of 2009*



\* monthly average Index for the period

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

In parallel, the index posted an average monthly value of 56.6 during the first half of 2017, constituting an increase of 30.6% from the second half of 2016. The first-half results represented the index's eighth-highest level in 20 semi-annual readings. Also, they were 5.5% higher than the index's trend average score of 53.7 since July 2007, which marks the first time that the semi-annual results exceed the trend average since the first half of 2011. Still, the average monthly score of the first half of 2017 represented a decline of 42% from the peak of 97.5 registered in the first half of 2009 and a decrease of 41.5% from the peak of 96.7 reached in full year 2009.

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

	Q1 2017			Q2 2017		
	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
<b>CCI*</b>	<b>69.9</b>	<b>56.6</b>	<b>48.9</b>	<b>44.7</b>	<b>49.0</b>	<b>70.6</b>
Month-on-month change (%)	-2.5%	-19.0%	-13.7%	-8.5%	9.5%	44.3%
Year-on-year change (%)	86.7%	53.2%	46.9%	27.7%	32.8%	93.6%
<b>PSI**</b>	<b>59.3</b>	<b>52.0</b>	<b>46.1</b>	<b>41.4</b>	<b>44.6</b>	<b>68.5</b>
Month-on-month change (%)	-8.8%	-12.3%	-11.4%	-10.1%	7.8%	53.5%
Year-on-year change (%)	70.2%	53.2%	54.5%	28.9%	33.6%	84.7%
<b>EI***</b>	<b>77.1</b>	<b>59.7</b>	<b>50.7</b>	<b>46.9</b>	<b>51.9</b>	<b>72.1</b>
Month-on-month change (%)	1.1%	-22.5%	-15.0%	-7.5%	10.5%	39.0%
Year-on-year change (%)	96.5%	53.1%	42.7%	27.0%	32.4%	99.8%

\* CCI: Byblos Bank/AUB Consumer Confidence Index

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

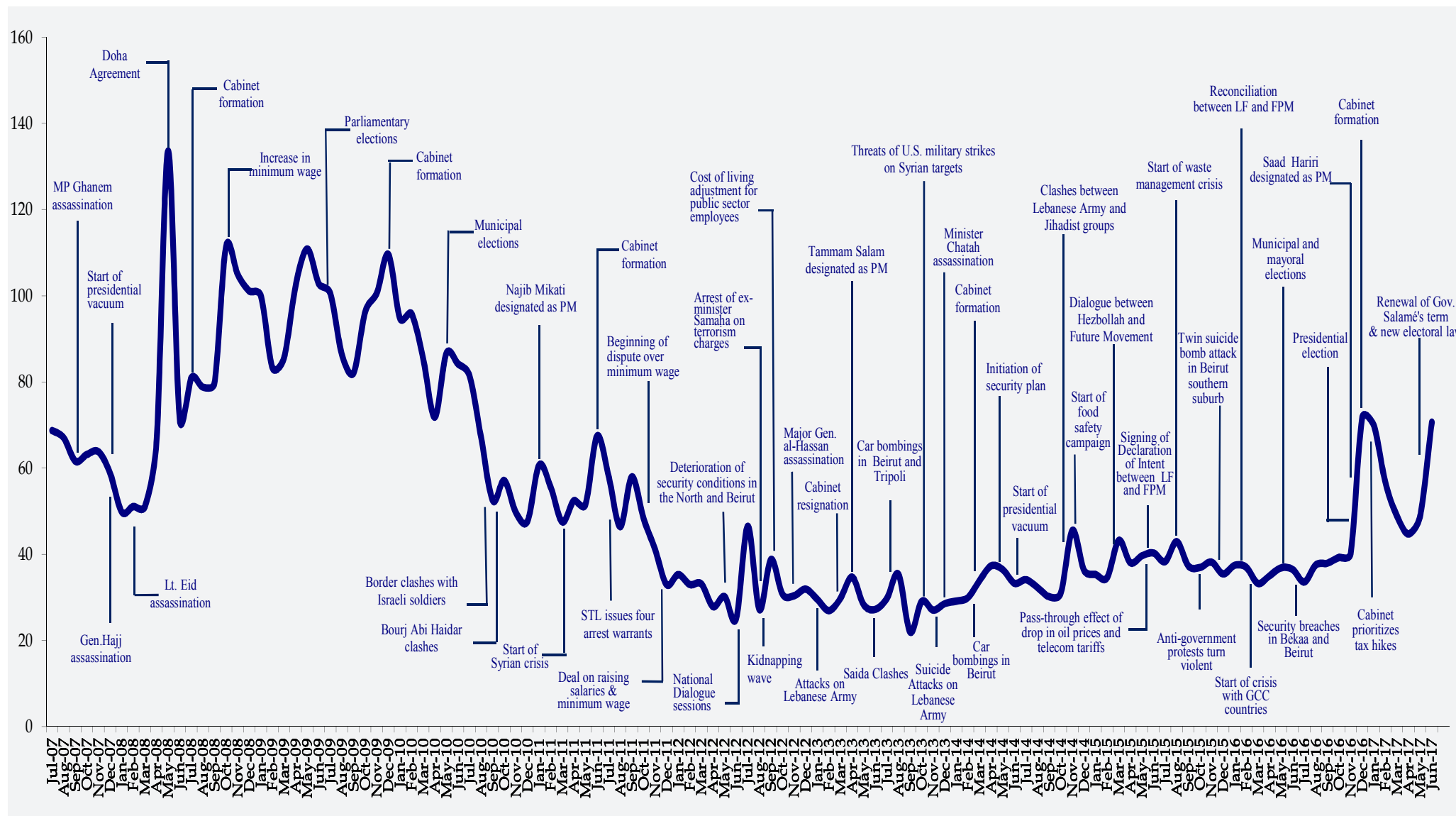
\*\*\* EI: Byblos Bank/AUB Expectations Index

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, administrative district, 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. 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.

## Evolution of the Byblos Bank/AUB Consumer Confidence Index (July 2007 - June 2017)



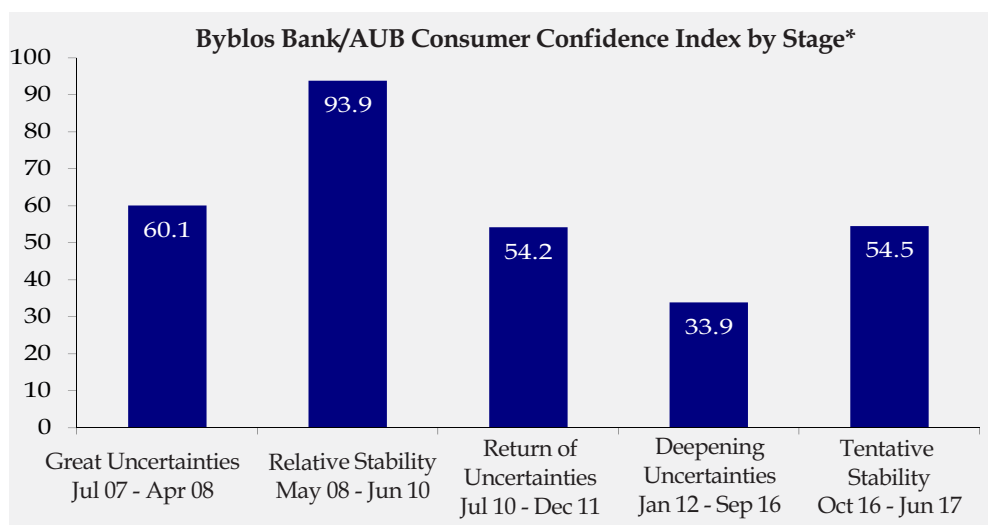
Source: Byblos Research

## B -TIMELINE ANALYSIS

The results of the first and second quarters of 2017 supported the trend in consumer confidence that started in October 2016 and that reflects the breakthrough in the political climate and a period of improved stability in the country. We have identified five 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, and a fifth of Return to Relative Stability.

*The period of Tentative Stability extended into the first and second quarters of 2017*

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 security and political uncertainties. The second period extended from May 2008 to June 2010, and it 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 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 deteriorated, which negatively weighed on consumer sentiment. The index averaged 33.8 over the January 2012-September 2016 period, constituting the lowest level of consumer confidence over the five periods. The fifth period started in October 2016, with the index averaging 50.4 during the fourth quarter of 2016. Several positive political events and stable security conditions helped to positively affect consumer confidence, which led us to classify this timeframe as a period of "Tentative Stability". The results of the first and second quarters of 2017 extended the Tentative Stability period, as the index averaged 54.5 during the October 2016-June 2017 period, constituting the third highest level of consumer confidence during the five periods.



\* monthly average Index for the period

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



## C - ANALYSIS OF PRESENT SITUATION & EXPECTATIONS INDICES

*The Expectations Index was higher than the Present Situation Index during the first and second quarters of 2017*

The Byblos Bank/ AUB Present Situation Index increased by 8.4% in the first quarter of 2017 from the fourth quarter of 2016, while the Expectations Index surged by 20.8% in the covered quarter. In parallel, The Present Situation Index regressed by 1.8% in the second quarter of 2017 from the preceding quarter, and the Expectations Index declined by 8.9% quarter-on-quarter. The Byblos Bank/ AUB Expectations Index posted higher values than the Present Situation Index during the first and second quarters of 2017, in line with the first, second, third and fourth quarters of 2015 and 2016. Also, the gap between the Expectations Index and the Present Situation Index posted a positive spread of +10.5% in the second quarter of 2017, down from a spread of +19.2% in the first quarter of the year, but it still constituted an improvement from a spread of +6.9% in the fourth quarter of 2016.

The Present Situation Index and the Expectations Index moved in the same direction in two out of the three months of the first quarter of 2017. The Present Situation Index posted a decrease of 9% in January, a decline of 12% in February and a retreat of 11% in March 2017, while the Expectations Index improved by 1.1% in January but regressed by 22.5% in February and declined by 15% in March. Moreover, the Present Situation and Expectations indices averaged 52.4 and 62.5, respectively, in the first quarter of 2017, constituting their 12th- and 15th-highest quarterly readings, respectively, since the start of the index's calculation.

In parallel, the two indices moved in the same direction during the second quarter of 2017. As such, the Present Situation Index posted a decrease of 10% in April, followed by an increase of 8% in May and a surge of 53% in June 2017, while the Expectations Index regressed by 7.5% in April but improved by 10.5% in May and by 39% in June. In addition, the Present Situation and Expectations indices averaged 51.5 and 56.9, respectively, in the second quarter of 2017, constituting their 13th- and 17th-highest quarterly readings, respectively, in 40 quarters. Moreover, the Present Situation Index and the Expectations Index posted their seventh and ninth highest readings, respectively, out of 20 semi-annual readings during the first half of 2017.

Generally, Lebanese consumers are more optimistic about future conditions over the near term than they are about their current situation, a trend upheld in the first and second quarters of 2017, as the Expectations Index posted higher values than the Present Situation Index in each of the first six months of 2017. In fact, Lebanese consumers were more optimistic about the future than they were about present circumstances in 30 out of 40 quarters and in 85 out of 120 months between July 2007 and June 2017, representing a 70.8% monthly frequency of occurrence.

The first-half results reflect a minor shift in households' attitudes, as 10.4% of Lebanese polled in the first half of 2017 expected their financial conditions to improve in the coming six months, slightly up from 7.2% in the second half of 2016, while 65.8% of respondents believed their financial situation will deteriorate, and 21.4% stated that their financial conditions would remain the same.

## D - GENERAL TRENDS

*The end of the 30-month presidential vacuum and the formation of the Cabinet supported consumer confidence*

Consumer confidence in Lebanon improved during the first half of 2017, as the decline in sentiment in the second quarter of the year did not completely offset the increase in confidence in the first quarter. However, last year's political breakthrough did not translate into a sustained momentum in sentiment, as households' expectations and skepticism affected the trajectory of the Byblos Bank/ AUB Consumer Confidence Index in the first half of the year. Moreover, confidence remained very sensitive to political developments during the covered period, in line with trends since the Index's inception in July 2007. In fact, political and security developments, whether they are positive or negative, have been the single most important factor to affect the confidence of Lebanese consumers in the past 40 quarters.

*The recovery in sentiment remained tentative*

The recovery in sentiment in the first quarter of the year was tentative at best, especially when compared to the surge in confidence following the Doha Accord in May 2008, as the results of the first quarter of 2017 were 27% lower than the results of the third quarter of 2008. In fact, Lebanese households had high expectations that the end of the 30-month political deadlock, which resulted in the elections of a president and the formation of a government of national unity, would lead the new Cabinet to put the priorities and needs of citizens at the top of their agenda. As a result, the Byblos Bank/ AUB Expectations Index reached in January its highest level in 66 months.

But the government's focus on increasing taxes on consumption, income and profits, as well as the debilitating and endless bickering among political parties about the parliamentary electoral law, halted the momentum in confidence that started towards the end of 2016. As such, household confidence decelerated in each of the first four months of the year after peaking in December. More alarmingly, the Byblos Bank/ AUB Expectations Index dropped by 39% between January and April.

*The Cabinet's focus on tax hikes increased household skepticism*

Further, the results of the Byblos Bank/ AUB Consumer Confidence Index's survey reflected the prevailing skepticism of Lebanese households, as only 10.4% of the Lebanese polled in the first quarter of 2017 expected their financial condition to improve in the coming six months, while 64.1% of respondents believed that their financial situation would deteriorate. Also, 6.8% of the Lebanese surveyed in March 2017 expected business conditions in Lebanon to improve in the coming six months, down from 15.4% in January.

In addition, the spread between the Byblos Bank/ AUB Expectations Index and the Byblos Bank/ AUB Present Situation Index narrowed steeply from a high of +17.8 in January to spreads of +7.7 in February and +4.6 in March, reflecting a precipitous drop in the near term outlook of households at the outset of the new government's tenure.

The events that led to the Doha Accord in May 2008 were similar to the situation that led to the more recent political settlement of October 2016. The country had been facing a presidential vacuum that started in November 2007, the Cabinet could not function properly and Parliament was not legislating, while security conditions were tense. The outcome of the Doha Accord was a global



political settlement among Lebanese political parties about the presidential elections, the parliamentary electoral law, the timetable for the elections, as well as about the formation of a post-elections Cabinet. The announcement of the Doha Accord propelled household sentiment to new highs, with the Byblos Bank/ AUB Consumer Confidence Index posting a record monthly level in May 2008 that has yet to be matched. More importantly, the momentum in confidence persisted, as the Index remained at elevated levels in the second half of 2008, and posted a record year in 2009 and a very positive outcome in 2010.

The period of political and institutional paralysis that led to the recent political breakthrough started in May 2014 and ended in October 2016. In addition, this period was preceded by another 10 months of political paralysis that stretched from April 2013 to February 2014, which is the time it took then-Prime Minister-designate Tammam Salam to form his Cabinet. In comparison, the overall timeframe of the political crisis that led to the Doha Accord was about 18 months, starting in November 2006 with the resignation of several ministers, which complicated policy-making, and the beginning of the presidential vacuum in November 2007 that paralyzed the government's decision-making. So given that the more recent crisis lasted longer, markets expected a relief rally in consumer sentiment that would be more solid and sustained than the post-Doha momentum.

*Markets anticipated a sustained rally in consumer sentiment*

However, given past disappointments after periods of elevated optimism, such as the post-Doha euphoria, Lebanese citizens became very cautious and tied their confidence level to tangible improvements in their standard of living. Indeed, Lebanese households considered that last year's political breakthrough needed to translate into concrete improvements in their quality of living and economic well-being in order for their confidence to remain high. For instance, households expected the quality of public-service delivery to improve, such as an increase in electricity supply so they do not have to pay two electricity bills, an expansion of the roads network so they do not spend hours in traffic, and an upgrade in the quality of telecommunications services accompanied by a decline in their cost. In addition, consumers expected the government to give priority to pressing environmental issues, such as finding a permanent solution to the waste management problem and alleviating their concerns about the unreliable supply of clean water, among others.

*Households expected the political breakthrough to improve their standard of living*

But the government's misplaced priorities, at the expense of households' day-to-day needs, exacerbated consumers' skepticism and led to the widespread disappointment of households, which halted the momentum in sentiment and prevented an extended relief rally. As such, the average monthly score of the Byblos Bank/ AUB Consumer Confidence Index in the first half of 2017 was 39% lower than the average monthly score in the six months that followed the Doha Accord.

In parallel, the Byblos Bank/ AUB Consumer Confidence Index improved in May and especially in June, following the renewal of the term of Banque du Liban's Governor Riad Salamé as well as the approval of a new parliamentary electoral law. But the improvement of the Index in June was likely due to citizens' relief that the debilitating and long-running bickering among political parties about the electoral law had finally ended, rather than to real expectations of imminent change in the political system, especially with the deliberate

postponement of the parliamentary elections until May 2018. Moreover, the disproportionate focus on the parliamentary electoral law overshadowed the importance of the decision to renew Governor Salamé's term, as this decision constituted a key factor for maintaining and improving the confidence of Lebanese households.

*Renewal of Governor Salamé's term was positive for confidence*

Moreover, the jump of the Index in June was significant enough to partially offset the steady decline in sentiment in the first four months of the year. But by the end of June, Lebanese households considered that last year's political breakthrough had not translated yet into concrete improvements in their quality of living and economic well-being.

*Maintaining household confidence is conditional on improving economic well-being*

So if authorities do not fulfill these expectations in the near term, citizens are likely to see the presidential elections, the formation of the Cabinet and the re-activation of Parliament, along with the new parliamentary electoral law, as just a power-sharing deal among the political class, which will likely raise consumers' skepticism and reduce their confidence to significantly lower levels. In fact, the spread between the Byblos Bank/ AUB Expectations Index and the Byblos Bank/ AUB Present Situation Index reached +3.6 in June, its smallest margin by far since the political breakthrough, which reflects the fragility of consumers' outlook.

*Consumers still waiting for Cabinet to fulfill its own slogan*

Also, the results of the Index's survey continued to reflect the skepticism of Lebanese households, as only 10.3% of the Lebanese polled in the second quarter of 2017 expected their financial condition to improve in the coming six months, while 67.4% of respondents believed that their financial situation will deteriorate. In parallel, 10.7% of the Lebanese surveyed in June 2017 anticipated that business conditions in Lebanon will improve in the coming six months, which is a slight improvement from March, but it remains significantly below the 30.1% posted in December 2008, six months after the Doha Accord. Consequently, the Cabinet, whose slogan is "Restoring Confidence", has its work cut out for it in order to meet its lofty target.

## E - CONSUMERS' NEAR-TERM OUTLOOK

Female consumers had a relatively more optimistic near-term outlook than their male counterparts in the first and second quarters of 2017. The average monthly reading of the Expectations Index was 65.9 for females compared to 59.1 for males in the first quarter of 2017, and reached 60.1 for females relative to 53.8 for males in the second quarter of the year.

Consumers who are in the 40 to 49 year-old bracket were more optimistic about the near term than consumers in other age brackets during the first and second quarters of 2017, while consumers in the 50 to 59 year-old segment were the most pessimistic during the first and second quarters of the year.

Further, private sector employees were the least pessimistic about economic prospects among occupational sub-categories in the first and second quarters of 2017, as the Expectations Index for this segment averaged 72.6 and 63.5, respectively. Conversely, unemployed consumers were the most pessimistic about the near future among all occupational categories during the first two quarters of 2017.

In parallel, consumers with a monthly income of \$2,500 or higher were more optimistic about the future economic prospects than citizens in other income brackets during the first and second quarters of 2017. In contrast, consumers with a monthly income between \$750 and \$1,499 were the most pessimistic about the near future among all income categories during the first and second quarters of the year.

In addition, residents of North Lebanon were more optimistic than their counterparts in other administrative districts during the first quarter of 2017, while residents of Mount Lebanon were the most optimistic during the second quarter of the year. Conversely, consumers who reside in the Bekaa were more pessimistic about future prospects than those in other administrative districts during the first and second quarters of 2017.

In terms of religious affiliation, Druze consumers were the least pessimistic about the country's near-term economic outlook in the first quarter of 2017, followed by Christians and Sunnis. In parallel, Christian consumers were the most optimistic during the second quarter, followed by Druze and Sunnis. Conversely, Shiite consumers were the most pessimistic about future prospects during the first and second quarters of 2017.

*Consumers between 40 to 49 years old were the most optimistic about the near term in the first and second quarters of 2017*

*Higher income consumers were the least pessimistic in the first and second quarters of 2017*

*Shiite consumers were the most pessimistic about future prospects in the first half of 2017*

## II - Results by Category

### A - CONSUMER CONFIDENCE BY GENDER

*Females had a higher level of confidence than males*

The results of the Byblos Bank/ AUB Consumer Confidence Index show that female consumers registered a relatively higher level of confidence than their male counterparts during the first and second quarters of 2017. Females were more confident than males in five out of six months in the first half of 2017. However, male consumers were more confident than females in 67 out of 120 months since the index's inception in July 2007, representing a 55.8% frequency of occurrence.

The confidence level of male consumers grew by 19% in the first quarter of 2017 and regressed by 6% in the second quarter, while the level of sentiment among females increased by 13.5% in the first quarter and decreased by 6.8% in the second quarter of the year. Male and female consumers posted average confidence levels of 56.7 and 60.3, respectively, during the first quarter of 2017 and confidence levels of 53.4 and 56.2, respectively, in the second quarter of the year. The first quarter results represent the 15th-highest level of confidence of males in 40 quarters, while females posted the 13th-highest confidence level ever in the same quarter of 2017. Moreover, male and female consumers posted their 17th- and 14th-highest quarterly results, respectively, in the second quarter of 2017.

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. However, the trend reversed, as males became more confident than females in 21 out of the following 22 quarters until the fourth quarter of 2014. The trend changed again in 2015, as female consumers started to post a higher confidence level than their male counterparts in the first quarter of the year, and this trend persisted until the second quarter of 2017.

On a semi-annual basis, male and female consumers posted average confidence levels of 55 and 58.2, respectively, during the first half of 2017, relative to confidence levels of 41.3 and 45.5, respectively, in the second half of 2016. As such, the confidence level of males increased by 33.4% and that of females grew by 28% during the first half of 2017. Moreover, male and female consumers posted their ninth- and eighth-highest semi-annual results, respectively, in the first half of 2017.

**Byblos Bank/AUB Consumer Confidence Index by Gender**

Month	Male	Female
Jan-17	70.1	69.8
Feb-17	54.0	59.2
Mar-17	45.9	51.8
Av. Index Q1 2017*	56.7	60.3
Apr-17	43.7	45.8
May-17	46.3	51.6
Jun-17	70.1	71.2
Av. Index Q2 2017*	53.4	56.2

\* average monthly Index

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

## B - CONSUMER CONFIDENCE BY AGE

Consumers in the 40 to 49 year-old bracket posted a higher level of confidence than other age brackets in the first quarter of 2017, while those who are between 21 to 29 years old were the most confident in the second quarter of the year. In contrast, consumers who are in the 50 to 59 year-old bracket were the least confident among age segments during the covered quarters.

The level of sentiment among consumers who are 60 years or older increased by 25.2% in the first quarter of 2017, followed by citizens who are between 50 and 59 years old (+19.7%), consumers aged between 40 and 49 years (+19.1%), citizens in the 30 to 39 year-old bracket (+14%) and consumers aged between 21 and 29 years (+11.2%). In parallel, the confidence level of citizens in the 50 to 59 year-old bracket declined by 11.3% in the second quarter of 2017, followed by consumers aged between 40 and 49 years (-9.8%), citizens who are 60 years or older (-8%), consumers in the 30 to 39 year-old bracket (-7.9%), and citizens aged between 21 and 29 years (-0.2%).

On a semi-annual basis, consumers who are in the 40 to 49 year-old bracket had the highest level of confidence in the first half of 2017, constituting the second such occurrence in 20 semi-annual periods. They were followed by citizens in the 21 to 29 year-old bracket, then consumers who are 60 years or older, those who are in the 30 to 39 year-old bracket, and citizens who are in the 50 to 59 year-old bracket.

Consumers who are in the 21 to 49 year-old bracket had the highest level of confidence among age segments in January, April and June 2017. In addition, citizens in the 40 to 49 year-old bracket posted a higher level of confidence in February, March and May 2017 than those in other age segments. In contrast, consumers who are between 30 to 39 years old were the least confident in January 2017, while those who are in the 50 to 59 year-old bracket were the least confident in February, March, April, May and June 2017. Generally, consumers aged between 21 and 29 years were more confident than older consumers, as they posted the highest confidence level in 32 out of 40 quarters, which represents an 80% frequency of occurrence. Also, consumers between 21 and 29 years old were the most confident in 79 out of 120 months since the Index's inception, representing a 65.8% 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-17	72.5	66.6	71.4	70.5	68.8
Feb-17	61.3	51.7	68.2	41.2	56.1
Mar-17	53.7	42.9	64.1	35.8	43.6
Av. Index Q1 2017*	62.5	53.7	67.9	49.2	56.2
Apr-17	50.7	41.4	47.0	37.9	43.0
May-17	54.4	40.8	61.2	34.6	53.6
Jun-17	82.1	66.2	75.3	58.4	58.4
Av. Index Q2 2017*	62.4	49.5	61.2	43.6	51.7

\* average monthly Index

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

*The confidence level of older consumers regressed in the second quarter of 2017*



## C - CONSUMER CONFIDENCE BY OCCUPATION

Private sector employees posted a higher level of confidence than consumers in other occupational categories in the first half of 2017, constituting the sixth such occurrence in 20 semi-annual periods since the index's inception in July 2007. Also, private sector employees posted an average monthly confidence reading of 64.9 during the first half of 2017 compared to 54.4 in the second half of 2016. In addition, the unemployed were the most pessimistic during the first half of 2017, constituting the 12th such instance in 20 semi-annual periods since the start of the index's calculation.

On a quarterly basis, private sector employees posted a higher level of confidence than consumers in other occupational categories in the first quarter of 2017, followed by the self-employed, housewives, students, public sector employees and the unemployed. In parallel, students had the highest level of confidence during the second quarter of 2017, followed by private sector employees, the self-employed, housewives, public sector employees and the unemployed.

*Unemployed consumers were the most pessimistic in the first and second quarters of 2017*

Further, the level of sentiment of public sector employees improved by 33.1% in the first quarter of 2017, followed by the unemployed (+25.3%), the self-employed (+21.2%), students (+12.9%), housewives (+12.2%) and private sector employees (+11.9%). During the second quarter of 2017, the confidence level of students grew by 22.8% and that of the unemployed increased by 5.7%. Conversely, the confidence level of public sector employees regressed by 13.7% in the covered quarter, followed by private sector employees (-11.2%), housewives (-9.9%) and the self-employed (-7.2%). In parallel, the sentiment level of students was highest in 67 out of 120 months, representing a 55.8% frequency of occurrence, followed by private sector employees with an incidence of 26.7%, the unemployed with 6.7%, the self-employed and public sector employees with 4.2% each and housewives with a frequency of 2.5%.

Byblos Bank/AUB Consumer Confidence Index by Occupation						
Month	Private Sector Employee	Public Sector Employee	Self-employed	Student	Housewife	Unemployed
Jan-17	83.0	54.7	74.3	58.4	60.7	53.6
Feb-17	65.9	37.3	59.0	54.7	57.0	35.1
Mar-17	57.3	60.6	49.7	45.2	48.4	27.3
Av. Index						
Q1 2017*	68.7	50.9	61.0	52.8	55.4	38.7
Apr-17	45.1	31.9	47.2	56.3	44.2	35.8
May-17	54.9	42.4	51.6	57.4	44.9	34.4
Jun-17	83.1	57.5	71.1	80.8	60.5	52.4
Av. Index						
Q2 2017*	61.0	43.9	56.6	64.8	49.9	40.9

\* average monthly Index

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 more confident than citizens in lower income brackets in the first and second quarters of 2017. Conversely, citizens with an income between \$750 and \$1,499 per month were the least confident among all income categories in the first two quarters of 2017. In addition, consumers with a household income of \$2,500 or higher held the highest level of confidence in 39 out of 42 months, representing a 92.9% frequency of occurrence.

*Middle-income consumers were the most pessimistic citizens in the first and second quarters of 2017*

The confidence level of consumers with an income between \$1,500 and \$2,499 per month grew by 28.5% in the first quarter of 2017 from the fourth quarter of 2016, followed by citizens with a monthly income of \$2,500 or more per month (+13.3%), consumers who earn between \$750 and \$1,499 per month (+11.5%) and citizens with an income of \$750 or less per month (+7.3%). Moreover, the sentiment of consumers with an income between \$750 and \$1,499 per month improved by 0.7% in the second quarter of 2017. In contrast, the confidence level of citizens with a monthly income between \$1,500 and \$2,499 per month decreased by 13.7% quarter-on-quarter, followed by those who earn \$2,500 or more per month (-10.9%) and citizens with a monthly income of \$750 or less (-3.9%).

On a semi-annual basis, consumers with an income of \$2,500 or more per month had the highest level of confidence among all income brackets in the first half of 2017. Consumer sentiment for this category posted an average reading of 79.5 in the first half of the year, up by 24.6% from a confidence level of 63.8 in the second half of 2016. In addition, citizens with a household income of \$2,500 or higher held the highest level of confidence in all semi-annual readings.

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-17	60.7	54.2	90.7	99.2
Feb-17	49.7	45.9	67.4	89.2
Mar-17	45.6	40.3	59.9	64.9
Av. Index Q1 2017**	52.0	46.8	72.7	84.5
Apr-17	40.2	41.2	48.7	58.5
May-17	46.7	42.1	58.6	57.1
Jun-17	63.1	58.0	80.8	110.3
Av. Index Q2 2017**	50.0	47.1	62.7	75.3

\* monthly household income \*\* average monthly Index

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

## E - CONSUMER CONFIDENCE BY ADMINISTRATIVE DISTRICT

*Households in Mount Lebanon were the most optimistic in the first and second quarters*

The results of the Byblos Bank/ AUB Consumer Confidence Index show that the residents of Mount Lebanon had a higher level of confidence relative to consumers in other administrative districts in the first and second quarters of 2017. This is in line with the general trend since the index's inception, where consumers in Mount Lebanon have posted the highest confidence level in 18 out of 40 quarters, representing a 45% frequency of occurrence. Conversely, consumers in the Bekaa were the most pessimistic among all administrative districts in the first and second quarters of 2017, reflecting the 32nd such quarterly occurrence since the index's inception in July 2007.

Consumer sentiment in Mount Lebanon grew by 29.1% in the first quarter of 2017, posting the only quarterly drop among administrative districts, followed by that of residents in Beirut (+13.5%), the Bekaa (+9%) and the North (+5.1%). The sentiment of consumers in the South was unchanged quarter-on-quarter. Further, the confidence level of consumers in the North improved by 9.6% in the second quarter of 2017 and that of residents in the South grew by 3.9%. In contrast, the sentiment of consumers in Mount Lebanon regressed by 15.7% quarter-on-quarter, followed by that of residents in Beirut (-8%) and the Bekaa (-2.1%).

*Household sentiment in the Bekaa was the lowest among administrative districts*

Residents of Mount Lebanon posted the highest level of confidence among administrative districts in the first half of 2017, followed by consumers in the North, residents of Beirut, citizens in the South and consumers in the Bekaa. In addition, households in the Bekaa were the least confident in each of the first six months of 2017, in line with 83 other similar monthly instances since the index's inception in July 2007.

Consumers in Mount Lebanon posted the highest level of confidence among administrative districts in the January, February, March, May and June polls, while residents of the North registered the highest level of confidence in April 2017. Overall, consumers in Mount Lebanon held the highest level of confidence in 41 out of 120 months, representing a 34.2% frequency of occurrence, followed by consumers in the North with an incidence of 25%, households in the South with 23.3%, Beirut consumers with 16.7% and households in the Bekaa with a frequency of 0.8%.

Byblos Bank/AUB Consumer Confidence Index by Administrative District					
Month	Beirut	Mount Lebanon	North	Bekaa	South
Jan-17	84.2	92.7	60.0	38.4	46.8
Feb-17	48.3	72.7	59.2	34.9	44.2
Mar-17	42.8	61.5	49.9	33.2	38.5
Av. Index Q1 2017*	58.4	75.6	56.4	35.5	43.2
Apr-17	42.8	47.8	55.0	28.0	42.1
May-17	48.3	58.7	53.0	33.4	36.5
Jun-17	70.2	84.8	77.4	42.8	55.9
Av. Index Q2 2017*	53.7	63.8	61.8	34.7	44.8

\* average monthly Index

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

## F - CONSUMER CONFIDENCE BY RELIGIOUS AFFILIATION

*Shiite households were the least optimistic in the first and second quarters of 2017*

The results of the Byblos Bank/ AUB Consumer Confidence Index show that Druze consumers were the most confident among all religious affiliations in the first quarter of 2017, while Christian consumers were the most confident in the second quarter of the year. In addition, the results of the second quarter constituted the 23rd time since the Index's inception that Christian consumers post the highest level of confidence on a quarterly basis. In contrast, Shiite consumers were the most pessimistic during the first and second quarters of the year. This is in line with the general trend where Shiite citizens have posted the lowest level of confidence in 25 out of 40 quarters, representing a 62.5% frequency of occurrence.

The confidence level of Druze households grew by 42% in the first quarter of 2017, posting the highest quarterly increase among religious affiliations, followed by that of Christians (+24%), Shiites (+2.5%) and Sunnis (+2.3%). In parallel, the confidence level of Sunni households grew by 2.4% quarter-on-quarter and that of Shiites was nearly unchanged in the second quarter of 2017. Conversely, the sentiment of Druze households declined by 16.3% in the second quarter of the year and that of Christians regressed by 10.3%.

On a monthly basis, Druze consumers were the most confident in January, February, March, May and June 2017, while Christian consumers had the highest level of confidence in April. In contrast, Shiite consumers were the most pessimistic among all religious affiliations in each of the first six months of 2017, in line with 63 other similar monthly instances since the index's inception in July 2007.

Overall, Christians held the highest level of confidence in 55 out of 120 months since the index's inception, representing a 45.8% frequency of occurrence, followed distantly by Druze consumers with an incidence of 25%, Sunni consumers with 15% and Shiite consumers with a frequency of 14.2%.

Byblos Bank/AUB Consumer Confidence Index by Religious Affiliation				
Month	Christians	Sunnis	Shiites	Druze
Jan-17	86.6	63.1	42.0	87.9
Feb-17	66.0	53.5	38.3	73.3
Mar-17	58.1	45.6	33.3	58.3
Av. Index Q1 2017*	70.2	54.1	37.9	73.2
Apr-17	50.8	49.7	32.3	36.3
May-17	55.5	50.6	33.4	57.9
Jun-17	82.7	65.8	48.3	89.5
Av. Index Q2 2017*	63.0	55.3	38.0	61.2

\* average monthly Index

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

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