

CONSUMER CONFIDENCE IN LEBANON

THE BYBLOS BANK/AUB CONSUMER CONFIDENCE INDEX

First Half 2018 Results and Analysis

Consumer Confidence Improves in First Half of 2018

CONTENTS

I - Analysis of Results

A - Analysis on a Calendar Basis

B - Timeline Analysis

C - Analysis of Present Situation & Expectations Indices

D - General Trends

E - Consumers' Near-Term Outlook

II - Results by Category

A - Consumer Confidence by Gender

B - Consumer Confidence by Age

C - Consumer Confidence by Occupation

D - Consumer Confidence by Income

E - Consumer Confidence by Geographical Region

F - Consumer Confidence by Religious Affiliation

HIGHLIGHTS

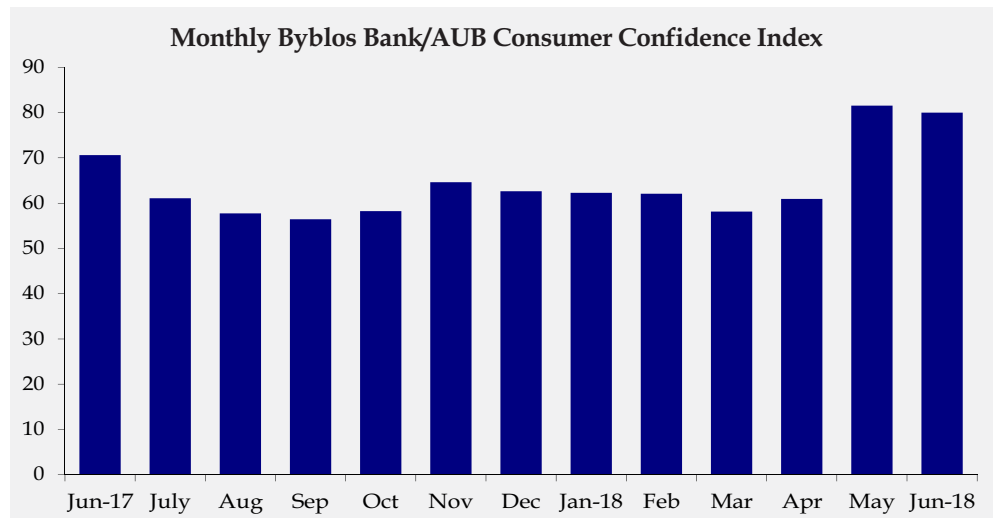
- The Byblos Bank/AUB Consumer Confidence Index posted a monthly average of 60.8 in the first quarter of 2018 and regressed by 1.6% from the fourth quarter of 2017. The Index reached 74.2 in the second quarter of 2018 and grew by 22% from the preceding three months.
- The results of the first quarter of 2018 were the 15th highest since the Index's inception in July 2007, while the outcome of the second quarter was the 10th highest in 44 quarters.
- Consumer sentiment in the first quarter of 2018 was negatively affected by the tax increases on consumption, income and profits, in addition to the hike in fees on a large number of administrative transactions that Parliament enacted in October 2017.
- The holding of Lebanon's long-delayed parliamentary elections in May 2018, as well as the renewed expectations of households after the elections led to the improvement in consumer sentiment during the second quarter of 2018.
- The Byblos Bank/AUB Consumer Confidence Index posted a monthly average of 67.5 in the first half of 2018, up by 12.3% from the second half of 2017.
- The first-half results constitute a drop of 31% from the semi-annual peak registered in the first half of 2009, and an increase of 24% 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 2018.
- Only 11% of surveyed Lebanese in the second quarter of 2018 expected their financial conditions 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 2018.
- Public-sector workers were the most optimistic about near-term economic prospects during the second quarter of 2018.

I - Analysis of Results

A - ANALYSIS ON A CALENDAR BASIS

Consumer confidence in Lebanon declined in the first quarter of 2018, while it improved in the second quarter of the year, as reflected by the results of the Byblos Bank/AUB Consumer Confidence Index. The Index reached 62.3 in January 2018, down by 0.6% from 62.6 in December 2017. It was nearly unchanged at 62.1 in February and decreased by 6.4% to 58.1 in March 2018. Further, the Index posted a score of 60.9 in the April 2018 survey, up by 4.8% from the previous month. It then surged by 33.8% to 81.6 in May and regressed by 1.9% to 80 in June 2018.

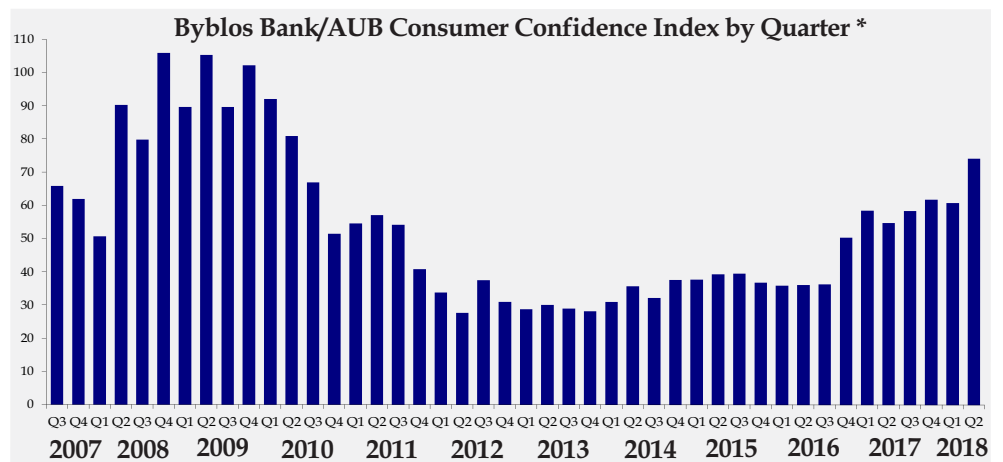
Consumer sentiment peaked in May during the first half of 2018



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

The Byblos Bank/ AUB Consumer Confidence Index averaged 60.8 in the first quarter of 2018, constituting a decrease of 1.6% from 61.8 in the fourth quarter of 2017, while it grew by 22% to an average of 74.2 in the second quarter of 2018. The results of the first quarter of 2018 were the 15th highest since the Index's inception in July 2007, while the second-quarter results posted their 10th highest quarterly reading in 44 quarters.

Household sentiment improved in the second quarter of 2018



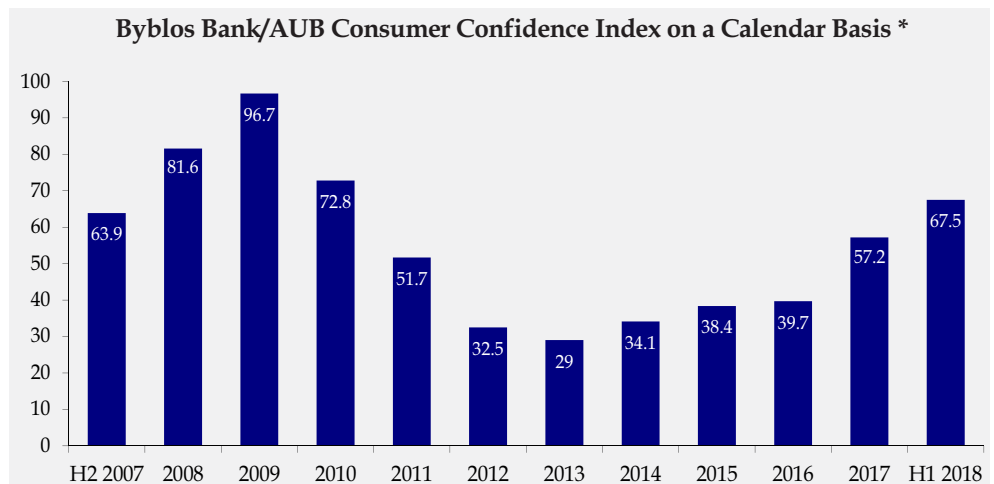
* average monthly score by quarter

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

Household sentiment during the first quarter of 2018 was influenced by the impact of the tax increases on consumption, income and profits, in addition to the hike in fees on a large number of administrative transactions that Parliament enacted in October 2017. The decline of the Index in January, February and March reflects the negative repercussions of last year's tax hikes on households' purchasing power. In parallel, the increase in confidence during the second quarter of 2018 was mainly due to Lebanon's long-delayed parliamentary elections that took place in May 2018, as well as to the outcome of the elections.

The average monthly score of the Index in the first quarter of 2018 was 42.5% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008. Still, the first-quarter results were 12.3% higher than the monthly trend average score of 54.1 since the inception of the Index in July 2007. Further, the average monthly score of the Index in the second quarter of 2018 was 30% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008. But the second-quarter results were 36% higher than the monthly trend average score of 54.6 since July 2007.

Consumer confidence remained significantly below the peak level of 2009



* average monthly score for the period

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

In parallel, the Index posted an average monthly value of 67.5 during the first half of 2018, constituting an increase of 12.3% from 60.1 in the second half of 2017. The first-half results represented the Index's sixth-highest level in 22 semi-annual readings. They were also 23.6% higher than the Index's trend average score since July 2007. However, the average monthly score of the first half of 2018 represented a decline of 31% from the peak of 97.5 registered in the first half of 2009 and a decrease of 30.2% from the peak of 96.7 reached in full year 2009.

On a monthly basis, the results of the Byblos Bank/ AUB Consumer Confidence Index for the first half of 2018 were mixed and volatile, as the Index decreased in four out of six months, reaching a low of 58.1 in March. The Index reached its highest level during the covered period in the month of May following the parliamentary elections.

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

	Q1 2018			Q2 2018		
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
CCI*	62.3	62.1	58.1	60.9	81.6	80.0
Month-on-month change (%)	-11.8%	-0.3%	-6.4%	4.8%	33.8%	-1.9%
Year-on-year change (%)	85.5%	65.4%	53.2%	55.1%	103.1%	27.7%
PSI**	60.7	61.0	56.3	60.2	67.7	74.7
Month-on-month change (%)	-11.4%	0.4%	-7.6%	6.9%	12.5%	10.3%
Year-on-year change (%)	86.0%	65.5%	42.4%	51.5%	67.5%	23.7%
EI***	63.3	62.8	59.3	61.4	90.8	83.5
Month-on-month change (%)	-12.1%	-0.8%	-5.5%	3.6%	47.7%	-8.0%
Year-on-year change (%)	85.3%	65.3%	60.8%	57.6%	127.2%	30.2%

* CCI: Byblos Bank/AUB Consumer Confidence Index

** PSI: Byblos Bank/AUB Present Situation Index

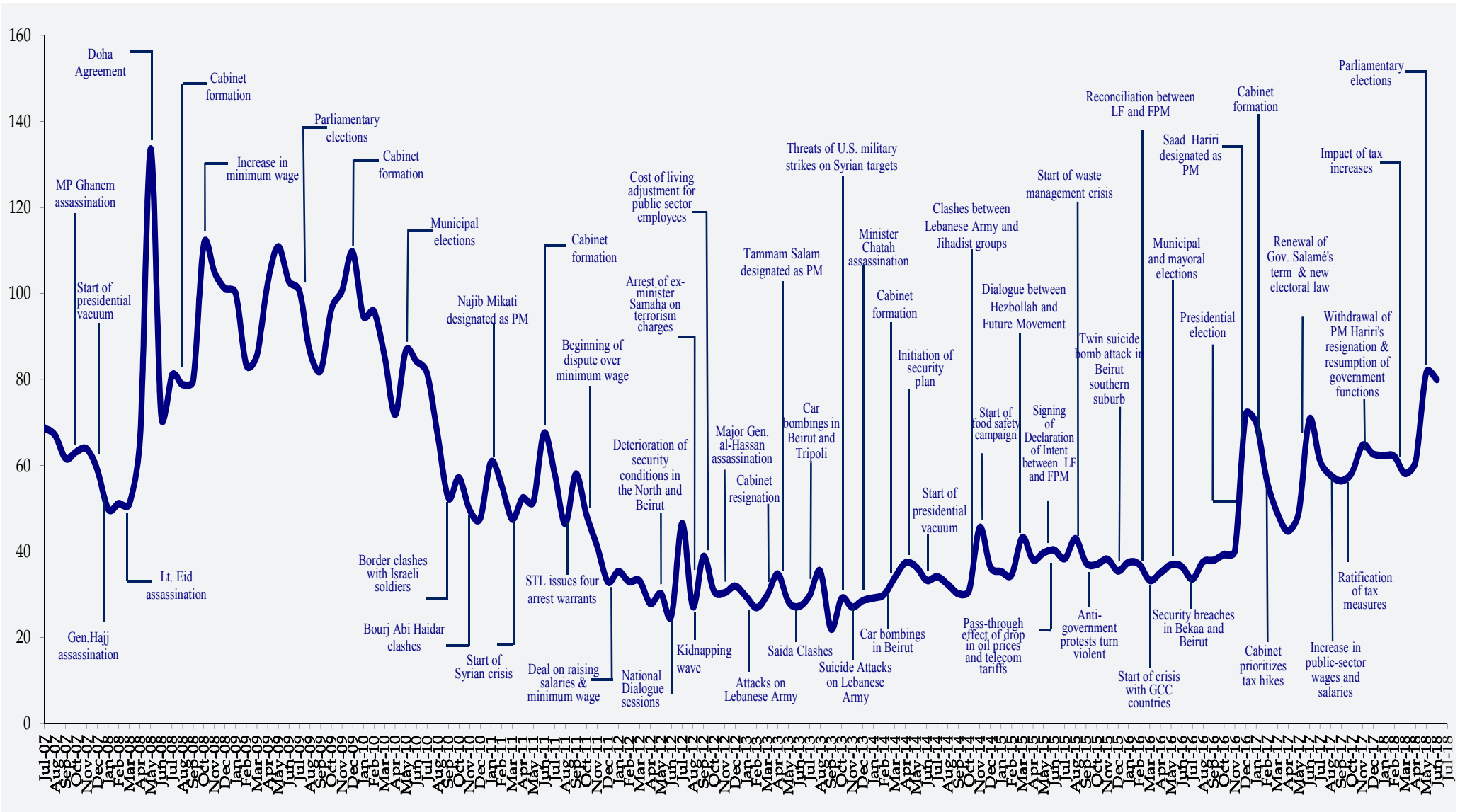
*** EI: Byblos Bank/AUB Expectations Index

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

METHODOLOGY

The Byblos Bank/ AUB Consumer Confidence Index is a measure of the sentiment and expectations of Lebanese consumers towards the economy and their own financial situation. The Index is compiled, implemented and analyzed in line with international best practices and according to criteria from leading consumer confidence indices worldwide. It is composed of two sub-indices, the Byblos Bank/AUB Present Situation Index and the Byblos Bank/ AUB Expectations Index. The first sub-index covers the current economic and financial conditions of Lebanese consumers, and the second one addresses their outlook over the coming six months. In addition, the data segregates the Index based on age, gender, income, profession, 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 2018)



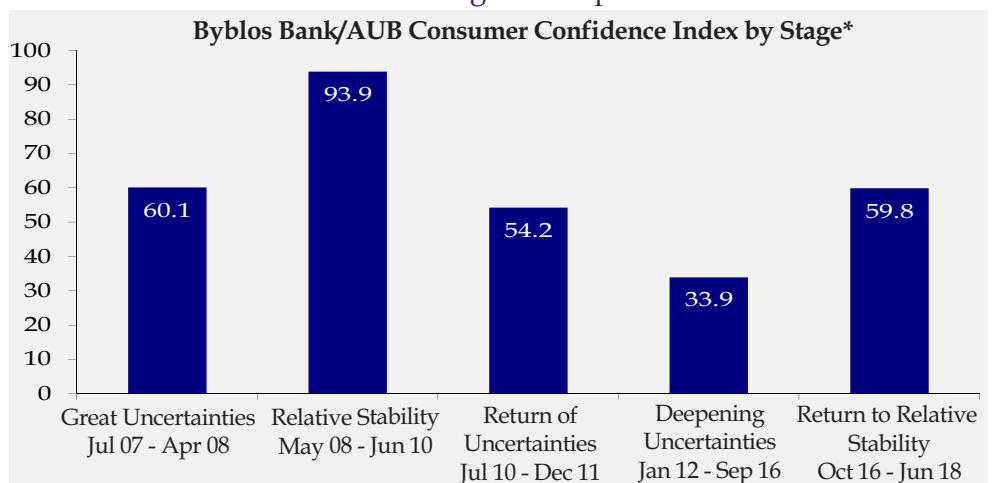
Source: Byblos Research

B -TIMELINE ANALYSIS

The results of the first and second quarters of 2018 supported the trend in consumer confidence that started towards the end of 2016 following the election of President Michel Aoun and the formation of a government of national unity, and continued in the first half of 2017 with the renewal of the term of Banque du Liban’s Governor Riad Salamé and the approval of a new parliamentary electoral law. These developments reflected the breakthrough in the domestic political climate that ushered a period of improved stability in the country, despite the November 2017 political crisis that was triggered by the sudden resignation of Prime Minister Saad Hariri. Also, the stable political climate during the first half of 2018 led to the successful organization and conduct of the parliamentary elections in May. We 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 Return to Relative Stability extended into the first and second quarters of 2018

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 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 the fourth quarter of 2016 and continued throughout 2017. Several political and security developments helped improve consumer confidence, which led us to classify this timeframe as a period of "Return to Relative Stability". The results of the first and second quarters of 2018 extended this period, as the Index averaged 59.8 during the October 2016-June 2018 timeframe, constituting the third highest level of household confidence among the five periods.



* average monthly score for the period

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

C - ANALYSIS OF PRESENT SITUATION & EXPECTATIONS INDICES

The Byblos Bank/ AUB Present Situation Index decreased by 1.1% in the first quarter of 2018 from the preceding quarter, while the Expectations Index declined by 2% in the covered quarter. In parallel, the Present Situation Index improved by 13.8% in the second quarter of 2018 from the first quarter, and the Expectations Index grew by 27.1% quarter-on-quarter.

The Index posted higher values than the Present Situation Index during the first and second quarters of 2018, in line with all quarters of 2015, 2016 and 2017. Also, the gap between the Expectations Index and the Present Situation Index registered a positive spread of +4.2% in the first quarter of 2018, and increased to +16.4% in the second quarter of the year.

The Present Situation Index and the Expectations Index moved in the same direction in one out of the three months of the first quarter of 2018. The Present Situation Index increased by 0.5% in January, grew by 0.4% in February and decreased by 2.8% in March 2018, while the Expectations Index regressed by 1.3% in January, retreated by 0.8% in February and declined by 5.5% in March 2018. Also, the Present Situation and Expectations indices averaged 59.3 and 61.8, respectively, in the first quarter of 2018, constituting their 13th- and 18th-highest quarterly readings, respectively, since the Index's inception in July 2007.

In parallel, the two indices moved in the same direction in two out of the three months of the second quarter of 2018. As such, the Present Situation Index posted an increase of 6.9% in April, a rise of 12.5% in May and a growth of 10.3% in June 2018, while the Expectations Index improved by 3.6% in April, surged by 47.7% in May and regressed by 8% in June. In addition, the Present Situation and Expectations indices averaged 67.5 and 78.6, respectively, in the second quarter of 2018, constituting their 11th- and 10th-highest quarterly readings, respectively, in 44 quarters. Moreover, the Present Situation Index and the Expectations Index posted their fifth and seventh highest readings, respectively, out of the 22 semi-annual readings during the first half of 2018.

Generally, Lebanese consumers have been 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 2018, as the Expectations Index posted higher values than the Present Situation Index in each of the first six months of 2018. In fact, Lebanese consumers were more optimistic about the future than they were about present circumstances in 34 out of 44 quarters and in 97 out of 132 months between July 2007 and June 2018, representing a 73.5% monthly frequency of occurrence.

The results of the first half of 2018 show that 11.1% of Lebanese polled in the covered period expected their financial conditions to improve in the coming six months, nearly unchanged from 11% in the second half of 2017 and slightly up from 10.4% in the first half of 2017. In addition, 60.5% of respondents in the first half of 2018 believed their financial situation will deteriorate in the coming six months, while 26% expected their financial conditions to remain the same.

The Expectations Index was higher than the Present Situation Index during the first and second quarters of 2018

D - GENERAL TRENDS

Household sentiment improved in the first half of 2018

Consumer confidence in Lebanon improved in relative terms during the first half of 2018, as the decline in sentiment in the first quarter was offset by the increase in confidence in the second quarter of the year. Several factors have triggered the fluctuation of the Index during the first and second quarters of 2018. Moreover, confidence remained sensitive to political developments during the first half of 2018, in line with the trend 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 44 quarters.

The level of consumer sentiment throughout the first quarter of 2018 was affected by the impact of the tax increases on consumption, income and profits, in addition to the hike in fees on a large number of public services that the Lebanese Parliament enacted in October 2017. Households felt at the start of 2018 the early impact of last year's tax increases through inflationary pressure, a slowdown in economic activity and an increase in their cost of living.

The early impact of the massive tax hikes weighed on household sentiment in the first quarter

As a result of these factors, household confidence retreated in each of the first three months of the year, with the March outcome representing a decline of 18% from the recent peak of 70.6 that the Index reached in June 2017. In fact, 69.3% of surveyed Lebanese in the first quarter of 2018 considered that their personal financial situation is "worse off" than it was six months earlier, while 21% stated that their financial situation remained the same. In contrast, only 9.6% of respondents said that their financial situation is "better off" than it was six months earlier, down from 10.6% in the fourth quarter of 2017.

In addition, Lebanese households were highly skeptical about the flood of political promises that started in the first quarter of the year in the run-up to the May 6 parliamentary elections. The first-quarter results highlighted the prevailing level of skepticism among Lebanese households, as only 10.4% of the Lebanese polled in the first quarter of 2018 expected their financial conditions to improve in the coming six months, down from 11.1% in the previous quarter, while 63.1% of respondents believed that their financial situation would deteriorate, relative to 62.9% in the fourth quarter of 2017. Also, 7.4% of the Lebanese surveyed in March 2018 expected business conditions in Lebanon to improve in the coming six months, while 68.3% of respondents anticipated business conditions to deteriorate, nearly unchanged from January and February, and compared to 67.3% of respondents in December 2017.

Further, the spread between the Byblos Bank/ AUB Expectations Index and the Byblos Bank/ AUB Present Situation Index narrowed from +2.6 in January to +1.9 in February, and then widened slightly to +3 in March, which still reflects the ongoing skepticism of households.

The parliamentary elections improved household sentiment in the second quarter

In parallel, the organization and conduct of the parliamentary elections in May 2018, as well as the outcome of these elections, were the main factors that affected household sentiment in the second quarter of 2018. Lebanese citizens anticipated that the elections would take place as scheduled, rather than being postponed once again, a factor that led the Present Situation Index to improve by 7% and the Expectations Index to increase by nearly 4% in April 2018.

Lebanese citizens viewed the elections as their first opportunity in nine years to exercise their constitutional right to choose their representatives in Parliament. In turn, this gave consumers a sense of empowerment, as well as raised their expectations for better governance at the national level. As such, the outcome of the elections led the Present Situation Index to grow by 12.5% and the Expectations Index to jump by 48% in May.

Households remain skeptical about their future financial and business conditions

The voters' general satisfaction with the election results improved the Present Situation Index by an additional 10% in June, while the subsiding post-elections euphoria contributed to dragging down the Expectations Index by 8% in June. The results of the second quarter of 2018 show that Lebanese citizens were generally satisfied with the outcome of the parliamentary elections, which caused the level of consumer sentiment to reach in May its highest level since July 2010. In fact, the election results raised the expectations of Lebanese households that the new Parliament and the ensuing new government will take measures that will improve the quality of living and economic well-being of citizens. As such, the Expectations Index posted in May its highest level since July 2010.

Further, the second-quarter results showed a modest improvement in the level of optimism among Lebanese households from the preceding quarter, as 11.9% of the Lebanese polled expected their financial conditions to improve in the coming six months, while 58% of respondents believed that their financial situation will deteriorate, down five percentage points from the first quarter of the year. In addition, 11.2% of the Lebanese surveyed in June 2018 expected business conditions in Lebanon to improve in the coming six months compared to 7.9% in April and 7.5% in May, while 67.8% of respondents surveyed in June 2018 anticipated business conditions to deteriorate, relative to 69.6% in April and 58.8% in May 2018.

Also, the spread between the Expectations Index and the Present Situation Index fluctuated in the second quarter, as it widened significantly from +1.3 in April to +23 in May and then narrowed to +8.8 in June. The spread reached in May 2018 its highest level since July 2011.

Consumer confidence remained volatile in the first half of 2018

Despite the improvement of the Byblos Bank/AUB Consumer Confidence Index in the second quarter of 2018, Lebanese citizens still need to see concrete evidence and tangible solutions that would improve their standard of living and economic well-being in order to sustain their confidence level, especially with the ongoing deterioration in public-service delivery, given that citizens have repeatedly seen many politicians put personal or partisan agendas ahead of the national interest.

Looking at the first-half results, consumer confidence improved from the second half of 2017. However, most of the increase occurred during the second quarter of 2018, particularly after the parliamentary elections, due to the renewed expectations of citizens, rather than from any tangible improvement in their standard of living or economic well-being.

In parallel, the spread between the Byblos Bank/ AUB Expectations Index and the Byblos Bank/ AUB Present Situation Index remained positive in each month of the first half of 2018. The spreads ranged from a low of +1.3 in April to a high of +23 in June 2018. Despite the fluctuation of the spreads, consumers remained more optimistic about future prospects than about present conditions, which constitutes a modest positive signal amid an environment of political uncertainties.

E - CONSUMERS' NEAR-TERM OUTLOOK

Female consumers had a slightly more optimistic near-term outlook than their male counterparts in the first and second quarters of 2018. The average monthly reading of the Expectations Index was 61.9 for females compared to 61.7 for males in the first quarter of 2018, and reached 79.7 for females relative to 77.5 for males in the second quarter of the year.

Citizens between 21 and 29 years old were the most optimistic in the first half of 2018

Consumers who are in the 21 to 29 year-old bracket were more optimistic about the near term than their counterparts in other age brackets during the first and second quarters of 2018, while consumers in the 50 to 59 year-old segment were the most pessimistic during the first and second quarters of the year.

Further, the self-employed were the least pessimistic about economic prospects among occupational sub-categories in the first quarter of 2018, as the Expectations Index for this segment averaged 65.2, while public-sector employees were the most optimistic during the second quarter of the year, with the Expectations Index for this segment averaging 93.7 in the covered quarter. Conversely, unemployed consumers were the most pessimistic about the near future among all occupational categories in the first quarter of 2018, while students were the least optimistic during the second quarter of the year.

Higher income consumers were the least pessimistic in the first and second quarters of 2018

In parallel, consumers with a monthly income of \$2,500 or higher were more optimistic about future economic prospects than citizens in other income brackets during the first and second quarter of 2018. 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 covered period.

In addition, residents of Mount Lebanon had a more positive outlook than their counterparts in other geographical regions during the first quarter of 2018, while residents in North 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 geographical regions during the first quarter of 2018, while those who live in Beirut were the most pessimistic during the second quarter.

Shiite citizens were the most pessimistic about future prospects in the first quarter of 2018

In terms of religious affiliation, Druze citizens had a more positive outlook about the country's near-term economic outlook in the first and second quarters of 2018 than Lebanese from other religious denominations, followed by Christian households. In parallel, Shiite consumers were the most pessimistic about future prospects during the first quarter of 2018, while Sunni households were the least optimistic during the second quarter of the year.

II - Results by Category

A - CONSUMER CONFIDENCE BY GENDER

Males were more confident than females in the first half of 2018

The results of the Byblos Bank/AUB Consumer Confidence Index show that male consumers registered a relatively higher level of confidence than their female counterparts during the first and second quarters of 2018. Males were more confident than females in four out of six months in the first half of 2018. In addition, male consumers were more confident than females in 73 out of 132 months since the Index's inception in July 2007, representing a 55.3% frequency of occurrence.

The confidence level of male consumers grew by 1.1% in the first quarter of 2018 and by 18.7% in the second quarter, while the level of sentiment among females decreased by 4.4% in the first quarter and surged by 25.3% in the second quarter of the year. The first-quarter results represent the 13th-highest level of confidence of Lebanese males in 44 quarters, while the confidence level of females was the 17th-highest in the same quarter of 2018. Moreover, male and female consumers posted their 10th highest quarterly results each in the second quarter of 2018.

On a semi-annual basis, male and female consumers posted average confidence levels of 68.4 and 66.5, respectively, during the first half of 2018, relative to confidence levels of 59.8 and 60.5, respectively, in the second half of 2017. As such, the confidence level of males increased by 14.5% and grew by 10.1% for females during the first half of 2018. Moreover, male and female consumers posted their sixth highest semi-annual results each in the covered period.

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. 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 higher confidence levels than their male counterparts in the first quarter of the year, with this trend persisting until the third quarter of 2017. Also, the trend reversed in the fourth quarter of 2017, when male consumers posted a higher level of confidence than their female counterparts, as this trend continued during the first and second quarters of 2018.

Byblos Bank/AUB Consumer Confidence Index by Gender			
Month	Male	Female	
Jan-18	65.2	59.4	
Feb-18	62.4	61.8	
Mar-18	60.2	56.1	
Av. Index Q1 2018*	62.6	59.1	
Apr-18	63.7	58.2	
May-18	80.9	82.2	
Jun-18	78.3	81.7	
Av. Index Q2 2018*	74.3	74.0	

* average monthly score

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

B - CONSUMER CONFIDENCE BY AGE

Consumers in the 21 to 29 year-old bracket posted a higher level of confidence than citizens in other age brackets in the first and second quarters of 2018. In contrast, consumers who are in the 50 to 59 year-old bracket were the least confident among age segments in the covered quarters.

The level of sentiment among consumers who are between 21 and 29 years old increased by 2.2% in the first quarter of 2018, followed by citizens who are 60 years or older (+1%); while the confidence level of consumers in the 50 to 59 year-old bracket declined by 10.2% in the covered quarter, followed by citizens aged between 30 and 39 years (-5.6%) and consumers in the 40 to 49 year-old bracket (-1.4%). In parallel, the confidence level of consumers in the 50 to 59 year-old bracket surged by 59.2% in the second quarter of 2018, followed by citizens aged between 30 and 39 years (+28.2%), consumers in the 21 to 29 year-old bracket (+21.3%), citizens who are 60 years or older (+13.5%), and consumers aged between 40 and 49 years (+6.4%).

Older consumers are less optimistic than citizens in other age brackets

On a semi-annual basis, consumers who are in the 21 to 29 year-old bracket had the highest level of confidence in the first half of 2018, constituting the 17th such occurrence in 22 semi-annual periods. They were followed by citizens in the 40 to 49 year-old bracket, then those who are in the 30 to 39 year-old bracket, consumers who are 60 years or older and citizens who are in the 50 to 59 year-old bracket.

Consumers who are in the 21 to 29 year-old bracket had the highest level of confidence among age segments in January, March, April, May and June 2018. In addition, citizens in the 40 to 49 year-old bracket posted a higher level of confidence than those in other age segments in February 2018. In contrast, consumers who are between 50 to 59 years old were the least confident in January, February, March and April 2018, while those who are 60 years or older were the least confident in May and June 2018. Generally, consumers aged between 21 and 29 years are more confident than older consumers, as they posted the highest confidence level in 35 out of 44 quarters, which represents a 79.5% frequency of occurrence. Also, consumers who are 21 to 29 years old were the most confident in 87 out of 132 months since the Index's inception, representing a 65.9% 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-18	74.2	58.4	72.5	36.5	51.9
Feb-18	73.6	57.0	75.2	36.9	52.8
Mar-18	69.8	52.2	66.8	38.7	53.4
Av. Index Q1 2018*	72.5	55.9	71.5	37.4	52.7
Apr-18	75.5	55.9	69.8	34.7	49.5
May-18	91.9	77.8	75.7	82.6	74.4
Jun-18	96.4	81.3	82.8	61.2	55.4
Av. Index Q2 2018*	87.9	71.7	76.1	59.5	59.8

* average monthly score

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

C - CONSUMER CONFIDENCE BY OCCUPATION

Students posted a higher level of confidence than consumers in other occupational categories in the first half of 2018, constituting the second such occurrence in 22 semi-annual periods since the Index's inception in July 2007. Also, students posted an average monthly confidence reading of 77.7 during the first half of 2018 compared to 58.9 in the second half of 2017. In contrast, the unemployed were the most pessimistic during the first half of 2018, constituting the 14th such instance in 22 semi-annual periods since the start of the Index's calculation, and reflecting the persistent challenges that citizens continue to face to secure a job amid the ongoing economic stagnation in the country.

The optimism of public-sector workers was the highest in the first quarter

On a quarterly basis, public sector employees posted a higher level of confidence than consumers in other occupational categories in the first quarter of 2018, a trend that started last July with the increase in public-sector wages and salaries. Further, students had the highest level of confidence during the second quarter of 2018, followed by public-sector employees, the self-employed, housewives, private-sector employees and the unemployed.

Further, the sentiment of the self-employed improved by 4.7% in the first quarter of 2018 and increased by 2.5% for the unemployed; while the confidence level of public-sector employees regressed by 21.8% in the covered quarter from high levels, followed by students (-5.9%), private-sector employees (-5.8%) and housewives (-5.4%). During the second quarter of 2018, the confidence level of students grew by 69.1%, followed by housewives (+35.7%), public-sector employees (+32.7%), the self-employed (+12.3%) and private-sector employees (+4.1%).

In parallel, the sentiment level of students was highest in 69 out of 132 months, representing a 52.3% frequency of occurrence, followed by private sector employees with an incidence of 24.2%, public sector employees with 9.1%, the unemployed and self-employed with 6.1% each, and housewives with a frequency of 2.3%.

Byblos Bank/AUB Consumer Confidence Index by Occupation						
Month	Private Sector Employee	Public Sector Employee	Self-employed	Student	Housewife	Unemployed
Jan-18	56.7	68.0	69.9	51.0	50.4	54.5
Feb-18	58.6	56.3	67.3	61.1	52.4	51.2
Mar-18	53.6	73.6	60.5	61.2	50.8	47.3
Av. Index						
Q1 2018*	56.3	66.0	65.9	57.7	51.2	51.0
Apr-18	53.9	58.7	67.4	58.8	52.0	53.4
May-18	61.6	112.7	76.5	126.6	78.1	61.9
Jun-18	60.4	91.3	78.1	107.5	78.4	46.4
Av. Index						
Q2 2018*	58.6	87.5	74.0	97.6	69.5	53.9

* average monthly score

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

D - CONSUMER CONFIDENCE BY INCOME

The results of the Byblos Bank/ AUB Consumer Confidence Index show that consumers with an income of \$2,500 or more per month were more confident than citizens in lower income brackets in the first and second quarters of 2018. Conversely, citizens with a monthly income between \$750 and \$1,499 were the least confident among all income categories in the first two quarters of 2018. Consumers with an income of \$2,500 or higher held the highest level of confidence in 47 out of 54 months, representing a 87% frequency of occurrence.

The confidence level of consumers in the \$1,500 to \$2,499 per month income bracket grew by 2.3% in the first quarter of 2018 from the fourth quarter of 2017 and increased by 1.6% for citizens with a monthly income of \$750 or less. In contrast, the sentiment of consumers with a monthly income of \$2,500 or more per month decreased by 11.2% in the covered quarter, and declined by 2.6% for citizens who earn between \$750 and \$1,499 per month. Moreover, the confidence level of consumers with an income between \$750 and \$1,499 per month surged by 36.6% in the second quarter of 2018, followed by citizens with a monthly income of \$750 or less (+28.3%), consumers who earn \$2,500 or more per month (+6.1%) and citizens with a monthly income of between \$1,500 and \$2,499 (+5.4%).

On a semi-annual basis, consumers with a monthly income of \$2,500 or more had the highest level of confidence among all income brackets in the first half of 2018. Consumer sentiment for this category posted an average reading of 80.9 in the first half of the year, down by 4.1% from 84.3 in the second half of 2017. 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-18	59.3	52.4	76.3	73.6
Feb-18	53.5	53.1	74.4	91.6
Mar-18	56.2	52.5	64.4	70.1
Av. Index Q1 2018**	56.3	52.6	71.7	78.4
Apr-18	57.6	53.9	73.9	65.9
May-18	90.6	80.5	73.5	80.3
Jun-18	68.6	81.3	79.1	103.5
Av. Index Q2 2018**	72.3	71.9	75.5	83.3

* monthly household income ** average monthly score

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

Middle-income consumers were the most pessimistic in the first and second quarters of 2018

E - CONSUMER CONFIDENCE BY GEOGRAPHICAL REGION

Households in Mount Lebanon were the most optimistic in the first quarter

The results of the Byblos Bank/ AUB Consumer Confidence Index show that residents of Mount Lebanon had a higher level of confidence relative to consumers in other regions in the first quarter of 2018, constituting the 21st such quarterly occurrence since the Index's inception in July 2007. Conversely, residents in the Bekaa were the most pessimistic among all geographic regions in the first quarter of 2018, the 35th such quarterly occurrence since the Index's inception. However, this trend changed in the second quarter of 2018, as consumers in North Lebanon registered the highest level of confidence across all geographical regions, constituting the 12th such quarterly occurrence since the Index's inception in July 2007. In contrast, residents of Beirut were the most pessimistic among all regions in the second quarter of the year, reflecting the sixth such quarterly occurrence since the Index's inception.

Household sentiment in the Beirut was the lowest across regions in the second quarter

Consumer sentiment in Mount Lebanon grew by 2% in the first quarter of 2018 and posted the only increase across geographical regions. In contrast, the confidence level of consumers in the Bekaa area dropped by 14.6% in the covered quarter, followed by the sentiment of residents in Beirut (-2.1%), in the North (-1.7%) and in the South (-1.4%). Further, the confidence level of citizens in the Bekaa area jumped by 111% in the second quarter of 2018, followed by the sentiment of residents in the South (+40.8%), the North (+35.5%) and Beirut (+12.8%), while the sentiment of consumers in Mount Lebanon decreased by 8% quarter-on-quarter.

Households in North Lebanon posted the highest level of confidence across geographical regions in the first half of 2018, followed by consumers in Mount Lebanon, residents of the Bekaa, citizens in the South and consumers in Beirut. Residents in Mount Lebanon posted the highest level of confidence among geographical regions in the January, February, March and April 2018 surveys, while consumers of the North registered the highest level of confidence in May and residents in the Bekaa region were the most optimistic in June 2018. Overall, consumers in Mount Lebanon held the highest level of confidence in 50 out of 132 months, representing a 38% frequency of occurrence, followed by consumers in the North with an incidence of 24.2%, households in the South with 21.2%, consumers in Beirut with 15.2% and households in the Bekaa with a frequency of 1.5%.

Byblos Bank/AUB Consumer Confidence Index by Geographical Region					
Month	Beirut	Mount Lebanon	North	Bekaa	South
Jan-18	54.4	74.8	70.6	39.0	51.8
Feb-18	50.1	77.8	66.6	44.9	46.8
Mar-18	42.0	72.2	68.4	38.7	45.1
Av. Index Q1 2018*	48.8	74.9	68.5	40.9	47.9
Apr-18	44.8	78.0	63.6	44.0	48.3
May-18	60.6	64.3	118.3	98.4	76.7
Jun-18	59.9	64.6	96.5	116.4	77.2
Av. Index Q2 2018*	55.1	69.0	92.8	86.3	67.4

* average monthly score

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

F - CONSUMER CONFIDENCE BY RELIGIOUS AFFILIATION

Druze households were the most optimistic in the first and second quarters of 2018

The results of the Byblos Bank/ AUB Consumer Confidence Index show that Druze households were the most optimistic among all religious affiliations in the first and second quarters of 2018, followed by Christian consumers. In addition, the results of the second quarter constituted the 12th time since the Index's inception that Druze households post the highest level of confidence on a quarterly basis. However, Christians have posted the highest level of confidence in 23 out of 44 quarters. In parallel, Shiite citizens were the most pessimistic during the first quarter of 2018, while Sunni households registered the lowest level of confidence during the second quarter of the year. In general, Shiite citizens have posted the lowest level of confidence in 28 out of 44 quarters, representing a 63.6% frequency of occurrence since the Index's inception in July 2007.

The confidence level of Druze households grew by 9.2% in the first quarter of 2018 and posted the only quarterly increase among religious affiliations. In contrast, the sentiment of Shiite consumers dropped by 9.1% in the covered quarter, and regressed by 1.4% for Christian and Sunni households. In parallel, the confidence level of Shiite households jumped by 60.2% in the second quarter of 2018, increased by 27% for Sunni households and grew by 14.2% for Christian consumers, while the confidence level of Druze consumers regressed by 11.8% from the preceding quarter.

On a monthly basis, Druze consumers were the most confident in January, February, March and April 2018, while Sunni households registered the highest level of confidence in May, and Shiite consumers were the most optimistic in June 2018. However, Shiite consumers were the most pessimistic among all religious affiliations in four out of the first six months of 2018, in line with 75 other similar monthly instances since the Index's inception.

Overall, Christians held the highest level of confidence in 55 out of 132 months since the index's inception, representing a 41.7% frequency of occurrence, followed by Druze citizens with an incidence of 30.3%, Sunni consumers with 14.4% and Shiite citizens with a frequency of 13.6%.

Byblos Bank/AUB Consumer Confidence Index by Religious Affiliation				
Month	Christians	Sunnis	Shiites	Druze
Jan-18	66.1	59.9	46.5	96.9
Feb-18	67.5	55.1	45.2	105.0
Mar-18	66.9	49.1	41.7	87.9
Av. Index Q1 2018*	66.8	54.7	44.5	96.6
Apr-18	71.9	45.6	45.1	96.3
May-18	78.5	84.6	83.0	83.6
Jun-18	78.5	78.1	85.6	75.9
Av. Index Q2 2018*	76.3	69.4	71.2	85.2

* average monthly score

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

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