

CONSUMER CONFIDENCE IN LEBANON

THE BYBLOS BANK/AUB CONSUMER CONFIDENCE INDEX

First Half 2019 Results and Analysis

Consumer Confidence Retreats in First Half of 2019

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HIGHLIGHTS

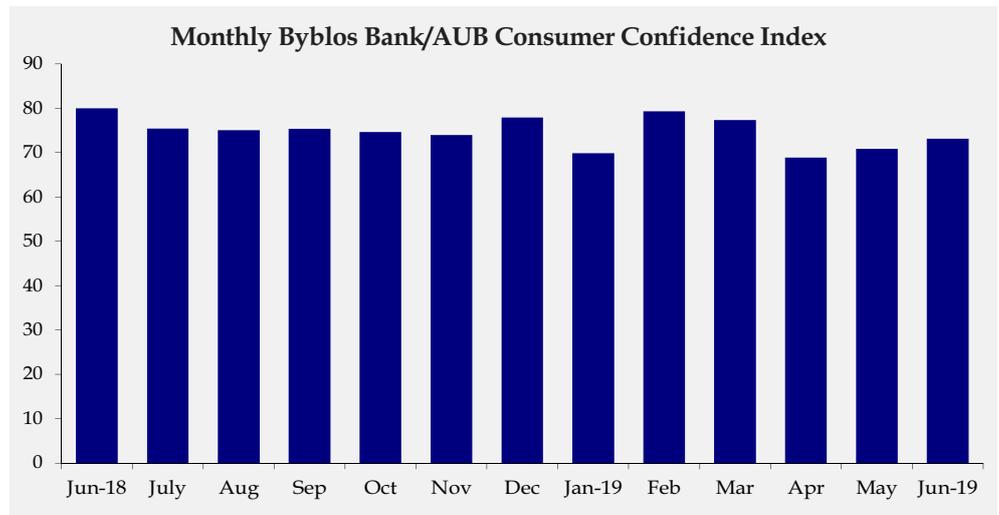
- The Byblos Bank/AUB Consumer Confidence Index posted a monthly average of 75.5 in the first quarter of 2019, unchanged from the fourth quarter of 2018. The Index reached 70.9 in the second quarter of 2019 and declined by 6.1% from the preceding three months.
- The results of the first quarter of 2019 were the 11th highest since the Index's inception in July 2007, while the outcome of the fourth quarter was the 14th highest in 48 quarters.
- The government's formation at the end of January did not trigger a momentum in consumer sentiment in the first quarter of 2019.
- Lebanese citizens realized that the government's intentions to impose new tax and fee increases would translate into a decline in their disposable income and purchasing power, which led consumer sentiment to regress in the second quarter of 2019.
- The Byblos Bank/AUB Consumer Confidence Index posted a monthly average of 73.2 in the first half of 2019, down by 3% from the second half of 2018.
- The first-half results constitute a drop of 25% from the semi-annual peak registered in the first half of 2009, and an increase of 30.2% 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 2019.
- Less than 10% of surveyed Lebanese in the second quarter of 2019 expected their financial conditions to improve in the coming six months.
- Public-sector employees were the most optimistic segment about near-term economic prospects during the first half of 2019.
- Consumers with a monthly income of \$2,500 or higher were more confident than citizens in lower income brackets in the first half of 2019.

I - Analysis of Results

A - ANALYSIS ON A CALENDAR BASIS

Consumer confidence in Lebanon stagnated in the first quarter of 2019, while it regressed in the second quarter of the year, as reflected by the results of the Byblos Bank/AUB Consumer Confidence Index. The Index reached 69.8 in January 2019, down by 10.4% from 77.9 in December 2018. It then jumped by 13.6% to 79.4 in February and decreased by 2.5% to 77.3 in March 2019. Further, the Index posted a score of 68.9 in the April 2019 survey, regressing by 11% from the previous month. It then increased by 2.8% to 70.8 in May and grew by 3.2% to 73.1 in June 2019.

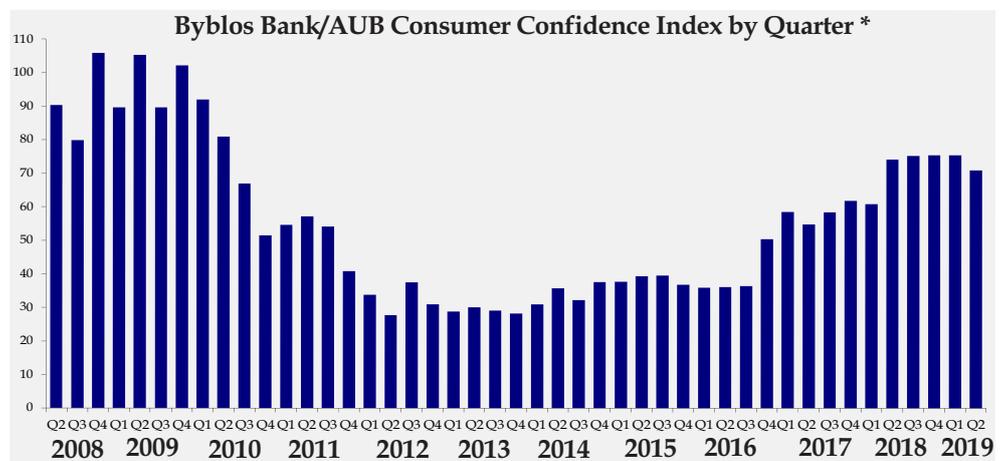
Consumer sentiment reached its highest level in February during the first half of 2019



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

The Byblos Bank/ AUB Consumer Confidence Index averaged 75.5 in the first quarter of 2019, unchanged from the fourth quarter of 2018, while it declined by 6.1% to an average of 70.9 in the second quarter of 2019. The results of the first quarter of 2019 were the 11th highest since the Index's inception in July 2007, while the second-quarter results posted their 14th highest quarterly reading in 48 quarters.

Household sentiment declined in the second quarter of 2019



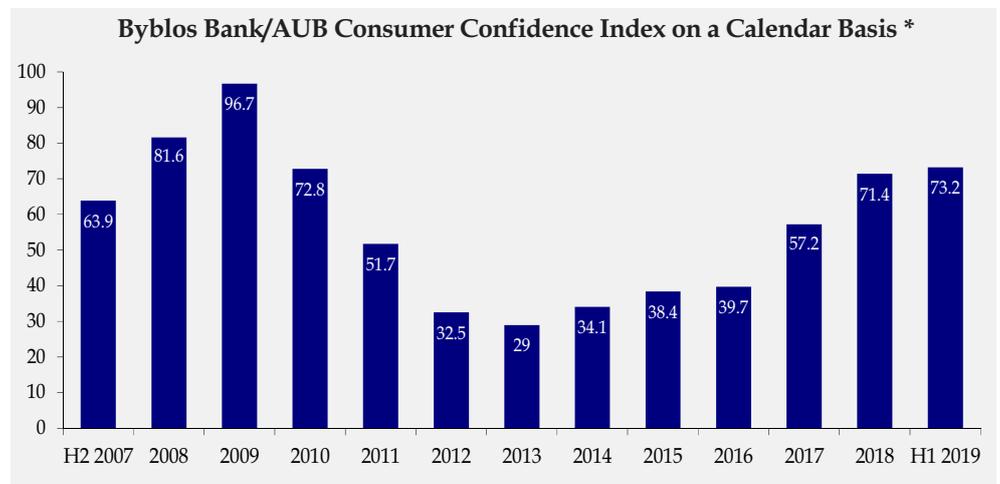
* average monthly score by quarter

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

Household sentiment was affected by the political developments during the first quarter of 2019, as the January drop reflected the repeated false alerts in late 2018 about a breakthrough in the protracted negotiations to form a new government. But the formation of the government in late January, following eight months of political deadlock, led to a limited improvement of the Index in February. In parallel, the deep skepticism and wait-and-see approach of citizens led to the decline in household sentiment in the second quarter of the year.

The average monthly score of the Index in the first quarter of 2019 was 28.7% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008. Still, the first-quarter results were 35% higher than the monthly trend average score of 55.9 since the inception of the Index in July 2007. Further, the average monthly score of the Index in the second quarter of 2019 was 33% lower than the outcome of the fourth quarter of 2008. But it was 26.1% higher than the monthly trend average score of 56.2 since July 2007.

In parallel, the Index posted an average monthly value of 73.2 during the first half of 2019, constituting a decrease of 3% from 75.4 in the second half of 2018. The first-half results represented the Index's sixth-highest level in 24 semi-annual readings. They were also 30.2% higher than the Index's trend average score since July 2007. However, the average monthly score of the first half of 2019 represented a decline of 25% from the peak of 97.5 registered in the first half of 2009.



* average monthly score for the period

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

On a monthly basis, the results of the Byblos Bank/ AUB Consumer Confidence Index for the first half of 2019 were mixed, in line with the political developments in the country. The Index increased in three months and decreased in three months during the first half of 2019. It peaked at 79.4 in February following the formation of a new government, and reached its lowest level of 68.9 in April on news that the authorities intend to impose a new wave of tax hikes.

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

	Q1 2019			Q2 2019		
	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
CCI*	69.8	79.4	77.3	68.9	70.8	73.1
Month-on-month change (%)	-10.4%	13.6%	-2.5%	-11.0%	2.8%	3.2%
Year-on-year change (%)	14.3%	37.5%	37.1%	18.2%	9.6%	16.7%
PSI**	61.1	70.7	67.5	59.5	61.7	64.4
Month-on-month change (%)	-11.8%	15.7%	-4.6%	-11.9%	3.7%	4.5%
Year-on-year change (%)	3.0%	30.0%	20.6%	5.7%	-2.7%	6.7%
EI***	75.7	85.1	83.9	75.1	76.9	78.9
Month-on-month change (%)	-9.6%	12.5%	-1.4%	-10.5%	2.4%	2.6%
Year-on-year change (%)	21.5%	42.0%	47.9%	26.0%	17.5%	23.0%

* CCI: Byblos Bank/AUB Consumer Confidence Index

** PSI: Byblos Bank/AUB Present Situation Index

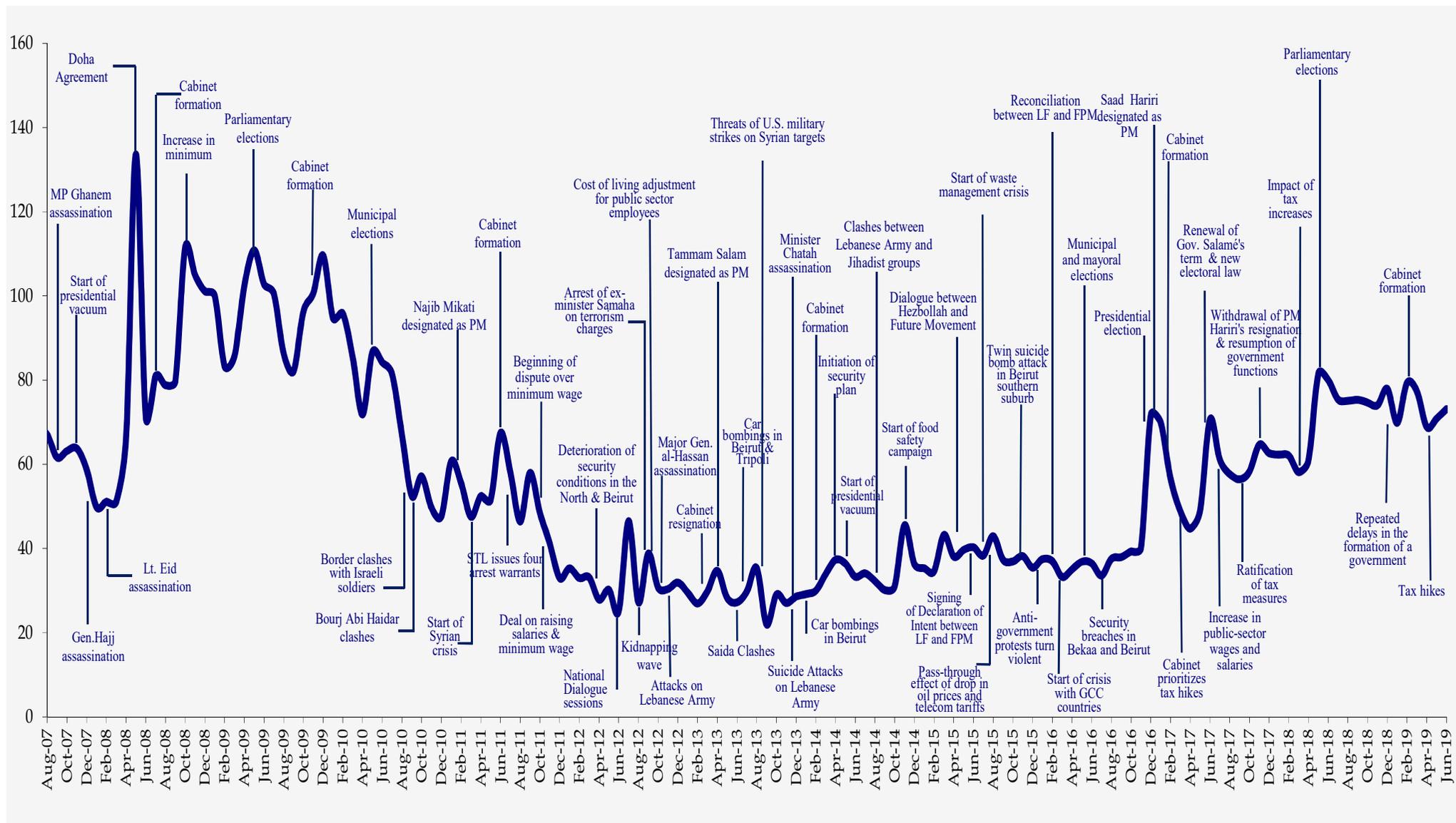
*** EI: Byblos Bank/AUB Expectations Index

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, geographical region, 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 2019)



Source: Byblos Research

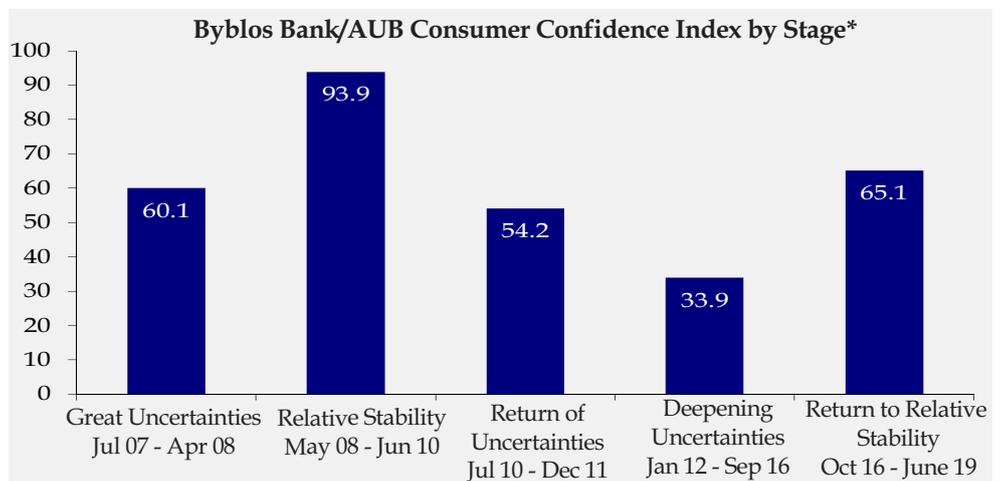
B -TIMELINE ANALYSIS

The results of the first and second quarters of 2019 supported the trend in consumer confidence that started towards the end of 2016 and that ushered a period of relative political stability. 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 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 that was 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 period. 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 span. 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 worsened, which negatively weighed on consumer sentiment. As such, the Index averaged 33.9 over the January 2012-September 2016 period, constituting the lowest level of household sentiment over the five periods.

Further, the fifth period started in the fourth quarter of 2016 and extended into 2017, 2018 and the first half of 2019. Several political and security developments helped improve consumer confidence, which led us to classify this timeframe as a period of "Return to Relative Stability". This phase started with the election of President Michel Aoun and the formation of a government of national unity towards the end of 2016, and continued in 2017 with the renewal of the term of Banque du Liban's Governor Riad Salamé and the approval of a new parliamentary electoral law. Also, this period carried on into 2018 to reflect improved expectations of households following the parliamentary elections in May 2018, and continued during the first half of 2019 with the government's formation in late January 2019. As such, the Index averaged 65.1 during the October 2016-June 2019 timeframe, constituting the second highest level of household confidence among the five periods.

The period of Return to Relative Stability extended into the first and second quarters of 2019



* 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 regressed by 0.5% in the first quarter of 2019 from the preceding three months, while the Byblos Bank/ AUB Expectations Index was nearly unchanged in the covered period. In parallel, the Present Situation Index retreated by 6.9% in the second quarter of 2019 from the first quarter, while the Expectations Index dropped by 5.6% quarter-on-quarter.

The Byblos Bank/ AUB Expectations Index posted higher values than the Present Situation Index during the first and second quarters of 2019, similar to the trend in all quarters since 2015. Also, the gap between the Expectations Index and the Present Situation Index registered a positive spread of +15.2 in the first quarter of 2019, and was nearly unchanged at +15.1 in the second quarter.

The Present Situation Index and the Expectations Index moved in the same direction in all three months of the first quarter of 2019. The Present Situation Index decreased by 11.8% in January, jumped by 15.7% in February and regressed by 4.6% in March 2019, while the Expectations Index declined by 9.6% in January, surged by 12.5% in February and regressed by 1.4% in March 2019. Also, the Present Situation and Expectations indices averaged 66.4 and 81.6, respectively, in the first quarter of 2019, constituting their 13th and 10th highest quarterly readings, respectively, since the Index's inception in July 2007.

The two indices moved in the same direction in every month of the second quarter of 2019. As such, the Present Situation Index decreased by 11.9% in April, increased by 3.7% in May and grew by 4.5% in June 2019, while the Expectations Index declined by 10.5% in April, rose by 2.4% in May and increased by 2.6% in June 2019. In addition, the Present Situation and Expectations indices averaged 61.9 and 77, respectively, in the second quarter of 2019, constituting their 15th and 14th highest quarterly readings, respectively, in 48 quarters.

Generally, Lebanese consumers have been more optimistic about their conditions over the near term than about their current situation, a trend upheld in the first and second quarters of 2019, as the Expectations Index posted higher values than the Present Situation Index in each of the first six months of 2019. In fact, Lebanese consumers have been more optimistic about the future than about present circumstances in 38 out of 48 quarters and in 109 out of 144 months between July 2007 and June 2019, representing a 75.7% monthly frequency of occurrence.

The results of the first half of 2019 reflect the still-low expectations of Lebanese households about their future conditions, as 10% of Lebanese polled in the covered period expected their financial conditions to improve in the coming six months, relative to 10.5% in the second half of 2018. In addition, 61.3% of respondents in the first half of 2019 believed their financial situation will deteriorate in the coming six months compared to 58% in the second half of 2018, while 26.6% 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 2019

D - GENERAL TRENDS

Consumer confidence in Lebanon retreated in relative terms during the first half of 2019, as the stagnation in consumer sentiment in the first quarter was followed by a decline in confidence in the second quarter of the year. The formation of the government in late January had a brief positive impact on household sentiment in the first quarter of the year. However, the deep skepticism of citizens about the seriousness of the political class to implement concrete measures that would improve their quality of living and economic well-being was the major factor that led the Byblos Bank/AUB Consumer Confidence Index to decline during the first half of 2019. Confidence remained highly sensitive to political developments during the first half of the year, 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 most important factor to affect the confidence of Lebanese consumers in the past 48 quarters.

*Short-lived improvement
in confidence level*

Household sentiment was directly correlated to political developments during the first three months of 2019, as the January drop was triggered by the repeated false alerts in late 2018 about a breakthrough in negotiations to form a new government. But the government's formation in late January, after nine months of political deadlock, led the Index to jump by 13.6% in February. In fact, the Expectations Index increased by 12.5% in February to its highest level since May 2018, reflecting the impact of the government's formation on households' outlook. But the short-lived momentum in February and the retreat of the main Index in March highlighted the fact that Lebanese citizens consider that the government's formation in itself is not sufficient, and that it is not an "achievement" as politicians claimed. Rather, they believe it is a basic right of every tax-paying citizen to have a functioning and responsive government in place.

In addition, Lebanese households had high expectations following the formation of the Cabinet that the new government will put the priorities and needs of citizens at the top of its agenda. However, citizens realized that the behavior of most political parties hardly changed after the government's formation, which aggravated their skepticism throughout the covered quarter. As such, most households postponed non-essential spending as they awaited relief measures.

*Citizens' outlook
deteriorated on news
of tax hikes*

The fact that the government's formation did not fully translate into a sustained momentum in sentiment led to a deterioration in households' outlook towards their personal finances and the business environment in the country. As such, 60% of the Lebanese surveyed in the first quarter of 2019 expected their financial conditions to worsen in the coming six months, up from 57.9% of respondents in the fourth quarter of 2018. Also, 9.1% of the Lebanese surveyed in March 2019 expected business conditions in Lebanon to improve in the coming six months, down from 9.6% in December 2018; while 66.2% of respondents anticipated business conditions to deteriorate in the covered period relative to 65.8% in December 2018.

Further, Lebanese citizens realized during the second quarter of 2019 that the authorities intend to impose a new wave of tax and fee increases which will lead to a decline in their disposable income and purchasing power. As such, the Present Situation Index and the Expectations Index retreated in June 2019 by 4.5% and 6%, respectively, from March 2019.

In fact, the authorities' intentions to increase taxes and fees, at the expense of households' day-to-day needs, exacerbated consumers' skepticism and raised their concerns about the impact of any potential measure on their already stretched budgets. This was compounded by the fact that households continued to suffer from the impact of the taxes that went into force at the beginning of 2018 and that led to a decline in their disposable income, a decrease in their purchasing power, and an increase in the cost of living. As such, citizens extended their wait-and-see approach during the second quarter of 2019, as reflected by the decline of the Expectations Index by 7.3% in June from its recent peak in February.

The second-quarter results showed the still low expectations of households, as only 9.4% of the Lebanese polled in the covered quarter anticipated their financial conditions to improve in the coming six months, down from 10.6% in the first quarter of the year. In parallel, 62.6% of respondents in the second quarter believed that their financial situation will deteriorate. In addition, only 8.75% of the Lebanese surveyed in June 2019 expected business conditions in Lebanon to improve in the coming six months, while 61.4% of respondents anticipated business conditions to worsen.

Consumers followed strategy of low expectations in the second quarter of 2019

Looking at the first-half results, consumer confidence retreated from the second half of 2018, but posted its sixth highest semi-annual level since the first half of 2007. Most of the decrease occurred during the second quarter of 2019, as citizens adopted a strategy of minimal expectations.

In fact, Lebanese households consider that the political developments that started in late 2016, including the formation of a new government in late January 2019, have not yet translated into concrete improvements in their quality of living and economic well-being. Also, citizens have come to believe that the authorities' concept of reforms usually translates into repeated and arbitrary increases in taxes and fees, instead of implementing genuine measures that would improve the standard of living of citizens and result in economic opportunities. As such, the longstanding skepticism of households has expanded into disillusionment about the government's seriousness in bringing about change to their quality of living and economic well-being.

A high level of consumer confidence requires improvements in standards of living

The results of the first half of 2019 clearly show that Lebanese citizens still have low confidence in the seriousness of the government and political parties to bring about real stability and change, as well as to improve their living standards and provide a credible framework for economic opportunities, especially with the ongoing deterioration in public-service delivery and the arbitrary tax hikes. Therefore, Lebanese citizens 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 in the long term.

E - CONSUMERS' NEAR-TERM OUTLOOK

Lebanese females had a more optimistic near-term outlook than their male counterparts in the first and second quarters of 2019. The average monthly reading of the Expectations Index was 84.2 for females compared to 78.9 for males in the first quarter of 2019, and reached 79.3 for females relative to 74.6 for males in the second quarter of the year.

Younger consumers were the most optimistic in the first half of 2019

Consumers who are in the 21 to 29 year-old bracket were more optimistic about near-term economic prospects than their counterparts in other age brackets during the first and second quarters of 2019, while consumers who are 60 years or older were the most pessimistic during the covered quarters.

Further, students were the least pessimistic about economic prospects among occupational sub-categories in the first and second quarters of 2019, as the Expectations Index for this segment averaged 119.7 and 109.7, respectively, in the covered quarters. Conversely, private-sector employees were the most pessimistic about the near future among all occupational categories in the first and second quarters of 2019, with the Expectations Index for this category averaging 50.5 in the first quarter and 45.9 in the second quarter of the year.

The new waves of taxes and fees dented the expectations of low-income citizens

In parallel, consumers who earn a monthly income of \$2,500 or higher had higher expectations about future economic prospects than citizens in other income brackets during the first and second quarters of 2019. In contrast, citizens with a monthly income of \$750 or less were the most pessimistic about the near future among all income categories during the first quarter of the year, while consumers with a monthly income between \$750 and \$1,499 were the least optimistic about future economic prospects than citizens in other income brackets during the second quarter of 2019, most likely due to the government's plan to impose new taxes and fees or raise existing ones in the 2019 budget.

In addition, residents of North Lebanon had a more positive outlook than their counterparts in other geographical regions during the first and second quarters of 2019. Conversely, consumers who reside in Beirut were more pessimistic about future prospects than those in other geographical regions during the first and second quarters of 2019.

Druze citizens were the most optimistic about future prospects in the first quarter of 2019

In terms of religious affiliation, Druze citizens were more positive about the country's near-term economic outlook in the first quarter of 2019 than Lebanese from other religious denominations, while Shiite households were the most optimistic in the second quarter of the year. In parallel, Sunni consumers were the most pessimistic about future prospects during the first quarter of 2019, while Druze households were the least optimistic during the second quarter of the year.

II - Results by Category

A - CONSUMER CONFIDENCE BY GENDER

The results of the Byblos Bank/ AUB Consumer Confidence Index show that female consumers registered a higher level of confidence than their male counterparts during the first and second quarters of 2019. Also, females were more confident than males in all six months of the first half of 2019. Still, male consumers have been more confident than females in 74 out of 144 months since the Index's inception in July 2007, representing a 51.4% frequency of occurrence.

Females were more confident than males in the first half of 2019

The confidence level of females grew by 1.5% in the first quarter and regressed by 6.6% in the second quarter of 2019, while the sentiment of males decreased by 1.6% in the first quarter and retreated by 5.5% in the second quarter of the year. Females and males posted average confidence levels of 78 and 73, respectively, during the first quarter of 2019, as well as confidence levels of 72.9 and 69, respectively, in the second quarter of the year. The first-quarter results represented the 10th highest level of confidence for Lebanese females in 47 quarters, while the confidence level of males was the 13th highest. Moreover, the second-quarter results constituted the 14th highest level of confidence for both female and male consumers in 48 quarterly readings.

On a semi-annual basis, female and male consumers posted average confidence levels of 75.4 and 71, respectively, during the first half of 2019, relative to confidence levels of 77 and 73.8, respectively, in the second half of 2018. As such, the confidence level of females decreased by 2.1% and dropped by 3.7% for males in the first half of 2019. Moreover, males and females posted their sixth highest levels of confidence each in 24 semi-annual results.

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. This trend reversed, as males became more confident than females in 21 out of the following 22 quarters until the end of 2014. The trend changed again in 2015, as females started to post higher confidence levels than their male counterparts in 15 out of the following 18 quarters leading to the second quarter of 2019.

Byblos Bank/AUB Consumer Confidence Index by Gender		
Month	Male	Female
Jan-19	67.2	72.5
Feb-19	77.1	81.6
Mar-19	74.7	80.0
Av. Index Q1 2019*	73.0	78.0
Apr-19	65.9	71.8
May-19	70.8	70.8
Jun-19	70.3	76.0
Av. Index Q2 2019*	69.0	72.9

* 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 2019. In contrast, consumers who are 60 years or older were the least confident among age segments in the covered quarters.

The level of sentiment increased by 9.1% among consumers who are 60 years or older, and expanded by 0.9% for citizens aged between 30 and 39 years in the first quarter of 2019; while the confidence level of consumers in the 40 to 49 year-old bracket dropped by 4.1% in the covered quarter, followed by citizens who are between 50 and 59 years old (-3.3%) and consumers aged between 21 and 29 years old (-0.6%). In parallel, the confidence level of consumers in the 50 to 59 year-old bracket rose by 2.2% in the second quarter of the year; while the sentiment of Lebanese in the 40 to 49 year-old bracket retreated by 10.4% in the covered quarter, followed by citizens aged between 30 and 39 years (-9.3%), consumers who are 60 years or older (-3.9%), and citizens in the 21 to 29 year-old bracket (-3.4%).

Older consumers were less optimistic than citizens in other age brackets in the first half of 2019

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 2019, constituting the 19th such occurrence in 24 semi-annual periods. They were followed by citizens aged between 30 and 39 years, then those who are in the 40 to 49 year-old bracket, citizens aged between 50 and 59 years, and consumers who are 60 years or older.

Consumers who are in the 21 to 29 year-old bracket had the highest level of confidence among age segments in each month of the first half of 2019. In contrast, citizens who are 60 years or older were the least confident in all six months of the first half of the year. Generally, consumers aged between 21 and 29 years have been more confident than older consumers, as they posted the highest confidence level in 39 out of 48 quarters, which represents an 81.3% frequency of occurrence. Also, consumers who are 21 to 29 years old have been the most confident in 99 out of 144 months since the Index's inception, representing a 68.8% frequency of occurrence. This trend reflects the energy and outlook of young men and women in Lebanon, in contrast to the constant self-serving and fact-free rumors about the despondency of Lebanese youth.

Young citizens have a more positive outlook than older ones

Byblos Bank/AUB Consumer Confidence Index by Age					
Month	21-29 yrs	30-39 yrs	40-49 yrs	50-59 yrs	≥60 yrs
Jan-19	78.8	68.1	71.7	61.5	55.7
Feb-19	95.4	77.5	75.7	66.9	58.8
Mar-19	85.2	81.3	71.5	69.8	64.3
Av. Index Q1 2019*	86.5	75.6	73.0	66.1	59.6
Apr-19	80.3	67.9	67.4	61.9	49.7
May-19	82.7	67.0	64.6	70.2	60.2
Jun-19	87.5	70.7	64.2	70.5	61.9
Av. Index Q2 2019*	83.5	68.5	65.4	67.6	57.3

* 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 2019. When excluding students, public-sector employees were more optimistic than other occupational categories in the covered period, which shows the impact of the massive increase in the salaries and wages of public-sector employees on their sentiment. In contrast, private-sector employees were the most pessimistic during the first half of 2019, constituting the first such instance in 24 semi-annual periods since the start of the Index's calculation. This reflects the impact of arbitrary and ill-conceived government decisions that hurt the performance of the private sector and, therefore, the prospects of private-sector employees.

The sentiment of the unemployed improved by 7.8% quarter-on-quarter in the first quarter of 2019, followed by housewives (+3.7%) and the self-employed (+3.3%); while the confidence level of private-sector employees deteriorated by 8.6% in the covered quarter, followed by students (-7.5%) and public-sector employees (-0.6%). During the second quarter of 2019, the confidence level of the unemployed grew by 5.4%, while the sentiment of housewives declined by 9.4%, followed by public-sector employees (-8.7%), students (-7.8%), private-sector employees (-5.3%) and the self-employed (-5%).

Moreover, the confidence level of public-sector workers was 38% higher than the confidence level of private-sector employees in the first half of 2019. This wide discrepancy reflects the negative impact of the increase of the public sector's wages and salaries on economic activity. In fact, a particular segment of the population benefited from the increase at the expense of the broader society, especially that the private sector constitutes the engine of economic activity in Lebanon. The confidence level of private-sector employees has consistently exceeded the confidence level of public-sector workers since the Index's inception. However, this trend reversed since 2018 when public-sector employees started to post much higher confidence levels than their private-sector counterparts.

In parallel, the sentiment level of students was the highest in 81 out of 144 months, representing a 56.3% frequency of occurrence, followed by private-sector employees with an incidence of 22.2%, public-sector employees with 8.3%, the unemployed and the self-employed with 5.6% each, and housewives with a frequency of 2.1%.

Public-sector workers were significantly more confident than private-sector employees and the self-employed

Byblos Bank/AUB Consumer Confidence Index by Occupation

Month	Private Sector Employee	Public Sector Employee	Self-employed	Student	Housewife	Unemployed
Jan-19	53.3	66.5	64.0	108.2	70.7	42.6
Feb-19	60.6	82.6	76.6	116.9	74.4	60.7
Mar-19	57.1	90.7	71.5	109.9	77.5	64.4
Av. Index						
Q1 2019*	57.0	79.9	70.7	111.7	74.2	55.9
Apr-19	54.6	69.1	63.3	102.7	64.4	53.9
May-19	51.6	78.7	68.2	105.4	66.0	54.6
Jun-19	55.7	70.9	70.1	100.8	71.2	68.3
Av. Index						
Q2 2019*	54.0	72.9	67.2	103.0	67.2	58.9

* 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 2019. Conversely, citizens with a monthly income of \$750 or less were the least confident among all income categories in the first two quarters of 2019. In addition, consumers with an income of \$2,500 or more per month had the highest level of confidence in 59 out of 66 months, representing an 89.4% frequency of occurrence.

Consumer sentiment remains correlated to income levels

The confidence level of consumers with a monthly income of \$2,500 or more grew by 5.4% in the first quarter of 2019 from the preceding quarter and increased by 2% for citizens in the \$750 to \$1,499 per month income bracket; while it regressed by 3.3% for consumers in the \$1,500 to \$2,499 per month income bracket and declined by 1.3% for citizens with a monthly income of \$750 or less. Moreover, the confidence level of consumers with an income of \$1,500 to \$2,499 per month decreased by 7.9% in the second quarter of 2019, followed by citizens who earn between \$750 and \$1,499 per month (-7.3%), consumers who earn \$750 or less (-4.1%), and citizens who earn \$2,500 or more per month (-1.8%).

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 2019. Consumer sentiment for this category posted an average reading of 86.4 in the first half of 2019 and increased by 1.9% from 84.8 in the second half of 2018. 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-19	59.9	70.3	75.3	82.3
Feb-19	70.8	85.3	76.8	87.2
Mar-19	68.0	79.2	79.1	92.1
Av. Index Q1 2019**	66.2	78.3	77.1	87.2
Apr-19	59.6	69.0	73.2	83.6
May-19	63.1	74.0	69.1	84.5
Jun-19	67.8	74.5	70.7	88.8
Av. Index Q2 2019**	63.5	72.5	71.0	85.6

* monthly household income ** average monthly score

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

E - CONSUMER CONFIDENCE BY GEOGRAPHICAL REGION

The results of the Byblos Bank/ AUB Consumer Confidence Index show that residents of the Bekaa region had a higher level of confidence relative to consumers in other regions in the first and second quarters of 2019. Conversely, residents in Beirut were the most pessimistic among all geographical regions in the first two quarters of 2019, reflecting the eighth such quarterly occurrence since the Index's inception.

Consumer sentiment in Mount Lebanon grew by 7% in the first quarter of 2019 and posted the highest increase across geographical regions, followed by residents in the South (+1.3%) and the Bekaa (+0.4%). In contrast, the confidence level of consumers in Beirut dropped by 17.3% in the covered quarter and was unchanged for citizens in the North. Further, the sentiment of citizens in Beirut grew by 2.6% in the second quarter of 2019; while the confidence level of residents in the Bekaa decreased by 11.5% in the covered quarter, followed by consumers in the South (-9.4%), the North (-6.3%), and Mount Lebanon (-4.1%).

On a semi-annual basis, households in the Bekaa region posted the highest level of confidence in the first half of 2019, followed by consumers in the North, residents in the South, citizens in Mount Lebanon and consumers in Beirut.

Residents in the Bekaa posted the highest level of confidence among geographical regions in all six months of the first half of the year. In contrast, consumers in Beirut registered the lowest level of confidence in the January, February, March, May and June 2019 surveys, while residents in Mount Lebanon were the least optimistic in April 2019. Overall, consumers in Mount Lebanon held the highest level of confidence in 50 out of 144 months, representing a 34.7% frequency of occurrence, followed by consumers in the North with an incidence of 23.6%, households in the South with 19.4%, consumers in Beirut with 13.9% and households in the Bekaa with a frequency of 8.3%.

Household sentiment in the Bekaa was the highest across regions in the first half of 2019

Byblos Bank/AUB Consumer Confidence Index by Geographical Region						
Month	Beirut	Mount Lebanon	North	Bekaa	South	
Jan-19	61.6	62.2	78.0	85.7	69.1	
Feb-19	56.8	67.9	98.9	104.6	76.5	
Mar-19	59.3	71.9	87.2	104.1	67.4	
Av. Index Q1 2019*	59.2	67.3	88.1	98.1	71.0	
Apr-19	63.2	61.4	77.3	83.4	66.2	
May-19	57.3	64.0	86.0	87.4	63.0	
Jun-19	61.7	68.3	84.2	89.8	63.8	
Av. Index Q2 2019*	60.8	64.6	82.5	86.9	64.3	

* average monthly score

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

F - CONSUMER CONFIDENCE BY RELIGIOUS AFFILIATION

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 quarter of 2019, while Shiite citizens were the least pessimistic in the second quarter of the year. The results of the first quarter of 2019 constituted the 13th time since the Index's inception that Druze households post the highest level of confidence on a quarterly basis, while the second-quarter results represented the seventh time in 48 quarters that Shiite households post the highest confidence level. In parallel, Sunni citizens were the most pessimistic during the first and second quarters of 2019. In general, Christians held the highest level of confidence in 56 out of 144 months since the Index's inception, representing a 39% frequency of occurrence, followed by Druze citizens with an incidence of 31.3%, Shiite consumers with 15.3% and Sunni citizens with a frequency of 14.6%.

Druze households were the most optimistic in the first half of 2019

The confidence level of Druze households grew by 14.6% in the first quarter of 2019, the highest quarterly increase among religious affiliations, while it was nearly unchanged for Christian households. In contrast, the sentiment of Shiite consumers declined by 4.2% in the covered quarter and regressed by 0.5% for Sunni households. In parallel, the confidence level of Druze consumers dropped by 14.7% in the second quarter of 2019, followed by Sunni households (-5.8%), Christian consumers (-5.2%) and Shiite households (-4.5%).

On a monthly basis, Druze consumers were the most confident in January, March, April and May 2019, while Shiite households registered the highest level of confidence in February and June 2019. In contrast, Christian consumers were the most pessimistic among all religious affiliations in January 2019 and Sunni households were the least optimistic in the February, March, April and May surveys, while Druze consumers were the most pessimistic in June 2019.

On a semi-annual basis, Druze households registered the highest level of confidence among all religious affiliations in the first half of 2019. Also, the sentiment of Druze consumers grew by 6% in the covered period from the second half of 2018, while it decreased by 6.4% for Shiite households, regressed by 4.9% for Sunni consumers, and declined by 1.3% for Christian households.

Byblos Bank/AUB Consumer Confidence Index by Religious Affiliation				
Month	Christians	Sunnis	Shiites	Druze
Jan-19	65.8	70.0	70.7	87.6
Feb-19	78.9	76.5	82.7	80.8
Mar-19	79.2	73.5	76.4	82.2
Av. Index Q1 2019*	74.6	73.3	76.6	83.5
Apr-19	69.1	65.2	70.6	73.4
May-19	73.5	66.2	67.9	79.3
Jun-19	69.7	75.8	80.9	61.0
Av. Index Q2 2019*	70.8	69.0	73.1	71.2

* average monthly score

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

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