



Byblos Bank/AUB Consumer Confidence Index: Government Stalemate Extends Stagnation Of Consumer Confidence In Fourth Quarter of 2018

- Systematic obstruction of government formation is key reason for loss of confidence momentum
- Stability of Index reflects failure of scare tactics to undermine citizens' confidence

Byblos Bank Headquarters, January 24, 2019: Byblos Bank issued today the results of the Byblos Bank/AUB Consumer Confidence Index for the fourth quarter of 2018.

The results show that the Index regressed by 0.9% in October from the preceding month, declined by 0.8% in November and increased by 5.3% in December 2018. Further, the Index averaged 75.5 in the fourth quarter of 2018 and was nearly unchanged from 75.3 in the third quarter of 2018. In addition, the Byblos Bank/AUB Present Situation Index averaged 66.7 in the fourth quarter of 2018 and increased by a marginal 1.1% from the preceding quarter, while the Byblos Bank/AUB Expectations Index averaged 81.4 and was nearly unchanged from the third quarter of 2018. Further, the average monthly score of the Index in the fourth quarter of 2018 was 28.6% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008, and remained 22% below the annual peak of 96.7 reached in full year 2009.

Commenting on the results, Mr. Nassib Ghobril, Chief Economist and Head of the Economic Research and Analysis Department at Byblos Bank Group stated: “On the one hand, the stagnation in household sentiment during the fourth quarter of 2018 reflects the ongoing political impasse that has prevented the formation of a new government in Lebanon more than seven months after the May 2018 parliamentary elections. On the other hand, the flood of rumors and scare tactics since the summer about the impending collapse of the Lebanese economy and of the national currency did not succeed in triggering broad panic among citizens.” He added: “It is true that the momentum in confidence evaporated soon after the elections, but the Index held steady during the third and fourth quarters, instead of dropping materially during this period.”

Mr. Ghobril indicated that “following the parliamentary elections, Lebanese citizens had high expectations that the various political parties would quickly form a government and implement concrete reforms to improve their quality of living and economic well-being, as they were led to believe that changing the electoral law would improve public governance and accountability. However, they discovered that the behavior of most political parties hardly changed after the elections. In addition, citizens continued to feel the impact of the

2017 tax increases through inflationary pressures, economic stagnation and higher cost of living."

Mr. Ghobril said that "the ongoing delays and procrastination in the formation of a new government have raised households' skepticism about the seriousness of the political class to improve the quality of living of citizens. As such, the delays have extended the stagnation of consumer sentiment in Lebanon from the third quarter to the fourth quarter of the year, and have sapped any momentum in confidence that the elections generated."

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

Further, the fourth-quarter results reflect the stagnation in Lebanese households' expectations about their future conditions, as only 9.6% of the Lebanese polled in the fourth quarter of 2018 expected their financial conditions to improve in the coming six months, down from 11.5% in the third quarter of the year. In parallel, 57.9% of respondents in the covered quarter believed that their financial situation will deteriorate, nearly unchanged from 58.1% in the previous quarter, while 29.8% forecast their financial condition to remain the same in the next six months compared to 28.2% in the third quarter of 2018. In addition, 9.6% of the Lebanese surveyed in December 2018 expected business conditions in Lebanon to improve in the coming six months compared to 10% in September 2018, while 65.8% of respondents anticipated business conditions to deteriorate, relative to 67.4% in September 2018.

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

In addition, the confidence level of residents in Beirut increased by 14% in the fourth quarter of 2018 from the preceding quarter, followed by households in the South (+3%), Mount Lebanon (+0.5%) and the Bekaa region (+0.3%); while the sentiment of residents in the North regressed by 7.4% in the covered quarter. Still, the sentiment of residents in the Bekaa region was the highest among all geographic regions during the fourth quarter of 2018, followed by households in the North, Beirut, the South and Mount Lebanon. Further, the confidence level of Christian households increased by 2.5% quarter-on-quarter in the fourth quarter of 2018, while the sentiment of Sunni households regressed by 3% from the third quarter of 2018. In addition, the confidence level of Shiite and Druze

households was nearly unchanged in the fourth quarter of 2018. Also, Shiite households registered the highest level of confidence in the fourth quarter of 2018, followed by Christian, Sunni and Druze households.

The Byblos Bank/AUB Consumer Confidence Index is a measure of the sentiment and expectations of Lebanese consumers toward the economy and their own financial situation. The Index is compiled, implemented and analyzed in line with international best practices and according to criteria from leading consumer confidence indices worldwide. It is composed of two sub-indices, the Byblos Bank/AUB Present Situation Index and the Byblos Bank/AUB Expectations Index. The first sub-index covers the current economic and financial conditions of Lebanese consumers, and the second one addresses their outlook over the coming six months. In addition, the data segregates the Index based on age, gender, income, profession, geographical region, and religious affiliation. The Byblos Bank Economic Research and Analysis Department has been calculating the Index on a monthly basis since July 2007, with January 2009 as its base month. The Index is based on a face-to-face monthly survey of a nationally representative sample of 1,200 males and females living throughout Lebanon. The monthly field survey is conducted by Statistics Lebanon Ltd, a market research and opinion-polling firm.

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