

CONSUMER CONFIDENCE IN LEBANON

THE BYBLOS BANK/AUB CONSUMER CONFIDENCE INDEX

First Half 2016 Results and Analysis

Consumer Confidence Declines in First Half of 2016

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HIGHLIGHTS

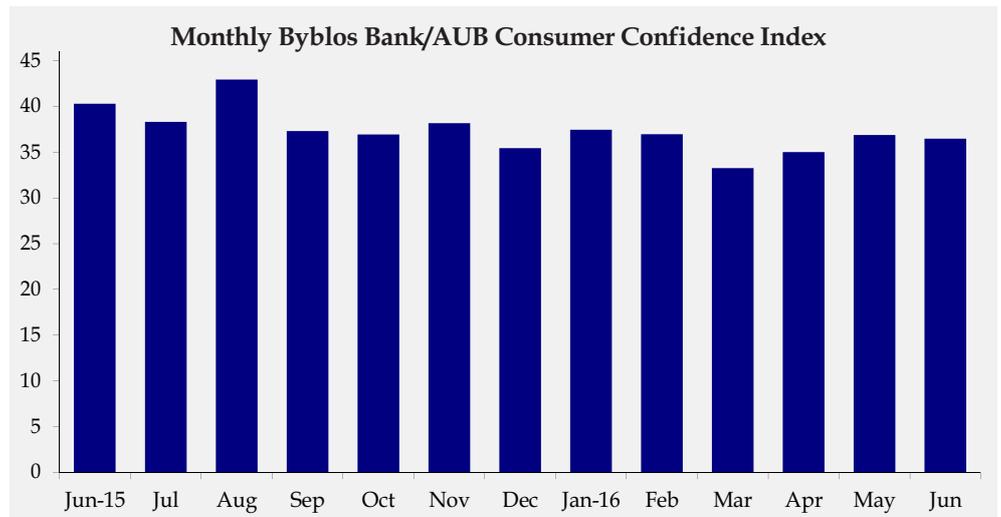
- The Byblos Bank/ AUB Consumer Confidence Index posted a monthly average of 35.9 in the first quarter of 2016 and regressed by 2.6% from the fourth quarter of 2015. The index reached 36.1 in the second quarter of 2016 and grew by 0.6% from the preceding three months.
- The results of the first quarter of 2016 were the 11th lowest since the index's inception in July 2007, while the outcome of the second quarter was the 12th lowest in 36 quarters.
- The reconciliation between the Lebanese Forces Party and the Free Patriotic Movement, the successful completion of the municipal and mayoral elections, and the positive impact of the pass through to consumers of the drop in global oil prices, supported consumer sentiment in the first and second quarters.
- The eruption of the diplomatic crisis with GCC countries, the repercussions of the waste management crisis, security breaches in the Bekaa and Beirut, as well as the persistent political stalemate, weighed on sentiment during the first half of 2016.
- The results of the Byblos Bank/ AUB Consumer Confidence Index in the first and second quarters of 2016 remained consistent with the ongoing trend of low household confidence since the fourth quarter of 2011.
- The Byblos Bank/ AUB Consumer Confidence Index recorded a monthly average of 36 in the first half of 2016, down by 5.7% from the second half of 2015. The level of sentiment in the first half reflected a drop of 63% from the 2009 base year and a decline of 33.4% 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 2016.
- Nearly 77% of the surveyed Lebanese said that their financial situation was "worse off" in the first half of 2016 than it was six months earlier.

I - Analysis of Results

A - ANALYSIS ON A CALENDAR BASIS

Consumer confidence in Lebanon remained at low levels during the first and second quarters of 2016, as reflected by the results of the Byblos Bank/ AUB Consumer Confidence Index. The index reached 37.5 in January 2016, up by 5.7% from 35.4 in December 2015. It then regressed by 1.3% to 37 in February and decreased by another 10% to 33.3 in March 2016. Further, the index registered 35 in the April 2016 survey, up by 5.3% from the previous month, and grew by another 5.3% to 36.9 in May, while it declined by 1% to 36.5 in June.

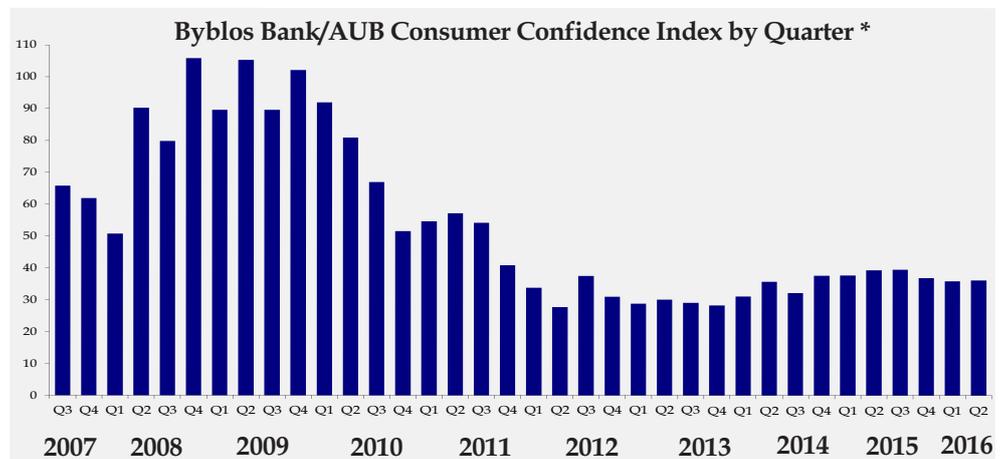
Consumer sentiment was highest in January during the first half of 2016



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

The Byblos Bank/ AUB Consumer Confidence Index averaged 35.9 in the first quarter of 2016, constituting a decrease of 2.6% from 36.9 in the fourth quarter of 2015, and grew by 0.6% to an average of 36.1 in the second quarter of 2016. The decline in sentiment during the first quarter was due, in part, to the eruption of the political crisis with Gulf Cooperation Council (GCC) countries in February 2016, the repercussions of the waste management crisis that began in July 2015, as well as to the repeated failure of the Lebanese Parliament since May 2014 to elect a President and the resulting uncertain political outlook.

Consumer confidence remained at low levels in the first and second quarters of 2016



* monthly average index by quarter

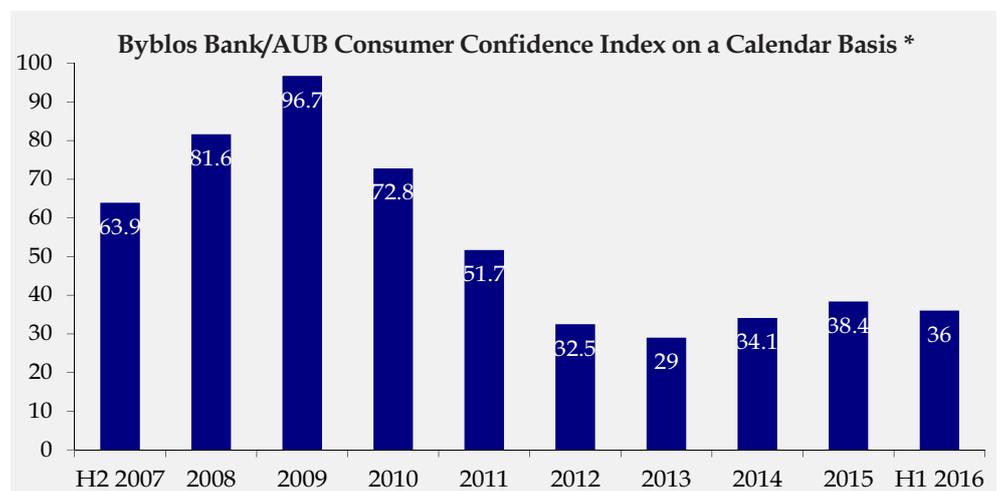
Source: Byblos Research, based on surveys conducted by Statistics Lebanon

However, the historic reconciliation between the Lebanese Forces Party and the Free Patriotic Movement, along with the positive impact of the pass through to local consumers of the drop in global oil prices, mitigated the decline of the index in the first quarter.

In parallel, the marginal increase in confidence in the second quarter was due, in part, to the successful completion of the municipal and mayoral elections across the country in May 2016. However, security breaches in the Bekaa and Beirut in June held back sentiment. Also, the results of the first quarter of 2016 were the 11th lowest since the index's inception in July 2007, while the second quarter results posted their 12th lowest quarterly reading in 36 quarters.

As such, the results of the first and second quarters of 2016 extended the low confidence level that has prevailed since the fourth quarter of 2010 and that deteriorated since the fourth quarter of 2011.

Household sentiment was significantly below the peak of 2009



* monthly average index for the period

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

The index posted an average monthly value of 36 during the first half of 2016, constituting a decrease of 5.7% from the second half of 2015. The first-half results represented the index's seventh-lowest level in 18 semi-annual readings. Moreover, the average monthly score of the first half of 2016 constituted a decline of 63.1% from the semi-annual peak score of 97.5 registered in the first half of 2009 and a decrease of 62.8% from the peak of 96.7 reached in full year 2009. It was also 33.4% lower than the index's monthly trend average score of 54.1 since July 2007. As such, the results continue to reflect the prevailing uncertainties and the ensuing anxieties of Lebanese households.

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

	Q1 2016			Q2 2016		
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16
CCI*	37.5	37.0	33.3	35.0	36.9	36.5
Month-on-month change (%)	5.7%	-1.3%	-10%	5.3%	5.3%	-1%
Year-on-year change (%)	6.1%	6.9%	-23%	-8%	-7%	-9.5%
PSI**	34.8	33.9	29.8	32.1	33.4	37.1
Month-on-month change (%)	8.7%	-2.6%	-12.2%	7.8%	4%	11%
Year-on-year change (%)	8.4%	11.9%	-21.2%	-2%	-8.2%	-1.4%
EI***	39.2	39.0	35.6	36.9	39.2	36.1
Month-on-month change (%)	4%	-0.5%	-8.8%	3.9%	6.1%	-7.9%
Year-on-year change (%)	4.7%	4.1%	-24.1%	-11.2%	-6.4%	-14.3%

* CCI: Byblos Bank/AUB Consumer Confidence Index

** PSI: Byblos Bank/AUB Present Situation Index

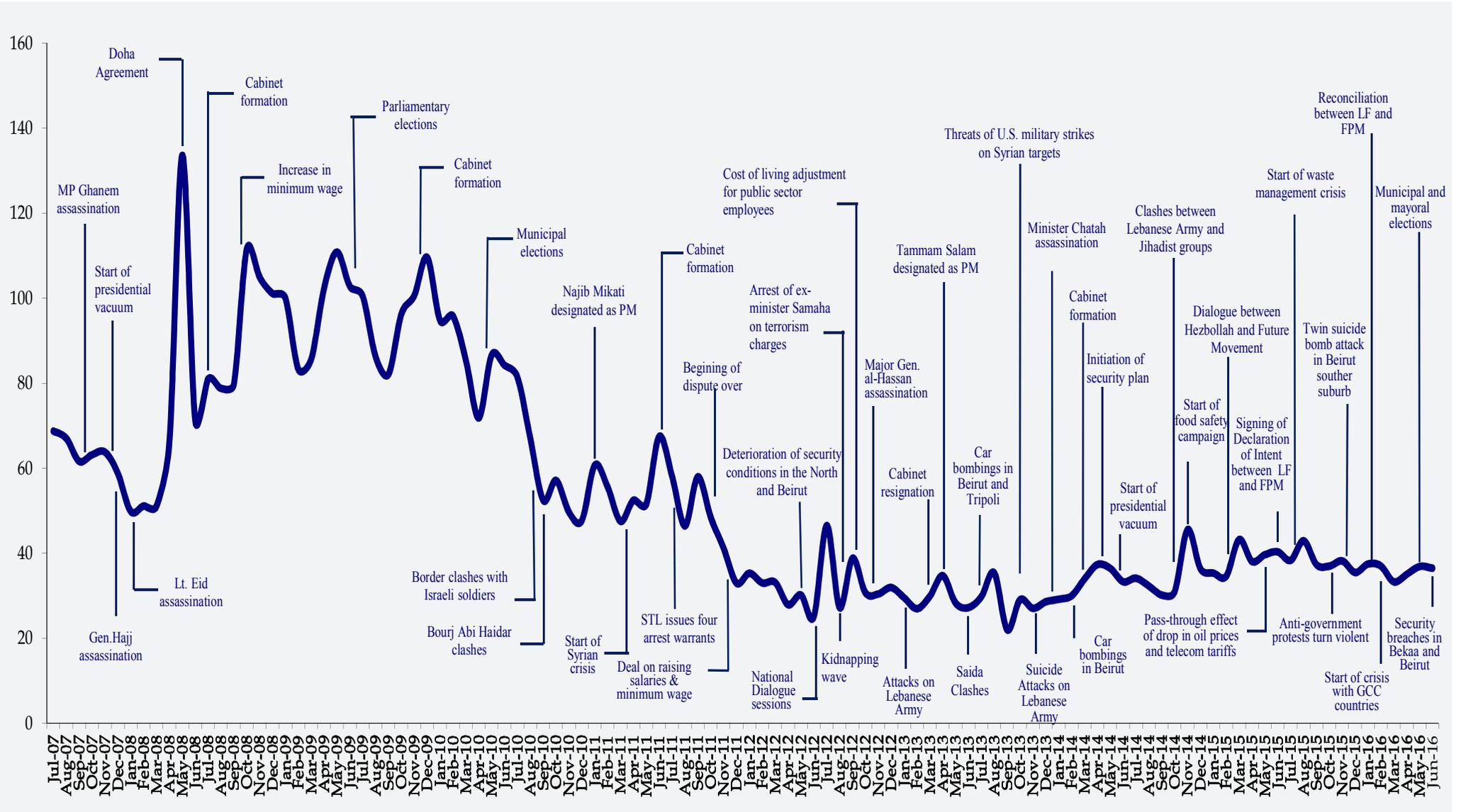
*** EI: Byblos Bank/AUB Expectations Index

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 2016)



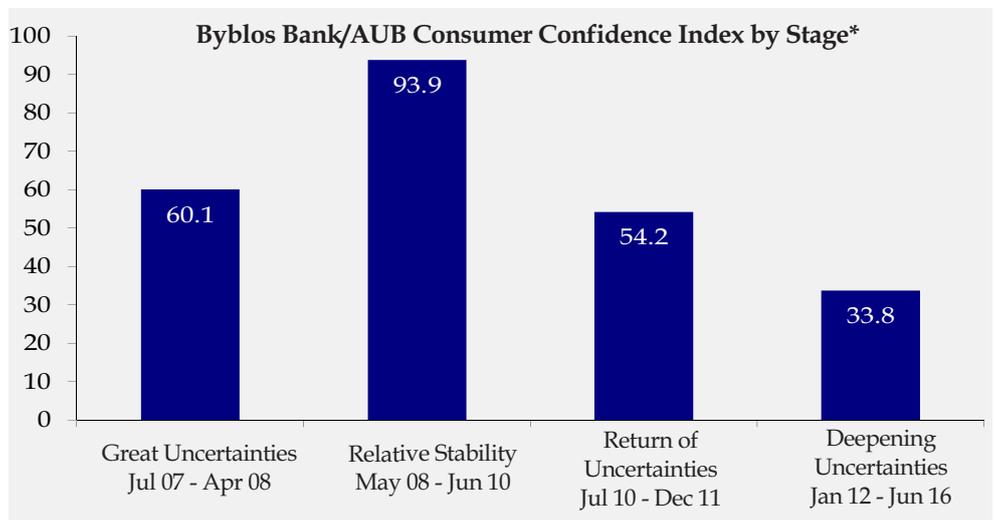
Source: Byblos Research

B -TIMELINE ANALYSIS

The results of the first and second quarters of 2016 upheld the trend in consumer confidence that started in January 2012. We have identified four 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, and a fourth of Deepening Uncertainties.

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 33.5 during the 48 months ending in December 2015. It was a “very high risk” period as political and institutional paralysis increased and security conditions deteriorated, which negatively weighed on consumer sentiment. The results of the first and second quarters of 2016 extended and confirmed the Deepening Uncertainties period as the index averaged 33.8 over the January 2012-June 2016 period, constituting the lowest level of consumer confidence over the four periods.

The period of deepening uncertainties extended into the first and second quarters of 2016



* monthly average index for the period

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

C - ANALYSIS OF PRESENT SITUATION & EXPECTATIONS INDICES

The Expectations Index was higher than the Present Situation Index during the first and second quarters of 2016

The Byblos Bank/ AUB Present Situation Index regressed by 0.4% in the first quarter of 2016 from the fourth quarter of 2015, while the Expectations Index declined by 3.9% in the covered quarter. The Byblos Bank/ AUB Expectations Index posted higher values than the Present Situation Index during the first and second quarters of the year, in line with the first, second, third and fourth quarters of 2015. Also, the gap between the Expectations Index and the Present Situation Index posted a positive spread of +9.3% in the second quarter of 2016, down from a spread of +15.4% in the first quarter of the year and compared to a spread of +19.6% in the fourth quarter of 2015. Moreover, the Present Situation Index posted its fourth lowest semi-annual reading during the first half of 2016, while the Expectations Index posted its seventh lowest reading over the covered period.

The Present Situation Index and the Expectations Index moved in the same direction during the first quarter of 2016. As such, the Present Situation Index increased by 8.7% in January, decreased by 2.6% in February and dropped by 12.2% in March 2016, while the Expectations Index improved by 4% in January, declined by 0.5% in February and regressed by 8.8% in March. In addition, the Present Situation and Expectations indices averaged 32.9 and 37.9, respectively, in the first quarter of 2016, constituting their ninth- and 14th-lowest quarterly readings, respectively, in 36 quarters.

In parallel, the two indices moved in two different directions in one out of the three months of the second quarter of 2016. The Present Situation Index posted increases of 7.8% in April, 4% in May and 11% in June 2016, while the Expectations Index improved by 3.9% in April and by 6.1% in May, but retreated by 7.9% in June. The Present Situation Index improved by 4.1% in the second quarter of 2016 from the first quarter, while the Expectations Index regressed by 1.4% quarter-on-quarter. Moreover, the Present Situation and Expectations indices averaged 34.2 and 37.4, respectively, in the second quarter of 2016, constituting their 12th- and 13th-lowest quarterly readings, respectively, since the start of the index's calculation.

Generally, Lebanese consumers are more optimistic about future conditions over the near term than they are about their current situation, a trend upheld in the first and second quarters of 2016. Indeed, Lebanese consumers were more optimistic about the future than they were about present circumstances in 26 out of 36 quarters and in 76 out of 108 months between July 2007 and June 2016, representing a 70.4% frequency of occurrence. Moreover, the Byblos Bank/ AUB Expectations Index posted higher values than the Byblos Bank/ AUB Present Situation Index during five out of the first six months of 2016, in line with each of the 12 months in 2015. However, the results do not reflect a shift in households' attitudes, as only 6.9% of Lebanese polled in the first half of 2016 expected their financial conditions to improve in the coming six months, while 71.1% of them believed their financial situation will deteriorate, and 19.6% stated that their financial conditions would remain the same.

D - GENERAL TRENDS

Political paralysis continued to weigh negatively on household sentiment in the first and second quarters of 2016

The confidence level of Lebanese consumers remained very sensitive to political and security developments during the first and second quarters of 2016, in line with trends since the index's inception in July 2007.

The deterioration in the first quarter of 2016 was reflected in the answers of consumers to the Index's survey questions, as 77.3% of the surveyed Lebanese considered that their personal financial situation is "worse off" than it was six months earlier and 19.2% stated that their financial situation remained the same. In contrast, only 3.5% of them said that their financial situation is "better off" than it was six months earlier, the fourth lowest such quarterly percentage since the index's inception.

The historic reconciliation between the Lebanese Forces Party and the Free Patriotic Movement supported household sentiment in the first quarter of 2016

Two major developments influenced consumer sentiment in the first quarter of 2016. The first development was the historic reconciliation and the new alliance that was sealed in January 2016 between the Lebanese Forces Party and the Free Patriotic Movement, which led the Byblos Bank/AUB Present Situation Index to jump by nearly 9% and the Byblos Bank/AUB Expectations Index to rise by 4% in January. The new political alliance crossed the political divide and turned the page on Lebanon's dark period of division between the two political factions, which raised the expectations of households for a potential breakthrough in the presidential elections deadlock. However, the improvement in sentiment was relatively short-lived, as Lebanese consumers have developed throughout the years, and particularly since the presidential vacuum that started in May 2014, a solid dose of doubt and skepticism about political initiatives. In fact, the Byblos Bank/AUB Consumer Confidence Index regressed by 1.3% in February, driven by a decline of 2.6% in the Byblos Bank/AUB Present Situation Index.

The deterioration of diplomatic ties with the GCC weighed on sentiment in March

The second development that affected sentiment in the first quarter of the year was the eruption of the political crisis between the Gulf Cooperation Council countries and Lebanon in late February, and the resulting concerns about spillovers onto the Lebanese economy, which contributed to dragging down the Byblos Bank/AUB Present Situation Index by 12.2% and the Byblos Bank/AUB Expectations Index by 8.8% in March 2016. In fact, the repercussions of the deterioration in diplomatic relations between Lebanon and GCC countries, mainly Saudi Arabia, led households to become increasingly wary about the impact that these developments will have on their livelihood. In fact, rampant speculation by some Lebanese media outlets about the prospects of mass deportation of Lebanese citizens from GCC countries, the negative impact on remittance inflows from Lebanese expatriates working in the GCC, as well as the negative repercussions on the Lebanese economy as a whole, weighed on local sentiment in February and was exacerbated in March.

Separately, the emergency plan that the government approved on March 12, 2016 to resolve the eight-month old waste management crisis affected confidence negatively, given the temporary nature of the plan and its unsustainability in the long term. This contributed, in part, to the 10% decrease in the Byblos Bank/AUB Consumer Confidence Index in March.

Consumers expressed skepticism about the proposed solution to the waste management crisis

The results of the index continue to show that Lebanese consumers need to see concrete results that improve their economic well-being in order to maintain their level of optimism, as they have become highly skeptical about the immediate impact of an event or a government decision. As such, only 6.7% of Lebanese polled in the first quarter of 2016 expected their financial conditions to improve in the following six months, while 71.1% of them believed their financial situation would deteriorate, and 19.7% stated that their finances would remain the same.

In parallel, consumer sentiment stagnated in the second quarter of 2016, as reflected in the answers of consumers to the Index's survey questions, given that 78% of the surveyed Lebanese in the second quarter of 2016 considered that their personal financial situation is "worse off" than it was six months earlier and 17.6% stated that their financial situation remained the same. In contrast, only 4.4% of them said that their financial situation is "better off" than it was six months earlier, the eighth lowest such quarterly percentage since the Index's inception in July 2007.

The municipal and mayoral elections that took place in May 2016 had a positive impact on sentiment. The anticipation by Lebanese citizens that the elections would take place within the constitutional deadline led the Byblos Bank/AUB Present Situation Index to rise by 8% and the Byblos Bank/AUB Expectations Index to increase by 4% in April 2016.

Citizens reacted positively to the municipal and mayoral elections

Moreover, the elections represented the first opportunity in six years for Lebanese citizens to exercise their constitutional right to choose their representatives, which gave them a sense of empowerment as well as hope for better governance at the local level. As such, the fact that the elections took place led the Byblos Bank/AUB Present Situation Index to grow by another 4% and the Byblos Bank/AUB Expectations Index to jump by another 6% in May. However, security breaches in the Bekaa and Beirut in June 2016, and the resulting concerns about the potential spillovers on the Lebanese economy ahead of the summer tourism season, contributed to dragging down the Expectations Index by nearly 8% in June.

In parallel, generally stable conditions across the country and the ongoing nationwide crackdown on suspected terrorists by security forces, as well as the record-low local gasoline retail prices and the fading away of imported inflation, gave some reprieve to the stretched budgets of households, which, in turn, supported sentiment during the first and second quarters of 2016.

Households remain deeply skeptical about political initiatives

Looking at the first six months of 2016, consumer confidence remained at very low levels, which reflected Lebanese citizens' low confidence in the seriousness of the government's efforts to improve their living standards and to provide a credible framework for economic opportunities. Further, other powerful issues such as the persistent vacuum at the presidential level, the prevailing uncertainties about the parliamentary elections, the paralyzed decision-making within public institutions, the ongoing spillovers from the Syrian conflict, along with the inability of authorities to satisfy citizens' basic needs, the deterioration in public service delivery, the weak rule of law, job instability and economic stagnation, dominated consumers' concerns during the first half of 2016.

In fact, only 7.1% of Lebanese polled in the second quarter of 2016 expected their financial conditions to improve in the coming six months, while 71.2% of them believed their financial situation would deteriorate, and 19.5% stated that their financial conditions would remain the same. Further, only 3.1% of the surveyed Lebanese during the second quarter of the year expected business conditions in the country to improve in the following six months, the lowest such quarterly percentage since the index's inception in July 2007, while 79% anticipated that the business environment would deteriorate and 15.4% forecast business conditions in Lebanon to remain the same.

Consumer confidence needs a positive political or economic shock to improve significantly

Overall, the level of the Byblos Bank/AUB Consumers Confidence Index in the first half of the year does not bode well for a substantial resurgence of economic activity in the near term. In fact, consumer sentiment remained at such low levels that we reiterate that Lebanese consumers require a positive political shock of the magnitude of the Doha Accord of May 2008, and not just the election of a new President, in order to restore their confidence to levels reached in 2008, 2009 and 2010. Therefore, we expect economic growth to remain subdued in the absence of any lasting positive political or economic shocks.

E - CONSUMERS' NEAR-TERM OUTLOOK

Female consumers had a relatively more optimistic near-term outlook than their male counterparts in the first and second quarters of 2016. Also, female consumers were more optimistic than their male counterparts about the short term during the first half of 2016.

Younger consumers were the most optimistic about the near term

Consumers who are in the 21 to 29 year-old bracket were more optimistic about the near term than consumers in older age brackets during the first and second quarters of 2016. In contrast, consumers in the 30 to 39 year-old bracket were the most pessimistic during the first quarter, and those in the 50 to 59 year-old bracket were the most pessimistic during the second quarter of the year.

Further, students were the least pessimistic about economic prospects among occupational sub-categories in the first and second quarters of 2016. Conversely, public sector employees were the most pessimistic about the near future among all occupational categories during the first and second quarters of 2016.

Higher income consumers were the least pessimistic in the first and second quarters of 2016

In parallel, consumers with a monthly income of \$2,500 or higher were more optimistic about the country's future prospects than citizens in other income brackets during the first and second quarters of 2016. In contrast, consumers with a monthly income between \$750 and \$1,499 were the most pessimistic about the near future among all income categories during the first and second quarters of the year.

Also, residents of Mount Lebanon were more optimistic than their counterparts in other administrative districts during the first and second quarters of 2016. Conversely, consumers who reside in the Bekaa were more pessimistic about future prospects than those in other administrative districts during the first and second quarters of the year.

In terms of religious affiliation, Druze consumers were the least pessimistic about the country's near-term economic outlook in the first quarter of 2016, followed by Christians and Sunnis. In parallel, Christian consumers were the most optimistic during the second quarter of the year, followed by Druze and Sunnis. Conversely, Shiite consumers were the most pessimistic about future prospects during the first and second quarters of 2016.

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 relatively higher level of confidence than their male counterparts during the first and second quarters of 2016. Females were more confident than males in five out of six months in the first half of 2016.

The confidence level of male consumers regressed by 5.4% during the first quarter of 2016 and by another 0.4% in the second quarter, while the level of sentiment among females regressed by 2.2% in the first quarter but increased by 1.6% in the second quarter of the year. The first quarter results represent males' ninth-lowest level of confidence in 36 quarters, while females posted the 12th-lowest confidence level ever in the same quarter of 2016. Moreover, male and female consumers posted their eighth- and 14th-lowest quarterly results, respectively, in the second quarter of 2016. Male consumers were more confident than females in 66 out of 108 months since the index's inception in July 2007, representing a 61.1% frequency of occurrence.

On a semi-annual basis, male and female consumers posted average confidence levels of 34.5 and 37.5, respectively, during the first half of 2016, relative to confidence levels of 37 and 39.9, respectively, in the second half of 2015. As such, the confidence level of males decreased by 6.5% and that of females regressed by 6% during the first half. Moreover, male and female consumers posted their fourth- and seventh-lowest semi-annual results, respectively, in the first half of 2016.

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

The confidence level of males deteriorated more steeply than female sentiment

Byblos Bank/AUB Consumer Confidence Index by Gender		
Month	Male	Female
Jan-16	37.8	37.1
Feb-16	35.6	38.4
Mar-16	30.5	36.0
Av. Index Q1 2016*	34.6	37.2
Apr-16	31.2	38.8
May-16	36.2	37.6
Jun-16	36.0	36.9
Av. Index Q2 2016*	34.5	37.8

* average monthly index

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 other age groups in the first and second quarters of 2016. This is consistent with the general trend since the index's inception, where consumers in this age bracket have been more confident, on a quarterly basis, than older consumers. The only exceptions to this trend were in the third quarter of 2008, the first, second and fourth quarters of 2012, and the third quarter of 2015. As a result, consumers between 21 and 29 years old had the highest confidence level in 31 out of 36 quarters, representing an 86.1% frequency of occurrence. In contrast, consumers who are in the 30 to 39 year-old bracket were the least confident among age segments in the first quarter of 2016, while consumers between 50 and 59 years old were the least confident in the second quarter.

The confidence level of older consumers regressed significantly in the first half of 2016

The level of sentiment among consumers who are 60 years or older regressed by 24.8% in the first quarter of 2016, while that of citizens in the 30 to 39 year-old bracket declined by 12.2% quarter-on-quarter. In contrast, the confidence level of consumers between 50 and 59 years rose by 11% in the covered quarter, followed by citizens in the 40 to 49 year-old bracket (+5.9%) and consumers aged between 21 and 29 years (+0.7%).

In parallel, the confidence level of citizens in the 50 to 59 year-old bracket declined by 13.8% in the second quarter of 2016, while that of consumers aged between 21 and 29 years regressed by 3.8% and that of citizens in the 40 to 49 year-old bracket decreased by 2.8% quarter-on-quarter. Conversely, the confidence of consumers aged between 30 and 39 years improved by 16% in the covered quarter and that of citizens who are 60 years or older was nearly unchanged. Consumers who are in the 21 to 29 year-old bracket had the highest level of confidence among age segments in January, February, March, April and May 2016. In addition, citizens in the 40 to 49 year-old bracket posted a higher level of confidence in June than those in other age brackets. In contrast, consumers in the 50 to 59 year-old bracket were the least confident in January, April, May and June 2016, while those in the 30 to 39 year-old bracket posted the lowest level of confidence in February and March. Citizens between 21 and 29 years old had the highest confidence in 73 out of 108 months since the index's inception, representing a 67.6% 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-16	46.3	30.6	41.1	29.6	34.3
Feb-16	46.8	29.0	42.4	31.0	33.2
Mar-16	42.8	23.7	41.2	30.2	25.2
Av. Index Q1 2016*	45.3	27.8	41.6	30.3	30.9
Apr-16	47.6	30.6	32.9	23.6	30.3
May-16	45.4	31.4	44.3	24.6	31.5
Jun-16	37.6	34.6	44.1	30.1	31.6
Av. Index Q2 2016*	43.6	32.2	40.4	26.1	31.1

* average monthly index

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 and second quarters of 2016. This is consistent with the index's general trend since inception, where students have posted the highest confidence level in 25 out of 36 quarters, representing a 69.4% frequency of occurrence.

During the first quarter of 2016, students were relatively more confident than Lebanese in other occupational categories, followed by private sector employees, the self-employed, housewives, public sector employees and the unemployed. The confidence level of the unemployed regressed by 13.1% in the first quarter, posting the steepest quarterly decline among occupational categories, followed by housewives (-11.3%), the self-employed (-8.9%), public sector employees (-5.4%) and students (-2.9%). Conversely, the level of sentiment of private sector employees improved by 7.3% in the covered quarter.

In parallel, students had the highest level of confidence during the second quarter of 2016, followed by private sector employees, housewives, the self-employed, public sector employees and the unemployed. Moreover, the confidence level of unemployed consumers reached its lowest level ever during the second quarter of 2016, which reflects the mounting challenges that citizens are facing to secure a job amid the ongoing economic stagnation in the country. In fact, the unemployed posted their lowest level of confidence in March 2016 and their second-lowest level in June 2016 over the 108-month period.

In addition, the confidence level of the unemployed regressed by 7.3% in the second quarter of the year, posting the steepest quarterly decline among occupational categories, followed by students (-6%) and the self-employed (-3%). In contrast, the level of sentiment of public sector employees grew by 27.3% in the second quarter, followed by private sector employees (+6%) and housewives (+2.3%).

Unemployed consumers were the most pessimistic in the first and second quarters of 2016

Byblos Bank/AUB Consumer Confidence Index by Occupation						
Month	Private Sector Employee	Public Sector Employee	Self-employed	Student	Housewife	Unemployed
Jan-16	44.0	28.3	35.9	46.6	32.7	21.6
Feb-16	41.2	19.1	38.0	50.5	34.1	23.5
Mar-16	37.3	18.4	30.5	48.4	33.8	17.4
Av. Index						
Q1 2016*	40.8	21.9	34.8	48.5	33.5	20.8
Apr-16	43.2	29.7	27.4	49.2	35.8	18.0
May-16	42.4	24.1	34.0	51.2	36.7	22.2
Jun-16	44.3	30.1	39.8	36.3	30.4	17.7
Av. Index						
Q2 2016*	43.3	27.9	33.7	45.6	34.3	19.3

* average monthly index

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

D - CONSUMER CONFIDENCE BY INCOME

The results of the Byblos Bank/AUB Consumer Confidence Index show that consumers with an income of \$2,500 or more per month were more confident than citizens in lower income brackets. Consumers with an income of \$2,500 or more per month had the highest level of confidence among income brackets in each of the first six months of 2016. Conversely, citizens with an income between \$750 and \$1,499 per month had the lowest level of confidence among all income categories in the first and second quarters of the year.

Middle-income consumers were the most pessimistic citizens in the first and second quarters of 2016

The confidence level of consumers with an income between \$1,500 and \$2,499 per month regressed by 13% in the first quarter of the year, posting the steepest quarterly drop among income brackets, followed by citizens with an income between \$750 and \$1,499 per month (-5.5%) and consumers with earnings of \$750 or less per month (-2.4%). In contrast, the confidence level of consumers with an income of \$2,500 or more per month grew by 15% quarter-on-quarter.

Further, the sentiment of consumers with an income of \$2,500 or more per month regressed by 18.1% in the second quarter of 2016, posting the steepest quarterly drop among income brackets, followed by citizens with an income of \$750 or less per month (-2.4%). Conversely, the sentiment of consumers with an income between \$1,500 and \$2,499 per month surged by 14.6% in the covered quarter, while that of consumers with an income between \$750 and \$1,499 per month was nearly unchanged quarter-on-quarter.

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. In addition, consumers with a household income of \$2,500 or higher held the highest level of confidence in 29 out of 30 months, representing a 96.7% frequency of occurrence.

Byblos Bank/AUB Consumer Confidence Index by Income*				
Month	<\$750	\$750-\$1,499	\$1,500-\$2,499	≥\$2,500
Jan-16	35.1	32.0	38.0	66.4
Feb-16	35.7	28.7	39.3	69.5
Mar-16	37.7	25.6	34.2	48.7
Av. Index Q1 2016**	36.2	28.8	37.2	61.5
Apr-16	36.9	29.4	36.7	49.2
May-16	35.7	29.2	45.7	51.2
Jun-16	33.3	28.2	45.5	50.8
Av. Index Q2 2016**	35.3	28.9	42.6	50.4

* monthly household income ** average monthly index

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

E - CONSUMER CONFIDENCE BY ADMINISTRATIVE DISTRICT

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

The results of the Byblos Bank/AUB Consumer Confidence Index show that the residents of Mount Lebanon had a higher level of confidence relative to consumers in other administrative districts in the first and second quarters of 2016. This is in line with the general trend since the index's inception, where consumers in Mount Lebanon have posted the highest confidence level in 14 out of 36 quarters, representing a 39% frequency of occurrence. Conversely, consumers in the Bekaa were the most pessimistic among all administrative districts in the first and second quarters of 2016, reflecting the 28th quarterly occurrence since the index's inception in July 2007.

The sentiment of consumers in the Bekaa regressed by 27.3% in the first quarter of 2016, posting the steepest quarterly drop among administrative districts, followed distantly by residents in the South (-5.2%), those in the North (-3.1%) and consumers in Mount Lebanon (-1.3%). Conversely, the sentiment of consumers in Beirut grew by 12.7% quarter-on-quarter.

Further, the confidence level of consumers in the Bekaa regressed by 8% in the second quarter of 2016, posting the steepest quarterly drop among administrative districts, followed by residents in the North (-5.7%). In contrast, the sentiment of consumers in Beirut grew by 13.6% quarter-on-quarter, followed by that of citizens in Mount Lebanon (+1.4%) and that of consumers in the South (+0.1%).

Household sentiment in the Bekaa deteriorated significantly in the first half of 2016

Consumers in Mount Lebanon posted the highest level of confidence among administrative districts in the January, February, March and June polls. In addition, residents of the South posted the highest confidence level in April and consumers in Beirut registered the highest level of confidence in May 2016. In contrast, households in the Bekaa posted the lowest level of confidence in each of the first six months of 2016, in line with 69 other monthly instances since the index's inception in July 2007.

Overall, consumers in Mount Lebanon held the highest level of confidence in 33 out of 108 months, representing a 30.6% frequency of occurrence, followed by consumers in the North with an incidence of 25.9%, households in the South with 25%, Beirut consumers with 17.6% and households in the Bekaa with a frequency of 0.9%.

Byblos Bank/AUB Consumer Confidence Index by Administrative District					
Month	Beirut	Mount Lebanon	North	Bekaa	South
Jan-16	37.6	42.7	34.8	24.4	41.3
Feb-16	34.6	44.1	36.8	21.5	37.8
Mar-16	32.1	38.6	32.9	18.7	36.6
Av. Index Q1 2016*	34.8	41.8	34.8	21.6	38.6
Apr-16	38.5	37.6	32.6	23.9	39.9
May-16	43.9	39.9	34.4	19.8	43.3
Jun-16	36.1	49.6	31.5	15.8	32.7
Av. Index Q2 2016*	39.5	42.4	32.9	19.8	38.6

* average monthly index

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

F - CONSUMER CONFIDENCE BY RELIGIOUS AFFILIATION

Shiite households were the least optimistic in the first and second quarters of 2016

The results of the Byblos Bank/AUB Consumer Confidence Index show that Christian consumers were the most confident among all religious affiliations in the first and second quarters of 2016. Also, the results of the second quarter constituted the 20th time since the index's inception that Christian consumers post the highest level of confidence on a quarterly basis. In contrast, Shiite consumers were the most pessimistic during the first and second quarters of the year. This is in line with the general trend where Shiite citizens have posted the lowest level of confidence in 21 out of 36 quarters, representing a 58.3% frequency of occurrence.

The consumer sentiment of Shiites regressed by 17.1% in the first quarter of 2016, posting the steepest quarterly decline among religious affiliations, followed by that of Christians (-4.5%). Conversely, the confidence level of Druze consumers surged by 23.4% quarter-on-quarter and that of Sunnis increased by 4.8% in the covered quarter.

In parallel, the confidence level of Druze households regressed by 9.7% in the second quarter of the year, followed by that of Shiite consumers (-3.2%). In contrast, the sentiment of Christian consumers grew by 4.4% quarter-on-quarter and that of Sunnis was nearly unchanged in the covered quarter.

On a monthly basis, Christian consumers were the most confident in January and June 2016, while Sunni consumers had the highest level of confidence in February, April and May. Moreover, Druze consumers posted the highest level of confidence in March 2016. In contrast, Shiite consumers were the most pessimistic among all religious affiliations in five out of the first six months of 2016.

Overall, Christians held the highest level of confidence in 49 out of 108 months since the index's inception, representing a 45.4% frequency of occurrence, followed by Druze consumers with an incidence of 23.1%, and Shiite and Sunni consumers with a frequency of 15.7% each.

Byblos Bank/AUB Consumer Confidence Index by Religious Affiliation				
Month	Christians	Sunnis	Shiites	Druze
Jan-16	39.9	35.8	34.1	39.7
Feb-16	39.3	39.6	30.0	38.4
Mar-16	34.5	34.9	29.1	35.0
Av. Index Q1 2016*	37.9	36.8	31.1	37.7
Apr-16	35.9	36.3	32.0	35.7
May-16	38.8	39.6	33.0	30.3
Jun-16	44.0	35.0	25.2	36.2
Av. Index Q2 2016*	39.6	37.0	30.1	34.1

* average monthly index

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

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