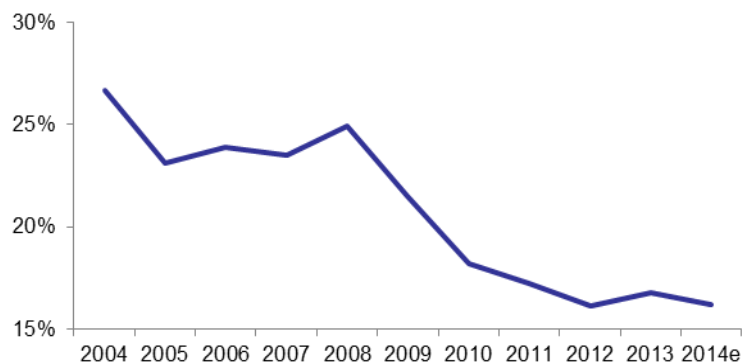




Remittances as a Percentage of GDP



Source: World Bank, IMF

November 01, 2014

Contact Information

Research Analyst: Mirna Chami
mirna.chami@blominvestbank.com

Head of Research: Marwan Mikhael
marwan.mikhael@blominvestbank.com

Research Department

Tel: +961 1 743 300 ext:1285

The small country mothering a little more than 4 million nationals witness every year the departure of hundreds of its sons. Over the history, Lebanon saw huge flows of emigrants flying the country looking for political and economic safety, better living conditions, and superior job opportunities. This came at a huge cost as the country was gradually losing one of its most vital components: the young educated faction. The brain drain phenomenon that resulted and consequently the reduction of labor force promptly deteriorated the country's output quality.

Besides the negative impact of the Lebanese outflows, expatriates are recognized for their direct and indirect contributions to the country's economy. It is estimated that the total remittances over the period 1997-2010 constituted around 26.3% of Lebanon's Gross Domestic Product (GDP), almost 6 billion dollars per year. In 2013, and according to the World Bank, expatriates' remittances stood at \$7.55B, around 17% of GDP, and are expected to touch the \$7.67B in 2014, almost at 16.1% of GDP. However, the lack of accurate data leaves room to uncertainties and miscalculations when trying to estimate the full economic impact.

Yet, expats' relatives living in Lebanon can provide a significant hint to the respective weight of remittances in their economic contributions. In this context, Choghig Kasparian recently released a survey entitled "L'Apport Financier Des Emigrés et son Impact sur les Conditions de Vie des Libanais" to discuss the direct impact of expatriates' remittances on the living conditions of their households in Lebanon. The survey was initiated in 2012 and covers 2,000 households (half of which are receiving remittances, while the other half is not) illustrating the whole territory. In seven sections, the author tried to cover the characteristics of households receiving and not receiving remittances, those of their members, expatriates' particularities and the factors behind their transfers, the impact of remittances on the living standards of the households (housing, health, education), the impact of remittances on households' revenues and on households expenses and finally, the contribution of those transfers in the wellbeing of those families.

Characteristics of Households and Members of Households Having Relatives outside Lebanon

The survey mainly shows their regional location, characteristics of their head of households' traits, their education and their employment levels.

First, Mount Lebanon captured the bulk of households having relatives living abroad (39.5% of the total). North and South of Lebanon (South and Nabatiyeh) followed with respective shares of 24% and 20%.

Second, the average size of families receiving transfers (HRT) stood at 3.4 where 25% are over 60 years, while that of families without transfers (HNRT) was slightly higher at 4.2 with 15% aging above 60 years. Females almost constituted 23.2% of HRT, while females' share of total HNRT stood at 16.2%.

Employment Status of Individuals



Source: L'apport Financier Des Emigrés et son Impact sur les Conditions de Vie des Libanais

When it comes to head of households, 9.3% of HRT have their head living abroad. On a different note, 56.7% of head of HRT were 60 years and above, while the stake decreases to 39.2% for HNRT.

Education and employment levels also vary between households receiving and not receiving remittances.

60% of HRT do not have kids studying in Lebanon while HNRT's share diminishes to 44.2%. School enrolment (in schools and universities) was relatively higher in HNRT (30%) compared to that in HRT (24%). Dropping off education was respectively higher in HRT (44%) compared to that in HNRT (38%). Yet, the main reasons were the same with the need of working and finding a job standing first, followed by marriage, parents' will, etc..

Employment rate among HRT stands at 48.2% and increases to 54.2% in families not receiving payments. The average number of workers is 1.1 in HRT and rises to 1.6 in HNRT. As for the gender breakdown, the employment rate among men was recorded higher than that of women in both of HRT and HNRT, hovering around 70% for men and 30% for women. In addition, little more than half of the employed individuals were permanent employees (54%-56%) mainly working in trade and maintenance (24%), industry (14%), services (14%) and teaching (10%). The private sector hosted around 80% of total employees from both households, while workers in the public sector were almost 16%. On average, years of experience among workers were the same in HRT and HNRT hitting the 12 years.

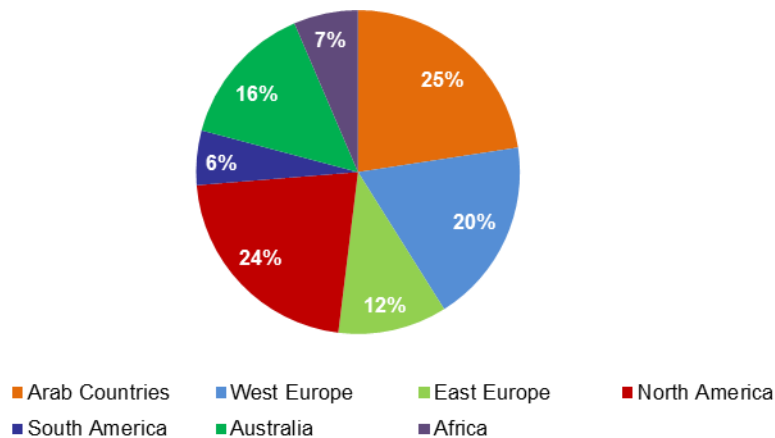
Expatriates' Particularities and the Factors Residing Behind the Transfers

On the expatriates' side, 3,356 individuals arising from the 2,000 previous households were surveyed of which 55% actually transfer remittances to Lebanon. Within the HRT, 39% of total expats are sending on a regular basis, 29% are not transferring at all, while 25% are irregular senders.

According to the surveyed households, males constitute 65.9% of total expats and are the heavier senders as 61.7% of expats sending transfers are males, of whom 30% are regularly sending (compared to 12% for females).

Sisters and Brothers (54.1% of the total) are the main relationship between expats and the head of the household while 40.7% of total expats were the children of those households. Expats aging between 30 and 39 years send the most amongst total expatriates (they constitute 24% of total emigrants) while 33.7% of them send on a regular basis. The share decreases when going downward or upward in the age scale. Single expats are the biggest senders among immigrants as 63.4%. Even though 81.4% of total expats are married only 22.2% send regularly, 22.1% send from time to time and 44.2% don't send at all.

Distribution of Expatriates according to their Hosting Countries



Source: L'apport Financier Des Emigrés et son Impact sur les Conditions de Vie des Libanais

Considering the length of departure, Lebanese diaspora having left the country for 6 to 10 years, and constituting 17.1% of total expatriates, is the most to send inflows to their households in Lebanon.

Beirut is the top region to experience the departure of its sons (15%) between 1992 and 2007. Nabatiyeh and South Lebanon comes after with respective shares of 12.9% and 12.4%. Yet, most of their households are residents of Mount Lebanon (27.5%), North of Lebanon (21.6%) and South of Lebanon (14.1%).

The transfer of remittances is also highly dependent on the hosting countries. Worth noting, the top destinations of Lebanese expats are: Arab Countries (24.9%), North of America (24.0%), West Europe (20.4%) and Australia (15.9%). Africa, South America and East Europe have respective shares of 7.1%, 6.0% and 1.2% of total Lebanese emigrants. However, most of expats staying in East Europe (71.8%) send to their households, while the majority of those staying in Australia (52.3%) do not send to their families. Back to the Arab countries, that grasp the biggest share of Lebanon's immigrants, 66.3% of the Lebanese community living there sends remittances to their inflows, of which 37.2% send on a regular basis.

Leaving their country of origin is not an easy decision and many factors could influence that resolution such as age, travel partners and the main reason of immigration. Starting with age, most of the expats are young people between 18 and 24 years constituting 32.7% of total surveyed expats, while those aging between 25 and 30 come second grasping 26.2% of total expats. Second, half of immigrants leave the country alone while 44.1% take their families with them and a slight 4.4% travel with one parent. Worth mentioning, the first faction is the one to transfer the most to Lebanon (63.4% of those traveling alone).

The biggest motive of immigration remains mostly related to the professional side as 28.6% left the country to find a job noting the low job opportunities in Lebanon especially with the high competition in the Lebanese job market that is invaded by cheaper labor force. Out of those Lebanese job seekers who emigrated, 31.7% transfer on a regular basis, 20.2% from time to time and 36.5% do not transfer at all. 19.8% of expats leave the country for marriage reason mainly to join their partner living abroad. Albeit looking for a brighter professional future and escaping the fragile economic and political situation are also reasons of immigration, yet they grasped smaller shares of 14.5% and 11.8%, respectively.

As for the education field, university students constitute one third of total expats noting that the majority of them transfer money to their families. Expats were mostly specialized in Technology and Engineering (26.6%), Management and Services (26.5%), Humanities (13.0%) and Medicine (11.5%). When digging more, most of university students (67.1%) earned their last diplomas from Lebanon, while 17.8% from Europe and 11.8% from America. Their families were the main funding source of education given that they provided education fees for 64.2% of the expats, while 12.4% of immigrants had to pay for their education.

Certainly, the transfer of funds is directly linked to the professional standing of the expats. In this context, out of the 71% of expats who are working, 53.6% are employees, 37.8% are independent workers and 3.8% are employers. Hence, the amount of transfers to the country of origin will vary accordingly to the position of each expat in its job hierarchy. On a positive note, 25.2% of the Lebanese expats are senior managers and 20.3% are professional scientists and intellectuals.

As for transfers' volumes, it is estimated that each expat sends to Lebanon approximately \$5,700 of remittances per year, on average. It was noticed that when allocating transfers' amounts in ranges, remittances considerably vary between males and females as males send three times more than females. 17.6% of total expats send between \$1,201 and \$2,400 per year, 17.3% transfer between \$601 and \$1,200 per year, while 16.6% manage to allocate yearly an amount between \$3,601 and \$6,000. On average, the highest yearly amounts of remittances per expat originate from East Europe (\$12,053), Africa (\$9,038) and the Arab countries (\$8,105). The main yearly remittances averaging \$7,809 were done through bank transfers, while lower transfers between \$3,000 and \$5,500 took place through specialized companies (such as Western Union) and hand to hand during visits to Lebanon.

As for those not sending for their households in Lebanon, 35.7% of families confirm that the major reason is the insufficiency of funds. However, 22.6% of the households are self-sufficient and do not need those remittances, while 15.6% of expats do not want to transfer funds.

The amount of transfers is also related to the recurrence of expats' visits to Lebanon. On the brighter side, most of the expats keep on visiting Lebanon besides a slight 10% of the total that is not visiting the country at all. Expats visiting Lebanon several times a year (74.4% of total expats) are the ones to post the biggest share of regular transfers followed by those who visit the country once a year.

Another interesting result to mention is related to the fact that those not holding another nationality are the biggest senders of remittances to Lebanon. Yet, 54.9% of the Lebanese expats are holders of an additional nationality acquired after their emigration. In addition, more than half of Lebanon's expats are neither property owners in their country of origin, nor in their hosting country.

Remittances' Impact on Households Educational, Health and Housing Conditions

Starting with housing, remittances appear not to have a big impact on the type of accommodation. Both Households Receiving Transfers (HRT) and Households Not Receiving Transfers (HRNT) were mostly distributed between apartments (59%), houses (40%) and villas (less than 1%). However, slight differences emerge linked to the period since the accommodation was

build, the occupancy status (either the lodging is owned, rented etc...). The survey revealed that more than 50% of households bought their accommodations through individual or family savings. Almost 45% declared that their accommodations were transmitted to them through heritage while only 10% of total households stated that they bought their houses through credit.

Noting that the Lebanese family largely contributes to the education of their children, expats' remittances also play a considerable role in the process. In fact, 73.2% of graduates belonging to HRT had their education financed by their families, while the contribution rises in HNRT to 77.0%.

Actually, the contribution of the Lebanese expats has grown and has a direct impact on the Lebanese students pursuing their higher education. In this context, 45.7% of actual university students in HRT are funded through foreign contribution while 65.4% of university students coming from HNRT continue to have their university fees funded by their family.

Health is also influenced by remittances' levels and differs between HRT and HNRT. According to the survey, the rate of uninsured is higher in HRT and reach 48.2%, yet decreases to 40.7% in HNRT. Around 30% of Lebanese have social security, and near 10% belong to the armed forces' insurance. As for the private medical insurance, it reached 8.8% in HRT compared to 6.6% in HNRT. The divergence is mainly due to expats contribution, as almost 40.6% of them fund the private insurance in HRT, while 58.8% of the medical private insurance is financed by families in HNRT. On another note, members of HRT are heavier users of medical care than HNRT. As an example, buying pharmaceutical drugs remain the number one need in both households, yet the rate is considerably higher in HRT at 30.3% and declines to 19.8% in HNRT. This could probably be explained by the fact that HRT are characterized by higher numbers of elderlies having their sons abroad.

Remittances' Impact on Households' Revenues, Budget and Wellbeing

Financial support is unquestionably the foremost direct impact of remittances on households as it touches their revenues, budget and expenses as well as their wellbeing.

Average Yearly Revenue per Worker

	HRT	HNRT	Difference
Armed Forces	\$ 9,006	\$ 9,016	\$ 10
Senior Managers	\$ 21,178	\$ 28,974	\$ 7,796
Teachers	\$ 11,956	\$ 13,545	\$ 1,589
Intermediate Occupations	\$ 11,704	\$ 13,571	\$ 1,867
Office Workers	\$ 9,021	\$ 9,562	\$ 541
Services Staff	\$ 7,236	\$ 7,857	\$ 621
Farmers	\$ 7,682	\$ 8,601	\$ 919
Skilled Workers	\$ 8,785	\$ 8,758	\$ (27)
Machine Operators	\$ 8,354	\$ 8,474	\$ 121
Unskilled Workers	\$ 7,358	\$ 5,966	\$ (1,392)
Not Determined	\$ 6,965	\$ 10,597	\$ 3,632

Source: L'apport Financier Des Emigrés et son Impact sur les Conditions de Vie des Libanais

Primarily, revenues of households show noticeable differences when adding remittances. The survey revealed that average revenues of HRT are almost 4.6% higher than those of HNRT. In this context, the former's revenue averaged \$1,919 per month, while the latter touched the \$1,835 confirming that remittances allow the improvement of individuals' living standards. When it comes to head of households, the monthly income for those not receiving transfers was relatively higher at \$1,061 meanwhile the ones getting remittances earn around \$929 per month. Noting

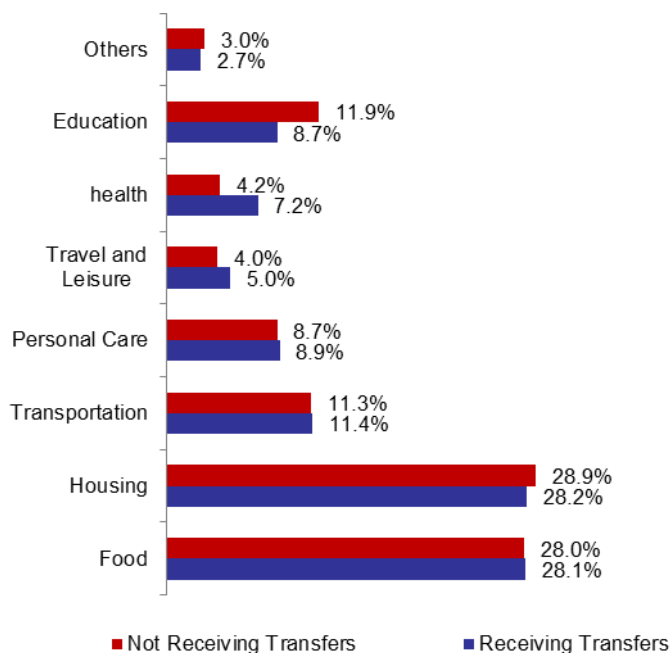
Where Are the \$7B Remittances Spent?

that the average number of households' members was respectively 3.4 and 4.2 in HRT and HNRT, this probably means that the number of workers besides the head of household hovers between 1 and 2 in both HRT and HNRT.

The gap widens when analyzing the average monthly income per capita as the average monthly revenue of an individual belonging to HRT (\$687) is 36% higher than that of an individual belonging to HNRT (\$507)).

On an annual basis, the average revenue of an HRT (\$23,031) seems to depend on wages (44.6%) as well as allowances and subsidies (39.6%) of which 92% of them are from external sources. As for HNRT, the average yearly revenue of \$22,020 mostly depends on wages (75.8%), while the share of allowances and subsidies do not surpass the 3.7%.

The Breakdown of Yearly Expenditures relatively to Households



Source: L'Apport Financier Des Emigrés et son Impact sur les Conditions de Vie des Libanais

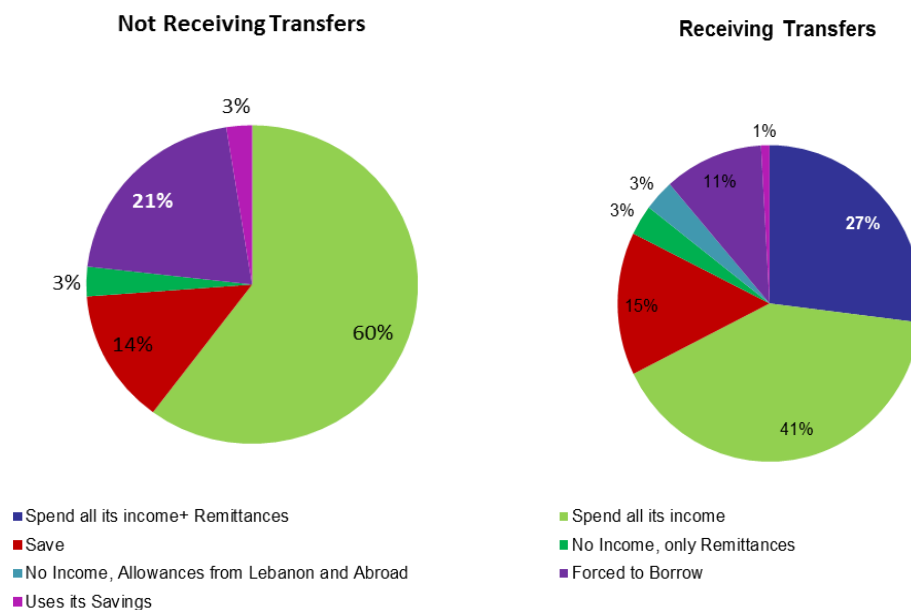
On the expenses side, households have on average the same level of budget of \$19,000 per year. Despite the lack of discrepancies in terms of level, expenses of HRT and those of HNRT still slightly diverge. Both HRT and HNRT devote around 28.0% of their yearly revenue for alimentation, another 28% for housing, an 11% for transportation and 9% for personal care. In contrast, HRT spend around 7.2% of their total yearly revenue for medical care compared to 4.2% spent by HNRT. This is mainly related to the fact that most of HRT do not benefit from medical insurance covered by the social security as the majority do not work.

As a result, HNRT are suffering higher burdens than HRT as they are bearing the same expenses yet with a lack of inflows which forces them to acquire credits and loans in order to insure all their needs and desires. Thus, indebted households constituted 31.9% of HNRT while the stake narrows to 22.4% in HRT. Most indebted HRT cited reasons like buying a car (7.4%), daily life expenses (7.2%) and buying a home (4.6%). Priorities change for HNRT; as most of them (11.4%) declared that daily life expenses are the primordial motive of credit. Buying a car stands second (9.1%), while buying a house and paying education fees came after with respective shares of 7.5% and 5.8%, respectively.

Where Are the \$7B Remittances Spent?

Expats' contributions remain of primordial importance for the survival of some families. Households mainly spent expats' contributions to purchase food (61.4% of households), pay housing costs (expenses and rents) (58.9%), improve their quality of life (53.9%) and pay health expenditures. Around 66% of total HRT considered that those contributions are essential for their survival, while 24% stated that they are not necessary but allow them to stay at ease. On the HNRT, 56.5% indicated that they do not have any expat abroad, 17.3% said that their relative expats lacks of means, 14.8% assured that they do not need while the remaining 11.3% declared that abandonment is behind the absence of remittances.

On the qualitative side, it is confirmed that HRT benefit from better life standards than those not receiving transfers. However, the survey shows that 40.7% of HRT disburse all their income while 26.9% pay out all their income in addition to the transfers from abroad. 14.6% manage to save, yet 10.5% remain forced to borrow. The situation considerably changes for HNRT as revealed in the comparative pies below:



Finally, migrating flows from Lebanon are not negligible for such a small country and have significant repercussions on the society's development and progress. However, the sunny side reveals that hundreds and even thousands of households have high dependency on their relatives' remittances to insure their subsistence and survival. Accordingly, the Lebanese diaspora plays a considerable role in lifting the economy of the home country and possibly creating markets for the Lebanese products in their residence countries thus boosting international trade relations. However, efforts should be put in place to boost Lebanon's expats motivation to invest more in their homeland.

For your Queries:

BLOMINVEST BANK s.a.l.

Research Department
Verdun, Rashid Karamah Str.
POBOX 11-1540 Riad El Soloh
Beirut 1107 2080 Lebanon

Research Department
Tel: +961 1 743 300 Ext: 1283
research@blominvestbank.com

Mirna Chami
Tel: +961 1 743 300 Ext: 1285
mirna.chami@blominvestbank.com

Marwan Mikhael, Head of Research
marwan.mikhael@blominvestbank.com
+961 1 743 300 Ext: 1234

Disclaimer

This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.