

How were Lebanese Households Allocating Their Pay checks in 2012?



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In the words of James W. Frick, the American author, "Don't tell me where your priorities are. Show me where you spend your money and I'll tell you what they are". In the same spirit, the Central Administration of Statistics (CAS) in Lebanon, in cooperation with the World Bank, recently published the National Household Budget Survey for 2012 to highlight the areas of Lebanese spending. Similar to 2009's survey regarding the Lebanese population, CAS focused on the spending habits of 4,805 Lebanese households on goods and services, providing insights into households' final consumption in the national accounts. The survey also clarified the recently updated component weights of Lebanon's key indicator on inflation levels, or the Consumer Price Index (CPI), starting December 2013 and helped in estimating the new poverty level. In addition, it allowed underlining discrepancies of spending in terms of household size, income category, individual expenditures and Lebanese regions.

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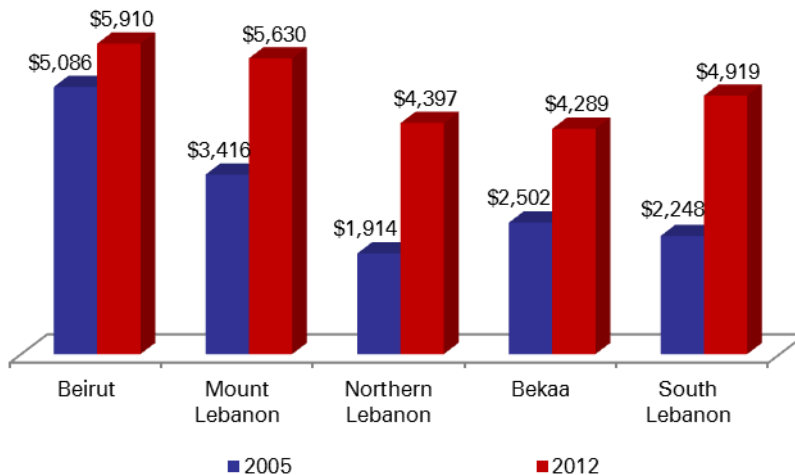
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Average Individual Spending Evolution per Lebanese Region



Source: CAS

Several factors orient the way households manage their money, of which are psychological, economic, social and regional dynamics. In this context, tracking Lebanese households' budget spending through the survey led to several findings related to their priorities and preferences, in addition to their economic and social conditions.

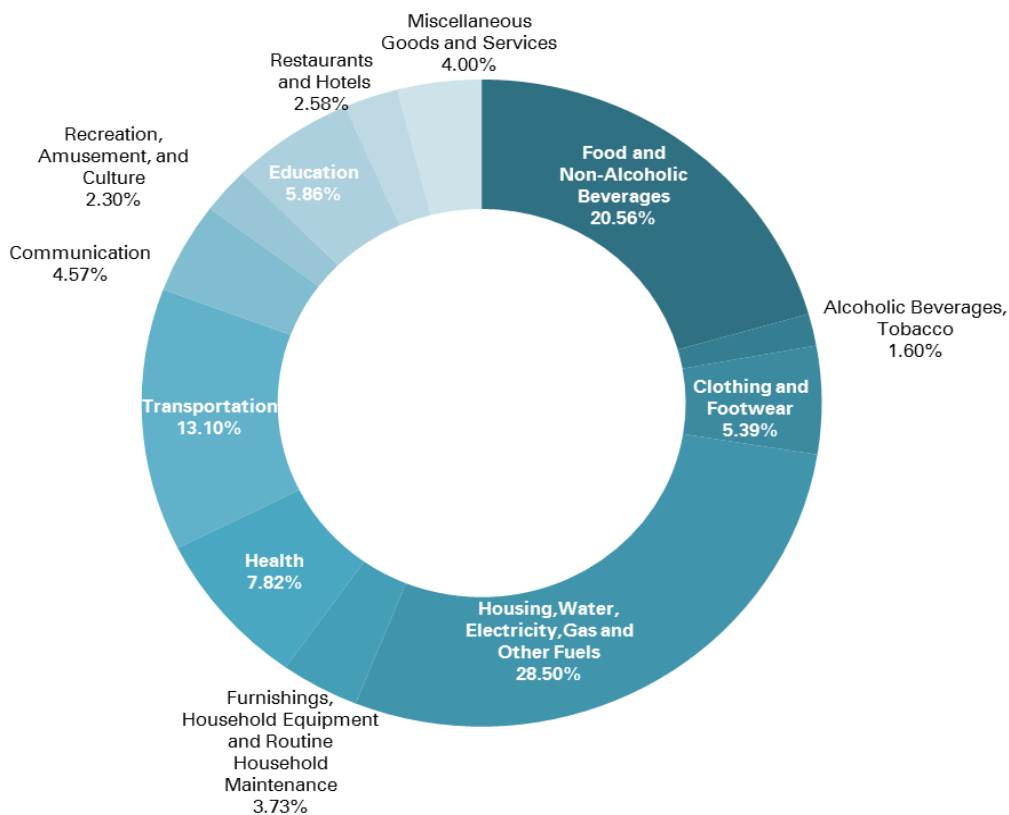
Starting with housing services and other amenities ("Housing, Water, Electricity, Gas and Other Fuels"), took the largest share of households' spending, of 28.50%, of their total expenses in 2012. Given that those expenses are almost fixed, their proportion of total household spending shrunk when household's size or income grew. As a matter of fact, imputed rentals of owner-occupiers stood as the top disbursement within this division at 46.2%, followed by Electricity tariffs, rentals and liquid fuels. It is worth mentioning that imputed rentals of owner-occupiers are not actual payments but hypothetical rental payments of houses and apartments that occupied by their owners. Hence, it was normal that expenditures on housing services and other amenities were higher in Beirut (36% of total household spending) and Mount Lebanon (29% of total household spending) than in Northern Lebanon. In fact, the latter posted the lowest spending in this category out of total household expenses among regions, at 25%. This could be probably

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explained by the fact that real estate activity in North of Lebanon was slow in 2012 and apartments are less and less sold which means that the majority rental values remain below what they should be.

“Food and Non-Alcoholic Beverages” came in second with its share hovering between 18% and 22%. The division between the different components of this category goes as follows: meat constituted 4.9% of total household expenditures, vegetables formed 3.3%, and bread and cereals reached 2.9% of the total. Just as the previous category, the share of total household expenditures on alimentation inched down hand in hand with the increasing household income and size. It is worth noting that Northern residents were the most to pay for their alimentation (27% of total expenses) among other Lebanese, mainly due their relatively low income. In contrast, those living in Beirut and Mount Lebanon, which have relatively higher income, were sacrificing slighter, yet considerable shares of 17% and 18%, respectively.

Average of Households’ Annual Expenses on Products Categories



Source: CAS

Transportation ranked third among the most central payments made by Lebanese households. Actually, Lebanese households were paying on average 13.1% for commuting purposes. However, transportation costs may hit the 15% of total expenses of those living in regions outside Beirut, while it is restricted to 8% in the capital. Worth mentioning that near 40% was paid on average by households for car fuels and lubricants, while 27% was the stake of total expenses made to buy cars, and 11% for maintenance and repair. This could be explained by the centralization of industries and work opportunities in the capital and the absence of an efficient public transportation system.

In the same context, the stake of expenses paid by households for transportation purposes seemed to be increasing along with households’ size and income. In details, when the number of members was below 2, commuting costs reached 8% to 9% of total payments. However, transportation expenditures reached 13% to 15% when the size of a household surpassed 2. Since “car-pooling” systems are still not very common in Lebanon as in other countries, Lebanese families usually buy additional cars for almost each adult member amidst the absence of an

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efficient public transportation scheme. "Car-pooling" would help households in cutting their expenses and reducing the load of cars on congested roads. At the income level, households with annual income below \$9,500 saw their transportation expenses hovering between 6% and 10% of total household expenses. Yet, when households' income stood above \$9,500, the share did not shrink simultaneously; instead it rose to a range of 13%-18%. This could be explained by the fact that the most unfortunate households are sometimes substituting their transportation means towards cheaper methods.

Evolution of the Allocation of Households' Expenses between 2005 and 2012

	2012	2005	
Food and Non-Alcoholic Beverages	20.56%	19.87%	↑
Alcoholic Beverages, Tobacco	1.60%	2.05%	↓
Clothing and Footwear	5.39%	6.24%	↓
Housing, Water, Electricity, Gas and Other Fuels	28.50%	25.62%	↑
Furnishings, Household Equipment and Routine Household Maintenance	3.73%	3.89%	↓
Health	7.82%	6.82%	↑
Transportation	13.10%	12.25%	↑
Communication	4.57%	4.80%	↓
Recreation, Amusement, and Culture	2.30%	3.73%	↓
Education	5.86%	7.68%	↓
Restaurants and Hotels	2.58%	2.71%	↓
Miscellaneous Goods and Services	4.00%	4.34%	↓

Source: CAS

On a comparative scale, Lebanese households are almost spending the same proportion paid by residents of the European Union that are disbursing near 12.9% of their total payments per year. However, transportation expenditures in Europe seem substantial mainly due to the elevated fuel costs. However, families living in Canada are paying around 20.6% of their spending for commuting purposes, which could be explained by the long distances travelled by individuals within the country.

When it comes to health, Lebanese households were paying a substantial share of their expenses in 2012. In details, 7.82% of total expenses were absorbed by households' medical treatments, which were topped by the purchase of pharmaceutical products (53% of total health expenses) and hospitalization services (24% of total health expenses). When comparing to other countries, Lebanon's households are paying for example almost double what is spent in Europe (3.4% of total household spending) and Canada (4.1% of total household spending). 2 main reasons lay behind the high spending on health in Lebanon: the first one is the income per capita that is lower in Lebanon and there are minimum payments on health that should be paid by citizens. The second reason is mainly the lack of awareness about medical pre-emptive measures, even at the well-to-do Lebanese households' level. Since priorities can change according to the household size, the survey revealed that when the size was 2 and below, medical expenses out of total payments hit 12%-13%. Meanwhile, the share dropped below 9% for bigger households where several costs rise in parallel to the number of members, such as education and clothing. The burden of health costs were the heaviest on those having low remunerations (less than \$9,552), as the stake reached 10% to 13%, while it dropped below 8% for higher income households.

In absolute terms, Lebanese households were almost paying the same amount on medical services, regardless of their income. For instance, households, earning below \$9,552, were giving up to \$1,614 per year for medical purposes, while those with higher revenues were almost paying up to \$1,826. On a regional level, Beirut's residents were the most to pay for health services (10%), mainly because they were spending less on other goods and services.

Stepping into educational costs, Lebanese households seemed to be paying less in 2012 than they were in 2005, despite the constantly increasing schooling fees. Correspondingly, Lebanese families were almost spending 5.86% of their total yearly payments on education, of which 40% were destined for registration fees and tuitions to post-secondary education. Income remained a crucial factor in students' schooling and enrolment, as it heavily influenced the type of schooling, whether it is private or public. While wealthy families favoured private schooling, the less fortunate households enrolled their children in the affordable public schools. Hence, households,

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earning less than \$5,174 per year, paid almost 2.4% on education, while those making more were paying a share between 4% and 8%. On the regional level, residents of Beirut and Mount Lebanon paid the most of their expenditures on education (7% of total spending), while residents of North Lebanon paid the lowest share of 4%.

Households' contribution to the apparel industry (clothing and footwear) weakened in 2012, heavily impacting the sector's performance that was already revealing negative activity since 2011, mirroring the country's economic path. In this context, and after the share spent on clothing went down from 6.24% in 2005 to 5.39% in 2012, CAS incorporated this decline into the CPI's new composition, as of December 2013. The breakdown of this sub-index showed that 75% of the category's expenses were spent on garments, while 22% on Footwear. As for the share of clothing expenses per household, it appeared that apparel payments enlarged when household size or income grew. In addition, North Lebanon held the biggest stake of clothing expenditure per household (7% of total household expenses), while the stake inched down to 4% in Beirut and 5% in Mount Lebanon.

Furnishings, Household Equipment and Maintenance preserved their minimal average share of 3.73% of total expenses. Those payments were mostly for non-durable household goods, mainly furniture, domestic services, and household appliances such as electrical equipment. This share fluctuated between 2% and 4% of total expenses disregarding households' size. However, it was noticeable that households, comprising 2 members were the highest to spend on furnishing households, at 5.31%. This could be partly associated to the fact that those were newly married couples, who need to equip their homes. In addition, the stake granted to this division seemed to be broadening along with rising household and individual incomes. It was also remarkable that those living in South Lebanon were the most to extend money to this category, especially after their relocation to the Southern villages, when the Israeli war of 2006 ended and construction projects finalized. Given that the majority of Southern expats headed to the African continent, remittances to their families residing in Lebanon also boosted spending in the Southern district, which was mainly reflected by the booming furnishing activity.

Alcoholic Beverages and Tobacco constituted 1.60%, on average, of the total expenses of households in 2012, the lowest stake settled by Lebanon's families. Regardless of the household size, income or region, the spending share on this division formed near 1% to 2% of total spending. In reality, 93% of those yearly expenses were destined for tobacco alone (almost \$309.12 per year), while spirits took a marginal share of 3.5%. Accordingly, and in absolute terms, if we estimate that Lebanon approximately comprises 800,000 households, the Lebanese consumption of tobacco stands at \$247.30M, noting that the figure excludes smoking hookah (narjileh) in restaurants and cafes, which is becoming more and more popular.

Although spending on goods and services appears to be more oriented towards necessities, however Lebanese households are still spending around 3% to 5% on entertainment and luxury. In fact, and according to a previous survey entitled "Les Libanais et L'Argent" (How Lebanese deal with money), 70% of the Lebanese population earns less than \$10,000 per year making it much harder for them to cover their basic needs or engage in saving strategies. In addition, almost 47% of Lebanese do not plan their expenses, while almost 50.5% of the surveyed population are not aware of how much they spent over the past week. Accordingly, a "smart" management of the income, even if the latter considerably low, can allow "saving money" that can optimize the allocation of between current and future spending.

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