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In recent years, Lebanese remittances and their impact on households have undergone a notable transformation, catalyzed by the country's severe financial and economic crisis. Traditionally, remittances have played a significant role in Lebanon's economy, serving as a vital source of income for families across the nation. However, the dynamics have shifted considerably as the crisis has unfolded. As the country's economic stability eroded, remittances sent to Lebanon have taken on a new purpose, primarily being directed towards the purchase of essential items like food and medicine. This shift highlights the profound impact of the crisis on household finances and consumption patterns, underscoring the critical role remittances play in ensuring the basic needs of families are met during challenging times. In this context, we will shed the light on Mercy corps paper "Thematic Report- Lebanese remittances: A Household Analysis- July, 2023" that delves into the evolving landscape of Lebanese remittances, and focuses on the Lebanese remittances in the aftermath of the 2019 economic crisis.

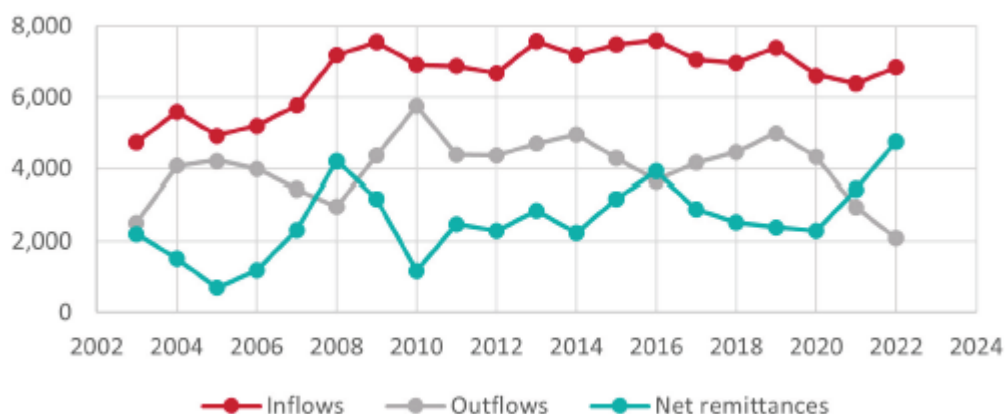
The crisis has had a profound impact on Lebanon's economy, leading to a range of consequences, including a notable reduction in the number of individuals participating in informal social protection circles. The report aims to examine the complex dynamics of remittances within this changing landscape, shedding light on how these financial inflows have been affected by the crisis and exploring the broader implications for both the recipients and the overall economic environment. Through careful analysis, we seek to uncover the key trends, challenges, and opportunities that have emerged, providing a comprehensive understanding of the evolving role of remittances in Lebanon's economic recovery.

The study methodology employs a comprehensive mixed methods approach, strategically incorporating both primary and secondary data sources. This methodological framework allows for a multifaceted exploration of the research topic, combining the strengths of quantitative and qualitative data. By harnessing primary data through quantitative survey with a sample of 379 respondents and a series of 10 interviews, the study captures firsthand insights and perspectives from participants.

### Lebanon and remittances

Net remittances in Lebanon have exhibited notable fluctuations since 2019, primarily attributed to a substantial decrease in outflows rather than a corresponding rise in inflows. In numbers, inflows declined from \$7.4M in 2019 to \$6.3M in 2021, and \$6.8M by end of 2022. This trend indicates a shift in the dynamics of financial flows within the country. The significant drop in outflows is driven by various factors including economic challenges, USD purchasing power, and the COVID-19-related global recession which have contributed to the overall increase in net remittances. While inflows may not have seen a proportional increase, the newfound stability in outflows has played a pivotal role in shaping Lebanon's remittance landscape. This unique pattern underscores the intricate interplay between economic circumstances and migration dynamics, offering insights into Lebanon's evolving financial environment.

Inflows and Outflows of Lebanese remittances 2002-2022:



Source: KNOMAD, World Bank data, Lebanese remittances: a household analysis

### The Changing Role of Remittances

Remittances have long played a crucial role in sustaining the living conditions of a significant portion of Lebanese residents, serving as a vital lifeline for many households. Historically, these financial inflows were not only a source of external development finance but also had a positive impact on investment and savings within the country. However, the dynamics surrounding remittances in Lebanon have shifted in the wake of the recent crisis. The post-crisis era has witnessed a transformation in the utilization of remittances, with a notable shift towards addressing urgent consumption needs. This change in focus is likely to diminish the stimulating effect that remittances once had on the pre-crisis Lebanese economy. As revealed by recent reports, the altered function of remittances underscores the challenges faced by households in a post-crisis Lebanon, potentially altering the trajectory of economic development and posing new considerations for policymakers and stakeholders.

In details, it seems that households with higher incomes tend to receive remittances more frequently. Among respondents, 59% of those with an average monthly income between

LBP 20 million and LBP 25 million, as well as 48% of those earning over LBP 25 million per month, reported regular remittance receipts. In contrast, only 7% of individuals with an average monthly income below LBP 5 million said they received remittances regularly. Slightly over half of remittances are sent through direct family members, with irregular receipt being common among respondents. The main sources of remittances are direct family members such as parents, spouses, and siblings (66%), followed by extended family like cousins and other relatives (22%). Merely 10% of households received remittances from friends. In total, 34% of households received remittances regularly, while 66% received them sporadically. Of those receiving remittances, 46% utilized the funds for specific costs, while 20% allocated them to general expenses.

According to mercy corps report, remittances coming from immediate family members are sent more consistently compared to other remittance sources. Around 90% of individuals who regularly receive remittances directly obtain them from close family members. In contrast, those receiving occasional remittances tend to receive them from extended family. Regarding the origin of remittances, 34% are sent from GCC countries, 25% from North America, 19% from Europe, 14% from Africa, 14% from Australia, and 4% from South America. In addition, it's observed that as the frequency of remittance payments increases, the average amounts also tend to rise. In general, half of the remittances received by respondents during the survey ranged between USD 100 and USD 300. Notably, individuals who consistently received remittances reported the highest proportion of amounts falling within the USD 100 to USD 300 range. Additionally, those who regularly received remittances accounted for the largest share of recipients receiving higher amounts (exceeding USD 500). Conversely, respondents receiving irregular remittances received the lowest amounts on average.

Household income and frequency of receipt of remittances:

	Less than 5 mil LBP	10 mil LBP to 15 mil LBP	15 mil LBP to 20 mil LBP	5mil LBP to 10 mil LBP	20 mil LBP to 25 mil LBP	more than 25 mil LBP	Total
<b>Irregularly - for exceptional expenses</b>	61%	45%	48%	52%	26%	32%	46%
<b>Irregularly - without exceptional expenses</b>	32%	18%	11%	18%	15%	20%	20%
<b>Regularly</b>	7%	38%	39%	30%	59%	48%	34%
<b>Total</b>	100%	100%	100%	100%	100%	100%	100%

Source: Mercy Corps, Lebanese remittances: a household analysis

Interestingly, Remittances are predominantly utilized for essential needs such as food and basic expenses (65%), as well as medical costs (59%). Only a small portion of participants employed remittances to aid small and medium enterprises (SMEs). Out of the respondents, 16% used remittances to settle debts, which were primarily linked to food, basic expenses, and medical bills.

### Changes in remittances after 2019

The pattern of remittance reception among respondents has changed since 2019 as the economic crisis affected the remittances. Respondents began receiving remittances mainly after 2019, and a link exists between changes in frequency and amount of remittances since that time. In 2022, 45% received remittances more often and 41% received larger amounts compared to previous years. The data reveals a positive correlation between remittance size and frequency. Respondents who received remittances more often since 2019 also reported receiving larger amounts. Among the respondents who received remittances before the crisis, 47% experienced a more frequent receipt after 2019, while 40% observed no change in frequency. Additionally, 45% of participants received increased amounts since 2019, while 37% indicated that the received amount remained unchanged.

Alternative data sets indicate that the percentage of the population benefiting from remittances ranges from 15% to 30%. According to the 2023 UNDP Tensions Monitoring System, approximately 15% of residents in Baalbek-Hermel, Beqaa, and the North receive remittances on average.

### Shrinking Lebanon Support Networks

Remittances serve as just one method by which Lebanese households are navigating through the interconnected crises in Lebanon. These remittances are part of broader informal social protection networks that step in to replace the formal social protection typically offered by the government. To gain insights into the extent and character of these informal networks, the survey also posed inquiries about individuals beyond immediate family upon whom respondents could depend within Lebanon. On the whole, the support networks within Lebanon that respondents rely upon are diminishing. The crises and their adverse effects on people's living conditions seem to have resulted in a reduction in the number of individuals constituting one's support network within the country. When questioned about changes in the number of dependable individuals over the past year, 62% of respondents noted a decrease in their support network within Lebanon, while 33% indicated no change.

On the flip side, individuals with access to international ISPs have experienced a certain level of consistency. Among them, 60% noted that their external support network, situated beyond Lebanon, remained unchanged. In contrast, 18% noticed an expansion, while 19% witnessed a contraction in their support circles. This sense of stability is further evident in the data, as a greater number of people expressed confidence in the ongoing support from their circles abroad compared to those reliant on local support networks within Lebanon.

In conclusion, the report analyzes remittance trends in Lebanon at the household level during the economic crisis. It shows that the crisis affects remittance quantities, frequencies, and usage. Social protection networks impact remittance recipients. The study advances our understanding of remittances' role in supporting access to necessities instead of saving or investing, contributing to Lebanon's import funding despite a shrinking GDP.

The survey highlights that researchers and aid organizations should consider the variations in remittance amounts and frequencies, influenced by both remitters and recipients. Remittances are distributed unevenly, favoring wealthier families with regular and larger sums. This emphasizes that remittances cannot replace government-backed social protection or international aid. The research indicates that family connections play a crucial role in determining remittance patterns, as related remitters are more likely to send larger and regular amounts. This has implications for humanitarian efforts, as those without close family abroad may lack the protection provided by remittances. The study also suggests that higher-income households receive remittances more regularly, while low-income households receive them less frequently. Geographic location, particularly in Lebanon's North, shows a reliance on in-kind remittances like medication, suggesting limited access to healthcare.

Lastly, the report indicates that respondents' local support networks have decreased, with 62% experiencing reduced assistance from within Lebanon compared to a year ago. Support circles from abroad are seen as more dependable, offering confidence in their continuity. This connection between informal social support and remittances highlights that overseas support primarily involves financial aid. This could lead to the underestimation of overall remittance figures on a larger scale. Precise estimation would require a comprehensive national household survey on remittances, demanding further research. Future analyses could also consider remittances from refugees in Lebanon. On a policy level, remittances could benefit the economy if directed towards productive investments rather than immediate consumption. Enhancing the business environment might encourage this shift, promoting financial flows towards the real economy rather than real estate and finance sectors.

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