Economic perceptions amidst challenges

Survey conducted by Statistics Lebanon Ltd. for Konrad Adenauer Foundation (KAS)

Background

Three decades after the end of its civil war, Lebanon is still facing numerous issues and challenges given the confluence of prolonged economic and political stresses. These circumstances are hurting everyone in Lebanon, but they are hurting vulnerable people the most.

Since the outbreak of the war in Syria, Lebanon's economy has been struggling, with a GDP growth rate hovering between 1 and 3 percent[1], and little or no employment growth. As the country struggles to cope with a sluggish economy, investments are urgently needed. MOODY'S has just recently downgraded Lebanon's credit-worthiness from B3 to Caa1, making it even less attractive to foreign money. The economic slowdown has had a negative effect on the country's liquidity, a factuality mirrored by Lebanon public debt-to-GDP ratio of 152.9%[2].

The parliamentary elections held in May 2018 raised enormous hopes of a better political and economic landscape. After nine months of deadlock, it is incumbent upon the new formed government to roll sleeves and implement the reforms of last April's CEDRE conference. The determinations and resolutions reached at this conference constitute a first step toward increased stability, economic growth, and employment. However, the government's efforts to sooth public concerns about the country's gloom future failed, albeit the political elite suggested steps to solve many of the country's challenges.

Against this backdrop, the *Konrad Adenauer Foundation* commissioned a survey to *Statistics Lebanon Ltd*., in an effort to learn how Lebanese perceive the economic situation of their country and their personal economic well-being. The survey - the first of its kind - was taken over by *Statistics Lebanon Ltd.* from 04/12/2018 to 13/12/2018. The respondents were purposively selected to reflect all Lebanese socio-economic groups, and the survey was carried out across all Lebanese governorates. The sample size for the survey was n=1,200 and was equally split between men and women. Interviews were questionnaire-based and were conducted face-to-face. Statistical data analysis was accomplished using SPSS 22 and the survey's margin of error is ± 2.83%.

Demographic and socio-economic features

The social demographic results showed that three quarters of the respondents (75%) are employed, with 97% having only one job. Among these, 42% are self-employed, while 35% are in paid full-time jobs. Slightly more than half (52%) are working in the service/sales sector. Amongst the unemployed, nearly half (49%) are housewives and 23% are looking for a job. The majority of respondents fall into three monthly income categories: 36% earn from 1,001-2,000 USD; 24% earn 501-1,000 USD; and 22% earn 2,001-3,500 USD.

Results

The survey yielded a number of key findings that elicited the respondents' views on four aspects: problems and concerns of the Lebanese people, their financial situation, their perception of the economic situation, and their fears and expectations/needs.

The overwhelming majority of the survey respondents (77%) is pessimistic about the future outlook of the country, all the more a higher percentage (95%) considers that Lebanon is really on the wrong track, with linking this pessimism to corruption (40%), to high cost of living/ high prices (39%), and to lack of job opportunities (34%).
According to half of the respondents (51%), the main issue affecting their families is the high cost of living. A majority (60%) of respondents believes that the prices of consumer goods will increase in the next 12 months and nearly half of respondents (45%) think that the interest rate on loans will also increase in the upcoming 12 months. Some 16% of respondents reported being personally affected by the housing crisis and 38% have someone close also affected by it. More than half of the respondents (52%) were pessimistic about finding a solution to the housing loan crisis within a year, compared to 33% who were optimistic about a solution to this crisis.

Overall, when probed, up to two-thirds (68%) considered the current economic situation in Lebanon to be very bad. Higher levels of trust in the Lebanese Lira prevailed in the past 12 months (M=5.53), compared to the levels expected to be registered in the coming 12 months (M=4.73).

With regard to the purchasing power of the Lebanese, two-thirds (66%) of the survey sample said that it is the wrong time to buy home appliances such as home furniture, TVs, fridges or any similar items and expect to buy fewer household appliances compared to the past 12 months. Additionally, an overwhelming 85% of respondents are not willing to buy a new car in the next 12 months and half of those who are willing to buy a car 12% plan to buy a used one. Most of the respondents (92%) are not willing to buy or build a house in the next 12 months. Similarly, 91% do not intend to spend large sums on modernizing and renovating their homes. Furthermore, most of the survey participants are not considering investing neither in Lebanon (92%) nor outside of Lebanon (96%). Nevertheless, 91% are not planning to sell any property they own.

Overall, more than half (53%) of respondents do not have any health coverage while nearly half (47%) have a health coverage as follows: National Social Security Fund (58%), insurance company (28%), Lebanese Army (8%), State Cooperative Employees (4%), Internal Security Forces/ Lebanese General Security / State Security (2%). The vast majority (93%) of the respondents has no life insurance policy and is not planning to purchase one.

When respondents were questioned about private banking situation, 45% reported to have a bank account, while a higher percentage reported to have a credit card (57%), and only 1% reported to have a bank account outside Lebanon. Most of the Lebanese respondents are not committed in loans: none of the respondents have an eco-friendly product loan, green loan, education loan, Kafalat, or SME loan. On the other hand, 11% have a car loan, 9% have a housing loan, and nearly half (43%) have personal loans. The vast majority of the respondents does not intend to get any type of loan in the future.

Given the economic situation, almost three-quarters (73%) of the respondents report that now is not the right time to save money, versus only a minority (16%) who believe that now

is the time to save money. When asked if they are able to save money a higher percentage (87%) reported that they are unable to do so and only (12%) reported being able to save. When respondents were asked about what best describes their economic situation, nearly half (48%) reported having enough means for survival but only for necessities. 41% can spend on new clothes and restaurants, but not often. A minority (3%) can afford spending on new clothes and restaurants and also support other members of the family who can't afford to do so. According to 61% of the participants, the quality of living in general diminished in the last twelve months.

The majority of the Lebanese respondents considered the following to be poor: economic performance of the government (88%), political parties (87%), parliament (83%), Ministry of the Displaced (82%), Prime Minister (80%), Minister of Economy (80%), Minister of Administrative Development (80%), Minister of Finance (82%), Council for Development and Reconstruction (78%), Council of the South (77%), Civil Service Council (75%), and the Speaker of the Parliament (76%). Respondents only had positive attitudes towards the performance of the Security and Military forces; 59% of the Lebanese positively assessed this institution.

As a result of the bad economic conditions, three-in-ten (30%) Lebanese are considering emigration (out of which 36% are thinking of permanent emigration), mainly to improve their financial situation (64%) or to seek employment (25%).

When asked about a solution to the current situation, the vast majority of the respondents answered that the following will positively affect the Lebanese economy: putting an end to corruption (89%), solving the electricity crisis (89%), improving the health care (88%), cutting wasteful government-spending/excessive spending (86%), planning public transportation (85%), abolition of sectarianism (84%), extraction of oil and gas (84%), re-activation of the role of the Civil Service Council (84%), and legislation of cannabis for medical purposes (72%).

Conclusion

According to the survey, the majority of the Lebanese people are facing challenging socio-economic conditions. Nearly two-thirds of the respondents are afraid of low employment opportunities and higher consumer prices in the future. The respondents are not saving money because their financial situation does not permit them to do so and more than half of them do not have healthcare coverage. The survey found that the quality of life in the last 12 months has declined. Consequently, the majority of respondents rated the economic performance of the political elite poorly and believed that the eradication of corruption will heal the economic situation plaguing the country.

In conclusion, the Lebanese suffer from a difficult economic situation which they consider unstable due to the rising living costs and their growing sense of pessimism about the general conditions in the country. Thus, the survey reflects the repercussions of Lebanon's political stalemate. Yet, the hope remains that the new government will have the capacity to implement the required reforms.

[1] https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD (last check 07.02.2019)

[2] https://www.imf.org/external/datamapper/GGXWDG_NGDP@WEO/OEMDC/ADVEC/WEOWORLD (last check 07.02.2019)

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