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The Global Crisis and Expatriates' Remittances to Lebanon: Trends and Elements of Resilience*

CONTENTS

HIGHLIGHTS

- The global financial crisis constituted the first serious external threat to the flow of remittances to Lebanon in recent history.
- Remittance inflows to Lebanon were affected at the outset of the crisis, but the impact was relatively brief and limited to the third quarter of 2008 and the second quarter of 2009.
- The risks of the financial crisis on remittance flows to Lebanon were offset by the large stock of migrants, their income level, the lack of exchange-rate effects, and no mass return migration.
- Lebanon was the only remittance-dependent country in the MENA region where the crisis yielded a positive shock equivalent to 1.3% of GDP.
- The January 2005-May 2008 period, which is the period of political instability in Lebanon, shows a positive correlation between the deterioration of political risks in the country and the inflow of remittances.
- The flow of remittances to Lebanon increased with the rise in the level of economic risks in the GCC during the crisis.
- By the end of 2009, Lebanon has become the largest recipient of remittances in the region in nominal terms, relative to its GDP, and on a per capita basis.

The Middle East & North Africa (MENA) region, similar to nearly every region of the developing and developed worlds, was not immune from the global financial crisis. But the extent and transmission of the crisis' impact varied from region to region and from country to country. The global financial crisis took its toll on the MENA region through multiple channels that included terms of trade, capital inflows, tight credit, economic slowdown, higher unemployment, lower hydrocarbon prices, and the bursting of real estate and stock market bubbles. The region's increasing integration in the global economy and capital markets, led by the economies of the Gulf Cooperation Council (GCC), resulted in an unprecedented inflow of capital, both international and intra-regional capital, during the high growth years that preceded the crisis. As such, one of the most visible impacts of the crisis on the region was the decline in capital inflows in general, and of equity and credit flows in particular. The positive trends that encouraged traditional equity and bond flows also helped increase the flow of expatriates' remittances to the region during the boom years.

* This report will also be published by the World Bank in a forthcoming book titled: I Sirkeci, J. Cohen and D. Ratha (eds.) 2011, '*Global Remittance Practices and Migration during the Financial Crisis and Beyond*', World Bank, Washington D.C.

Remittance flows to the MENA region were negatively affected by the crisis

Indeed, based on the World Bank's database of remittance inflows, the nominal volume of remittance flows to the MENA region increased by 5.5% in 2006 and picked up pace by rising by 21.5% in 2007, before this growth slowed down to 12% in 2008 and contracted by 6.3% in 2009, only to slightly recover and grow by 5.3% in 2010. In comparison, foreign direct investment to the region contracted by 8.7% and tourism revenues declined marginally by 0.4% in 2009. Further, remittances increased by a total of $11 billion between 2005 and 2008 for an average of $3.62 billion per year. However, the flows contracted by $2.3 billion in 2009, leading to an aggregate increase of $8.6 billion between 2005 and 2009 for an average rise of $2.2 billion per year. As such, remittances to the MENA region grew by a compound annual growth rate (CAGR) of 12.7% during the 2005-2008 years, but by 7.6% in the 2005-2009 period. Further, when comparing various sources of capital and foreign exchange earnings relative to the economy, remittance inflows to the MENA region declined from 3.7% of GDP in 2008 to 3.5% of GDP in 2009, while FDI declined from 3.7% of GDP in 2008 to 3.3% of GDP in 2009, and tourism revenues remained stable at 3.5% of GDP in each of 2008 and 2009. Therefore, the general trend shows that remittances to the region were clearly affected by the crisis through a slowdown of such inflows, in nominal and percentage terms, in relation to the size of the economy, as well as compared to other sources of foreign capital.

Migrant remittances are one of the least volatile sources of foreign exchange earnings for developing countries.[1] While capital flows tend to rise during favorable economic cycles and fall in bad times, remittances appear to show remarkable stability over time. The research on the subject has shown that expatriates' remittances tend to be stable or even counter-cyclical in response to political crisis, economic downturn or even natural disasters in the recipient country.[2] And although several studies have demonstrated the importance of both host and home country factors in determining remittance flows, it was not clear how remittances would behave in response to a significant economic or financial downturn in the host countries.[3]

The crisis constituted the first serious external threat to the flow of remittances to Lebanon

The MENA region is home to several economies that depend on remittances such as Egypt, Jordan, Lebanon, Morocco and Tunisia, as well as to some of the largest country-sources of remittances worldwide, such as Saudi Arabia, the United Arab Emirates, Qatar and Kuwait. This report analyzes trends in Lebanon, a country that is both one of the smallest Arab economies and one of the largest recipients of remittances in the MENA region, to determine if remittance flows were affected by the crisis and if there was an economic impact as a result. Remittance inflows to Lebanon were equivalent to 21.7% of GDP in 2009, the highest such ratio among MENA countries, compared to inflows equivalent to 3.5% of GDP for the region during the same year. Further, by the end of 2009, Lebanon has become the largest recipient of remittances in the region in nominal terms, relative to its GDP, and on a per capita basis; as such inflows reached $7.6 billion during the year, and were equivalent to 21.7% of GDP and $1,790 per capita.

I - REMITTANCE TRENDS DURING THE CRISIS

The crisis threatened the traditional source-countries of remittances to Lebanon

Remittance inflows to Lebanon continued to grow or remained stable during the years of political turbulence in the country. Such inflows grew by 5.6% to $5.2 billion in 2006, then increased by 11% to $5.8 billion in 2007, and jumped by 24.5% to $7.2 billion in 2008. However, the global financial crisis brought a new dimension and raised many questions about the sustainability of such inflows. Indeed, for the first time, the traditional source-countries of remittances were threatened by the crisis, thereby potentially affecting the earning power and asset base of Lebanese emigrants, as well as their job security.

A first look at official data on remittance inflows to Lebanon suggest that such inflows were not severely affected by the crisis. Indeed, nominal gross inflows grew by 5.3% in 2009 compared to declines in all major remittance-receiving economies in the region, as inflows declined in Egypt (-17.8%), Morocco (-9%), Algeria (-6.5%), Mauritania (-6%), Jordan (-5.2%), Syria (-4.8%), Sudan (-3.5%), Yemen (-2.3%) and Tunisia (-0.5%) during the year, and only rose in the West Bank & Gaza (3.4%). Also, migrant inflows to Lebanon posted a compound annual growth rate (CAGR) of 13.4% between 2005 and 2008, but a CAGR of 11.3% in the 2005-2009 period. This followed the trend in the region, as remittance growth in 2005-2009 slowed compared to growth in 2005-2008 in all major remittance-receiving countries. On a region-wide basis, remittance inflows slowed from a CAGR of 12.7% in 2005-2008 to 7.6% in 2005-2009. So the slowdown of 2.1 percentage points for Lebanon was a lot milder than the deceleration of 5.1 percentage points in the MENA region.

The growth trend of remittance flows shifted to a negative turnaround of 41.5% in the third quarter of 2008…

…but inflows recovered in the fourth quarter of 2008 and accelerated in the second half of 2009

But looking at the quarterly fluctuations of inflows at the outset of the crisis gives a different picture. Remittance inflows to Lebanon dropped by 20% in the third quarter of 2008, or immediately after the crisis erupted, the highest such drop among remittance-dependent economies in the region. Further, the turnaround from the second quarter of 2008 is even more telling, as the change from growth of 21.8% in the second quarter to the drop of nearly 20% in the third quarter of 2008 shows a negative 'turnaround' of 41.5% for Lebanon, constituting the steepest such change in the region when compared to the turnaround of 35.7% for Egypt during the same quarters, and to a simple slowdown but continuous growth of inflows to Jordan, Morocco and Sudan. However, the fourth quarter tells a different story, as inflows to Lebanon grew by a modest 2.4% from the previous quarter, compared to drops of 9% in Jordan, 36.4% in Morocco and 9.5% in Sudan. Still, Lebanon's fourth quarter recovery was mild compared to the 17% jump of inflows to Egypt quarter-to-quarter. The picture improved further in the first quarter of 2009 when remittances to Lebanon rose by 8.3% from the previous quarter, compared to drops of 24% in Egypt, 13% in Jordan, and 8% in Morocco. However, inflows to Lebanon declined by 5.2% in the second quarter of 2009 from the preceding period and by 15.5% from the same quarter in 2008, but then recovered by 10% in the third quarter from the previous quarter and 16% from the same period of the previous year. This recovery continued in the last quarter of the year with growth of 4% quarter-to-quarter and of 17% from the last quarter of 2008.

It appears that Lebanon was affected at the outset of the crisis, but this impact was relatively brief and limited to the third quarter of 2008 and the second quarter of 2009. In contrast, inflows to other remittance-receiving Arab countries had a more delayed reaction to the crisis, as the impact on inflows became more apparent in the fourth quarter of 2008, and became more severe in the first quarter of 2009 and onwards through the rest of the year.

In parallel, remittance inflows relative to the economy declined in six Arab countries and rose in three others in 2009. Lebanon was in the former category, as inflows declined from 24% of GDP in 2008 to 21.7% of GDP in 2009, a drop of 2.3 percentage points that constituted the most significant drop in the region along with Jordan (-2.4 percentage points). This was caused by a combination of a mild slowdown in economic activity and a more pronounced slowdown of remittance inflows (as detailed above).

Remittance Inflows (as % of GDP)

Country	2008	2009	Percentage points change 2008-09
Lebanon	23.9%	21.7%	(2.3)
Jordan	16.7%	14.3%	(2.4)
Morocco	7.8%	6.9%	(0.9)
Yemen	5.2%	5.5%	0.2
Sudan	5.3%	5.5%	0.1
Tunisia	4.4%	4.5%	0.1
Egypt	5.4%	3.8%	(1.6)
Syria	2.6%	2.5%	(0.0)
Algeria	1.3%	1.5%	0.2

Sources: *World Bank, IMF, Lebanon National Accounts, Byblos Bank Economic Research & Analysis Department*

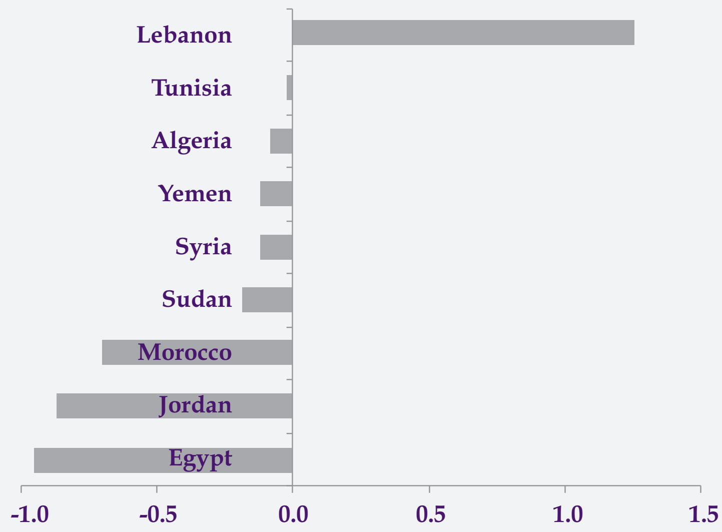
II - ECONOMIC IMPACT

The crisis had a direct impact on economic activity in the MENA region, as real GDP growth slowed down in all major remittance-receiving countries in 2009, with Jordan, Egypt and Sudan experiencing the largest deceleration in growth. As such, real GDP in Jordan slowed down by 5.3 percentage points between 2008 and 2009, followed by Egypt with a deceleration of 2.5 percentage points, and Sudan with a slow down of 2.3 percentage points. Lebanon posted the second lowest slowdown, with a deceleration of 0.8 percentage point year-on-year, but its real growth rates continued to be the highest among remittance-dependent economies at 9.3% in 2008 and 8.5% in 2009, which contributed to the decline in the inflows-to-GDP ratio. Indeed, Lebanon's nominal GDP grew by 16.3% in 2009, a much faster rate than the 5.3% growth in nominal remittance inflows during the year. Further, Lebanon posted the highest growth in nominal GDP among recipient-dependent countries, which led to the steepest regional drop in remittance inflows relative to GDP year-on-year.

Lebanon benefited from a positive shock, contrary to other Arab economies

Using a different methodology to measure the economic impact of the decline in remittance flows during the crisis on the MENA region, we calculate the impact as the proportion of remittances to GDP in 2008 times the growth rate of remittance inflows in 2009. The result shows that the 6.3% drop in remittance inflows in 2009 represents a relatively small shock of 0.23% of the region's combined GDP. But the drop in remittances resulted in a negative shock for eight out of nine remittance-dependent countries in the MENA region. Results across countries vary, with Egypt experiencing a shock of -0.95% of GDP, the steepest in the region, followed by Jordan (-0.87% of GDP) and Morocco (-0.7% of GDP). In contrast, Lebanon was the only remittance-dependent country in the region where the crisis yielded a positive shock of 1.26% of GDP.

Impact of Crisis on Remittance Inflows* (as % of GDP)



** Calculated as the proportion of remittances to GDP in 2008 times the growth rate of remittances in 2009*
Sources: *World Bank, IMF, Byblos Bank Economic Research & Analysis Department*

III - DETERMINANTS OF REMITTANCE RESILIENCE

Research has shown that remittance flows are mainly affected by the migrant stocks in destination countries and incomes of migrants in the different migrant-destination economies. Further, empirical evidence has revealed that the size of emigrant stocks is probably the most important determinant of the volume of remittances.[4] This is because remittances are sent by the cumulated flows of migrants over the years, and not just by recent migrants, a factor that makes remittances persistent over time. But in the case of Lebanon, additional factors such as the lack of exchange-rate effects and the absence of mass return migration as well as the increase of economic risks in GCC countries contributed to the resilience of inflows during the crisis.

1 - CONTINUOUS MIGRATION

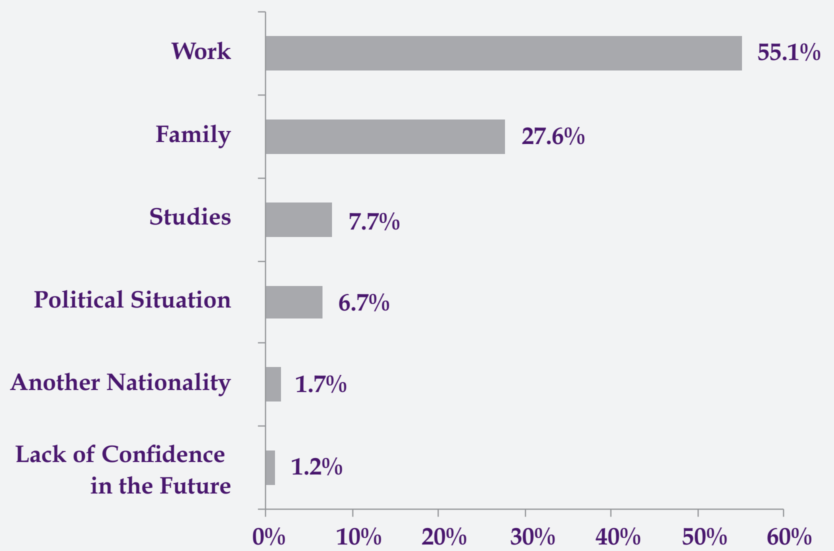
Continuing emigration has contributed to the steady flow of remittances….

Lebanon is a remarkable case of a remittance-dependent economy, with a steady outflow of emigrants that has ensured a regular inflow of remittances throughout the years. A comprehensive study on emigration trends from Lebanon estimated that the total number of emigrants between 1992 and 2007 was at least 466,000 and that 45% of households in Lebanon have at least one family member who has emigrated during the covered period.[5] The number of migrants during the covered period accounts for about 10.3% of the Lebanese resident population, reflecting the magnitude of emigration. Further, the distribution of age groups shows that the overwhelming majority of emigrants were at a productive or pre-productive stage of their life. Indeed, 15% were below 25 years of age at the time of emigrating, 69% were between 25 and 44 years old, and 13.5% were between 45 and 59 years of age. Moreover, 77% of emigrants who left the country during the covered period were between 18 and 35 years of age. Also, emigration accelerated since 2002, as 25% of emigrants left the country between 1992 and 1996; 29% emigrated during the 1997-2001 period; and 46% left Lebanon between 2002 and 2007. At the time of emigration, 53.5% considered that emigration is final, 18.7% said it was temporary, and the balance of 28% did not make a decision at the time. Moreover, emigrants consisted of skilled laborers, as 30% had business degrees, 25% held engineering diplomas, 13% majored in computer sciences, 13% were medical doctors, and 12% had degrees in social sciences. Further, 45.4% of emigrants between 18 to 35 years old had a university diploma compared to 39% of those older than 35 years. Even though a clear majority, or 55%, of emigrants left the country for work-related reasons, this proportion increased over time, as work was the key driver for emigration of nearly 53% of those who left the country between 1992 and 2001, but increased to 58.3% during the 2002-2007 period. These figures point to the actual and potential earning power of emigrants at the time they left the country.

…as 77% of emigrants between 1992 and 2007 were at a productive or pre-productive stage of their life…

…and 55% of emigrants left for work-related reasons

Main Reasons for Emigration from Lebanon (1992-2007)
(% of Respondents)



Source: *Univeristé Saint Jospeh*

Migration alone cannot explain the steady flow of remittances to Lebanon…

…but the high proportion of emigrants who support their family and visit regularly is a key reason

2 - FINANCIAL SUPPORT

The survey indicated that 49% of migrants provide financial support to their families in Lebanon regularly or from time to time. The distribution by emigration bracket shows that earlier migrants tend to be more supportive relative to more recent emigrants. Indeed, 58% of those who migrated between 1992 and 1996 help financially their families regularly or from time to time, while this ratio declines to 52.6% for those who left the country between 1997 and 2001, and further decreases to 41.6% for those who migrated during the 2002-2007 period. The smaller share of more recent migrants who send remittances to their families is attributed to the reality that they need time to start generating enough income to allow them to support their family back home. But the proportion of emigrants who help their families is still high, irrespective of the stage of migration. The financial support is reinforced by the fact that 76% of migrants who left the country aged between 18 and 35 years visit Lebanon, including 41.4% who visit irregularly and 34.3% who visit regularly.

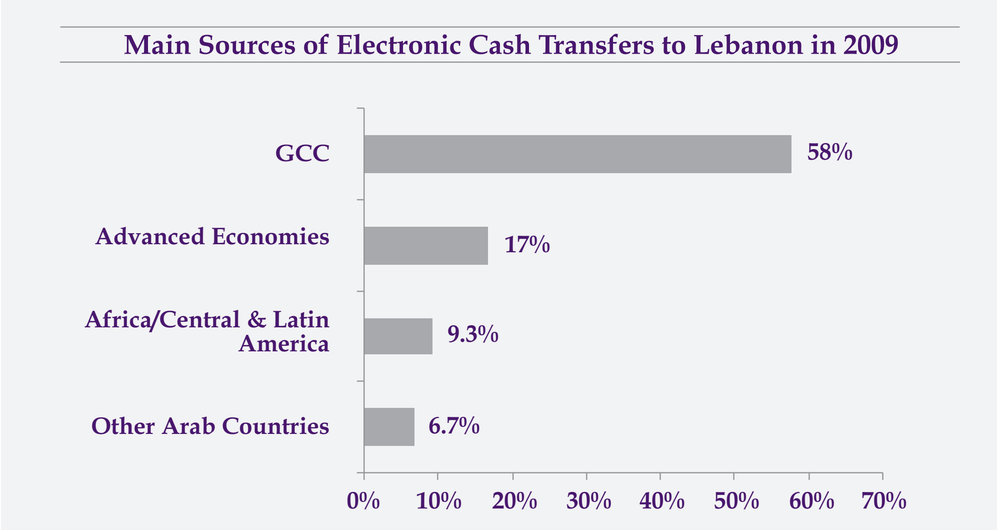
Arab countries have been the main destination of Lebanese emigration since 1992…

…making the GCC economies the main source of remittances to Lebanon

3 - SOURCES OF REMITTANCES

The destination of emigration reflects the sources of remittances to Lebanon. During the 1992-2007 period, 35% of emigrants went to Arab countries, 22% to North America, 20% to Western Europe, 9% to Australia, 8% to Africa, 3% to Latin America, and 2% to Eastern Europe. What is noticeable is a trend of rising emigration to Arab countries, mainly GCC countries, over time. In fact, Arab countries were the destination of 20% of overall Lebanese emigrants between 1992 and 1996, but this proportion rose to 31% between 1997 and 2001 and jumped to 45.5% during the 2002-2007 period.

The destination of Lebanese migrants has been reflected by the sources of inward electronic cash transfers to Lebanon.[6] The six countries of the Gulf Cooperation Council accounted for 58% of all electronic cash transfers to Lebanon in 2009, while Arab countries overall accounted for about 64.5%. Further, the major advanced economies represented 17% of the total, while electronic transfers from Africa and Central & Latin America represented 9.3%. The top 10 sources of cash transfers accounted for 80.5% of all transfers, while the top 20 sources represented 90.6% of the total. The UAE was the main source of inward electronic cash transfers with 24% of the total in 2009. It was followed by Saudi Arabia with 13.5%, Qatar with 9.3%, Kuwait with 8.8%, Australia with 6.2%, the United States with 6%, Iraq with 4.5%, Gabon with 3.7%, Canada with 2.3%, and Jordan with 2.2%. The composition of the top 10 countries remained unchanged in 2008 and 2009, reflecting consistency; while the rankings of the top 10 sources of e-cash transfers in 2009 saw minor changes from 2008, as Kuwait and Australia switched ranks, and Iraq rose to seventh place in 2009, while it was not among the top 20 sources in 2008.



Sources: *Central Bank of Lebanon, Byblos Bank Economic Research & Analysis Department*

4 - EXCHANGE-RATE EFFECT

Three quarters of remittance flows are from dollar-linked economies

The flow of remittances to several developing economies was severely disrupted by exchange-rate effects during the crisis. For instance, the depreciation of the Russian rouble affected remittance flows to Central Asian and Eastern European countries, especially during the first half of 2009. Lebanon did not face exchange-rate effects for three main reasons. First, the Lebanese pound has been pegged to the U.S. dollar since 1993 and the exchange rate has remained stable despite numerous political, security and financial shocks in the country since then. Second, as pointed out above, the main sources of remittances to Lebanon had currencies pegged to the dollar and the means to defend any pressure. Indeed, five of the six GCC economies peg their currency to the dollar, while the Kuwaiti dinar is pegged to a basket of currencies and authorities have enormous resources to face any eventuality. Also, other main sources of remittances, such as the United States, Canada and Australia did not face currency concerns. Given that the GCC, the U.S., Canada and Australia account for 73% of remittance inflows, the general flow of remittances to Lebanon was not impacted by any exchange-rate effect.

5 - RETURN MIGRATION

Lebanese emigrants are aware about the lack of opportunities in the home country

When the global financial crisis erupted and it effects started to spread to emerging markets and developing economies in the last quarter of 2008, there was widespread speculation in Lebanon of a mass return of expatriates, particularly from the GCC, given the magnitude of the crisis' early impact on the region and its geographic closeness. Some expected the return of between 40,000 and 60,000 migrants overall, while others speculated about the return of 10% of the Lebanese based in the GCC. Still, more considered that the economic downturn in the U.S. in general, and its financial sector in particular, would entice migrants in the U.S. to return to Lebanon. But these early expectations did not materialize for several reasons. First, the brunt of the impact in the GCC was on the Emirate of Dubai in the UAE. Even though the financial markets of the other countries were impacted, the financial and real economic sectors in Dubai were the most severely hit. Second, the GCC governments responded proactively to the crisis by using their large budget surpluses to create fiscal stimulus that contained the slowdown and propped up economic activity, thereby maintaining consumer and business demand. Third, Lebanese expatriates in the GCC are overwhelmingly white-collar skilled workers, so they were able to shift sectors, move to different cities or countries in the region, or adjust their financial expectations to the new realities and accept lower packages to keep their job or move to other work opportunities. Fourth, Lebanese migrants in the U.S. found it more practical to shift sectors or even careers, or move to different states within the U.S., rather than consider returning to Lebanon. Fifth, a very important reason return migration did not materialize, and that was somewhat overlooked in Lebanon, is the fact that Lebanese migrants fully realize the lack of opportunities in the home country on the scale they have been accustomed to. In fact, the dearth of opportunities constituted the main reason they left the country, and was still prevalent at the time of the crisis. Sixth, the still-fresh history of political instability in the country, and its potential recurrence, was a key factor that discouraged migrants from returning to Lebanon. All these reasons combined to disappoint the voices in the country that were already forecasting the multi-faceted benefits of returning migrants, from value-added experience and skills, to brain return, to increased demand for good and services, and the resulting financial windfall. However, there is anecdotal evidence of migrants returning to Lebanon for personal reasons, and of expatriates in the GCC relocating their families to Lebanon to reduce living expenditures. But these represent scattered exceptions rather than a massive trend.

The mobility of Lebanese emigrants and the potential for political instability in Lebanon constituted strong deterrents for return migration

IV - CORRELATION WITH POLITICAL AND OTHER RISKS

Research has shown that expatriates' remittances tend to be stable or even counter-cyclical in response to political crisis or economic downturn in the recipient country.[7] Lebanon went through severe political turmoil from early 2005 till mid-2008. As a proxy for the level of political risks during this period, we used the PRS Group's Political Risk ratings for Lebanon.[8] The rating value for Lebanon placed the country in the "Moderate Risk" category since June 2000 following the withdrawal of Israeli forces from the country in the previous month.[9] Lebanon was briefly downgraded to the "High Risk" category from January till April 2003, coinciding with the rise in regional tension with the preparations and then the start of war in Iraq. Lebanon remained in the "Moderate Risk" category until February 2005, when it was downgraded to the "High Risk" category following the assassination of Prime Minster Rafiq Hariri and the ensuing political, security and military instability and uncertainties. Lebanon has remained in the "High Risk" category despite the restoration of political stability and the improvement in security conditions since June 2008. Then, less than four months after political stability was restored in Lebanon, the global financial crisis erupted in mid-September after the collapse of U.S. investment bank Lehman Brothers Inc. and started to spread beyond the confines of the U.S. and West European financial systems.

When the level of financial risk in Lebanon increased, the level of remittance flows grew

We conducted a simple correlation analysis that revealed a link between political instability and remittance inflows to Lebanon. We found a 0.3 level of correlation between the level of political risks in the country and the inflow of remittances between 2005 and 2009. We also found a stronger correlation of 0.56 between the level of financial risk in Lebanon and remittance inflows to the country during the same period. In other words, when the level of financial risk increased in Lebanon, the level of remittance inflows grew. The financial risk level is represented by the PRS Group's Financial Risk ratings for Lebanon, which placed the country in the "Moderate Risk" category in August 2004 but downgraded it to the "High Risk" category in August 2008 with the start of the global financial crisis.[10]

The increase of political risks in the country is a driver of remittance inflows

When the level of economic risks rose in the GCC, the level of remittances to Lebanon increased

We further segregated the timeframe into two periods. The first covers the start of 2005 until May 2008, which is the period of political instability in the country. The second covers the period stretching from the start of June 2008 till the end of 2009, which coincides with the outbreak of the financial crisis and its evolution into a global economic downturn. The results of the analysis for the January 2005-May 2008 period show a stronger correlation of 0.4 between the deterioration of political risks in the country and the inflow of remittances, with a much lower correlation of 0.2 between the level of financial risks and remittance inflows, and a negative correlation with economic risks. In contrast, the results of the June 2008 to end-2009 period suggest a decline of the correlation between political risks and remittances to 0.11, as well as a weak correlation level between remittance inflows on the one hand, and financial and economic risks on the other. In order to explain the continuous high level of remittance inflows to Lebanon during the financial crisis, we ran a correlation analysis with the level of economic risks in the six countries of the Gulf Cooperation Council, and discovered a relatively strong correlation of 0.42 between the two variables.[11] In other words, we found that when the level of economic risks increased in the GCC, which is the main source of remittance inflows to the country, the level of remittances to Lebanon increased.

Correlation Levels

	Remittance Inflows 2005-2009	Remittance Inflows Jan 2005-May 2008	Remittance Inflows Jun 2008-Dec 2009
Lebanon Political Risk	0.31	0.41	0.11
Lebanon Financial Risk	0.56	0.18	-0.16
Lebanon Economic Risk	-0.59	-0.53	0.09
GCC Economic Risk	0.48	-0.33	0.42

Source: *Byblos Bank Economic Research & Analysis Department*

V - CONCLUSIONS

We conclude from this analysis that the high level of remittance inflows to Lebanon was mainly driven by political and resulting financial risks during the period stretching from January 2005 till May 2008, and was carried forward by the increase in economic risks in the GCC from June 2008 till the end of 2009. The latter trend reflects the "safe haven" factor that can cause remittances for investment purposes to return home during economic downturns in the host countries, and that was reflected by an unprecedented level of capital inflows to Lebanon in 2009. As such, we can say preliminarily that the resilience of remittance inflows to Lebanon is determined by both domestic and external factors, as well as by the size of emigrant stock. Further, the global financial crisis had no negative impact on the flow of remittances to Lebanon, contrary to the impact on many developing economies. Indeed, continuous migration since 1975 has arguably been the single most relevant factor for the continuous inflow of remittances to the country, regardless of domestic political or economic circumstances. In brief, our analysis shows that the first serious external threat to the inflow of remittances to Lebanon in recent history, namely the global financial crisis, was offset by the large stock of migrants, their income level, the lack of exchange-rate effects, and no mass return migration.

END NOTES

1- See Ratha, D 2003, *Workers' Remittances: An Important and Stable Source of External Finance*, Global Development Finance 2003, World Bank.

2- See Mohapatra, S, George, J, & Ratha, D 2009, 'Remittances and Natural Disasters: Ex-Post Response and Contribution to Ex-Ante Preparedness', World Bank, Washington D.C., Policy Research Working Paper 4972. Their research findings suggest that remittances play a positive role in helping households cope with the losses caused by natural disasters. Their analysis also shows that remittances increase in the aftermath of natural disasters in countries that have a larger number of migrants abroad. Also, Ratha, D, 2005 'Worker Remittances: An Important and Stable Source of External Development Finance', in S Maimbo and D Ratha (eds), *Remittances: Development Impact and Future Prospects*, World Bank, Washington D.C. However, Lueth and Ruiz-Arranz (2008) report that remittances do not seem to increase in the wake of a natural disaster and appear aligned with the business cycle in the home country, suggesting that remittances may not play a major role in limiting vulnerability to shocks.

3- Ratha, D, Mohapatra S, & Silwal A 2010, *Outlook for Remittance Flows 2011-12*, Migration and Development Brief no. 13, Migration and Remittances Unit, World Bank. Mohapatra, S, & Ratha, D 2010, 'Forecasting Migrant Remittances during the Global Financial Crisis', World Bank, Washington D.C., Policy Research Working Paper 5512.

4- See Singh, R, Haacker, M & Lee, K 2009, 'Determinants and Macroeconomic Impact of Remittances in Sub-Saharan Africa', International Monetary Fund, Working Papers 09/216. They argue that remittances are larger for countries with a larger Diaspora or when the Diaspora is located in wealthier countries, and that such flows behave counter-cyclically, therefore playing a role as a shock absorber. Also, Lueth, E & Ruiz-Arranz, M 2008, 'Determinants of Bilateral Remittance Flows', *The B.E. Journal of Macroeconomics*, vol. 8, no. 1, article 26. Also, Ratha, D, and Shaw, W 2007, 'South-South Migration and Remittances', World Bank, Washington D.C., Working Paper 102.

5- Kasparian, C 2009, *L'émigration des jeunes Libanais et leurs projects d'avenir*, Observatoire Universitaire de la Réalité Socio-Economique, Univeristé Saint-Joseph, Presses de l'Univeristé Saint-Joseph, vol. 2. The report is the most comprehensive survey conducted recently on contemporary emigration trends from Lebanon. The survey was based on a random sample of nearly 8,061 households that are representative of the Lebanese population and various social strata. The survey was conducted across the entire Lebanese territory during October and November 2007 and used face-to-face interviews. It collected data on nearly 34,000 persons in those households, including nearly 10,000 Lebanese between 18 and 35 years of age. As such, it identified and collected data on 5,695 migrants who left Lebanon between 1992 and 2007.

6- Such transfers provide a reliable proxy for the sources of remittance inflows, as they grew from 8% of migrant inflows to Lebanon in 2005 to 14.5% of remittances in 2009, based on data compiled by the Central Bank of Lebanon.

7- Prior to the global financial crisis, the expanding body of research on remittances has shown a trend of stability of such inflows in times of political turmoil and economic downturn in recipient countries. Also, some studies have found that remittances are strongly counter-cyclical in poor countries, but are pro-cyclical in middle-income countries. But it was not clear how remittances would behave during a deep economic recession in the host countries.

8- The Political Risk Rating includes 12 weighted variables covering both political and social factors. The factors are Government Stability, Socioeconomic Conditions, Investment Profile, Internal Conflict, External Conflict, Corruption, Military in Politics, Religious Tensions, Law and Order, Ethnic Tensions, Democratic Accountability, and Bureaucracy Quality.

9- The PRS Group rates countries in five categories of Political, Financial and Economic Risks ranging from "Very High Risk" to "High Risk", "Moderate Risk", Low Risk" and "Very Low Risk".

10- The PRS Group's Financial Risk Rating measures a country's ability to finance its official, commercial, and trade debt obligations. The components that form the rating are Foreign Debt as a Percentage of GDP, Foreign Debt Service as a Percentage of Exports of Goods & Services, Current Account as a Percentage of Exports of Goods & Services, Net International Liquidity as Months of Import Cover, and Exchange Rate Stability.

11- The PRS Group's Economic Risk Rating provides a means of assessing a country's current economic strengths and weaknesses. The components that form the ratings are GDP per Capita, Real GDP Growth, Annual Inflation Rate, Budget Balance as a Percentage of GDP, and the Current Account as a Percentage of GDP.

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