

Information International” conducted a survey between 30 March and 1 April with 629 individuals in Greater Beirut, on the country’s monetary situation, which looks into bank deposits and transfer transactions, in addition to other aspects related to the monetary and banking sectors. Around half the respondents (49%) asserted that they have bank deposits, while the rest did not. The answers and opinions presented below pertain only to the respondents who have deposits.

The study revealed that most of the depositors have confidence in the Governor of the Central Bank and the banking system in Lebanon. This is despite the substantial criticism the analysts have regarding the increase in interest rates, issuance of T-bills, and the profits of the big banks. Nonetheless, half of the depositors expressed their worry about the status of the Lebanese Pound.

## Size of and Type of Deposits

Most of the respondents (62%) said they had deposits ranging between \$1,000-10,000, while 19.2% had deposits between \$10,001-25,000, 5.5% between \$25,001-50,000, 5.2% between \$50,001-100,000, 3.6% had more than \$100,000, while 4.5% did not specify. Most of the deposits (60.7%) were in U.S. Dollars, 37.5% in LBP, 1.7% in Euro, and only 0.1% are in the form of Treasury Bills.

## Transferal Transactions to Foreign Currency

The majority of the respondents (82%) who had deposits in LBP stated that they had not exchanged them into U.S. dollars nor any other foreign currency between 14 February and 20 March, while the remaining 18% who did exchange their deposits did it for the following reasons: the assassination of Former PM Hariri (29.2%), the stagnant economic and financial situation in general (20.8%), the recent bombings (11.1%), the fear of a war breaking out (11%), the resignation of the government and no formation of a new one (9.7%), the international threats of sanctions against Lebanon and Syria (5.6%).

Most of the respondents who did not transfer their deposits (58.3%) stated that they would not do so no matter what new events arose, while 17.4% stated that they would and the remaining 24.3% had not decided yet. The reasons given by those who would transfer their holdings into U.S. Dollars in the future were: the threat of sanctions against Lebanon and Syria (26.6%), the fear of a war breaking out (21.9%), the failure to hold parliamentary elections (14.1%), the inability to achieve political reconciliation (12.5%), the resignation of the Governor of the Central Bank (12.5%), and the flaring up of tensions in the South (4.7%).

## Transferal Transactions Abroad

When asked about the possibility of transferring their deposits to a bank abroad, 86% of the respondents declared they would not do so, while 7.8% said they were considering the idea, and 6.2% still did not know what to do. Those who were considering transferring their deposits abroad would do so for the following reasons: the threat of sanctions (25%), the fear of a war breaking out (21.9%), the inability to achieve political reconciliation (20.3%), the resignation of the Governor of the Central Bank (17.1%), the failure to hold parliamentary elections (4.7%), not knowing who was behind Hariri’s assassination (4.7%) and the flaring up of tensions in the South (4.7%).

## Going Back to LBP

Around one third of the respondents (33.9%) who held deposits in the U.S. Dollars, asserted that they would never transfer them into LBP, while 18.8% would transfer them upon the formation of a new government, 16.1% would transfer when interest rates increased, 13.4% said they would do so once the conflict with Israel ended and Hezbollah was disarmed, and 10.8% stated they would do so once Lebanon was granted international aid.

## Banking Performance

The survey showed that the performance of the Central Bank and the banking sector in general was perceived as good: 84.7% of the respondents described the performance of the Central Bank as being “Good” (28.6%), “Very Good” (24%) or “Excellent” (32.1%), while 9.1% said it was “Acceptable”, 1% “Bad” and 5.2% did not specify an answer.

Most of the respondents (62.3%) indicated that the banking sector, in general, was solid and stood firm,

while 28.6% thought it was acceptable, 6.2% called it “fragile and at risk of collapsing” and 2.9% did not specify an answer.

Moreover, 75.3% of the respondents did not know the profit made by the banks they used and 61.4% of the respondents indicated that high profits increased their trust in the bank.

## Interest Rates

More than half (59.7%) of the respondents stated that the interest rates they got on their deposits did not constitute a note-worthy contribution to their income because it was very small, while for 20.1% of the respondents interests constituted 10-30% of their income, 13.1% stated they did not depend on interests because their income is very high, and the remaining 7.2% were distributed across different answers.

## Payment

Most of the survey’s respondents used Lebanese Pounds to pay for their daily expenditures, and resorted to U.S. Dollars to pay for expensive and durable items, such as land, apartments and cars (see Table 1).

## Effect of the Dollar Exchange Rate

Most of the respondents (70.8%) expected that the increase in the exchange rate of the U.S. Dollar would lead to an increase in prices of goods already priced in dollars, while the remaining 29.2% thought that the prices of these goods would remain the same. On the other hand, 43.9% of the respondents thought that the prices of goods priced in LBP would increase at a rate higher than the dollar exchange increase, while 43.2% thought that the prices of such goods would increase proportionally to the dollar’s increase in value, and the remaining percentages were distributed among other answers.

## Fees and Taxes and the National Monetary Status

Most of the respondents (30.5%) thought that increasing taxes and fees would weaken the national currency, 21.4% expected any increase would cause the currency to collapse, 20.1% did not see any relation between the two issues, while 15.6% believed that such an increase would increase trust in the LBP and the remaining percentages were distributed among other answers.

## Reserves of the Central Bank

The majority of the respondents (76.6%) did not know the value of the Central Bank’s gold reserve. Those who were familiar with the Bank’s gold reserve, estimated its value accordingly: more than \$5 billion (52.8%), \$4-4.9 billion (20.8%), \$3-3.9 billion (11.2%), \$1-1.2 billion (8.3%), and \$5 billion (6.9%). Most of the respondents (69.5%) described this reserve as a “source of trust in national currency” while 16.2% perceived it as a “source of trust in the banking sector” and 14.3% did not see any importance in it. As for the best way to benefit from this reserve, the respondents suggested different options: keep as is –gold- (64.6%), use it to back the Lebanese Pound in the event the Central Bank requires it (16.6%), use it to reduce public debt (13%), while the remaining 5.8% were distributed among different options.

## Future Expectations

Almost half (49%) of the respondents stated that they were weary of the future of the Lebanese currency, while 25.9% were extremely concerned compared to 24% who were comfortable with it. Moreover, the degree of “comfort” decreased when respondents were asked about the economic situation in general: only 13% expressed confidence, compared to 44.5% who were extremely concerned and 42.2% who were weary.