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BLOM Lebanon PMI rose from 47.6 in March 2025 to 49 in April 2025, indicating that the Lebanese private sector business activity contracted at a softer pace. The contraction in April was attributed to the decrease in output as new orders and new export orders dropped marginally that month. Lebanon and the region witnessed several events that led to the softening of private sector activity in April. First, the internal debate regarding surrendering Hezbollah's weapon from the north of the Litani River escalated between opposite political parties. A couple of Hezbollah's leaders stated that no one can force them to submit their weapon. They are linking state's exclusive control of weapon with the withdrawal of Israeli forces from the Lebanese territories, freeing of Lebanese hostages, and reconstruction. On the other hand, both Lebanese President and Prime Minister have confirmed that the surrendering of weapons will be implemented soon. Second, the Israeli breaches of the cease-fire agreement are persisting as assassinations of Hezbollah's military members have continued, in addition to airstrikes in South Lebanon and the Southern Suburbs of Beirut. Additionally, the military tension in the region is intensifying as Israeli's attacks on Gaza are increasing and the US airstrikes on Yemen's Houthi are multiplying. This political and security

instability, in addition to the limited purchasing power of Lebanese households, led to the contraction in Lebanese private sector business activity in April, however at a reduced rate.

That said, as per as per the Central Administration of Statistics (CAS), the Consumer Price Index (CPI), representing the evolution of goods and services' prices consumed by households, revealed that **Lebanon's annual inflation rate dropped to 14.19% in March 2025, down from 15.64% in February 2025 to record its lowest level since February 2020.** On a monthly basis, the Consumer Price Index (CPI) rose by 0.44% in March 2025. This decline in inflation especially over the past two years is largely attributed to increased dollarization by businesses and greater exchange rate stability, particularly since August 2023. However, ongoing political and military tensions in the Middle East, especially their impact on Red Sea shipping routes, continue to pose risks to supply chains, potentially raising shipping costs and driving inflation back up.

Also, the number of airport passengers decreased by 1.38% year-on-year (YoY), despite a 9.34% YoY increase in arrivals, as departures fell sharply by 11.49% YoY. The decline in departures is attributed to the previously low number of arrivals in prior months, in addition to the slightly improved security situation, reducing the pool of individuals leaving the country.

Moreover, total cumulative container activity at the Port of Beirut fell by 4.73% year-over-year (YoY) to 111,023 TEU by February 2025. Cumulative container activity, referring to cargo loaded onto or unloaded from ships at the port; saw an increase of 9.53% YoY to 84,794 TEU. However, cumulative transshipment activity, which

involves cargo transferred from one ship to another at an intermediate port, decreased by 32.94% YoY to 26,229 TEU. This decrease may be driven by the end of seasonal trends which caused a monthly variation compared to the slight increase in January 2025. It is worth noting that total activity decreased by 18.28% month-over-month (MoM) to 46,390 TEU, mostly driven by transshipment activity from the Mediterranean Shipping Company (MSC).

Additionally, **Lebanon's cumulative trade deficit increased by 5.55% year-over-year (YoY), reaching \$3.42 billion by March 2025.** Exports surged by 30.92% YoY surge in exports by March 2025, signaling a rebound in business activity across multiple regions following the November 27, 2024, ceasefire with Israel. Imports increased by 10.22% YoY as consumer behavior adjusted as geopolitical tensions eased, with individuals spending more freely rather than limiting their consumption to stockpiling essentials.

According to the data published by the Association of Lebanese Banks' (ABL), the total number of cleared checks in the Lebanese financial system decreased remarkably by 51.88% year over year (YoY) to 28,440 checks by March 2025. Similarly, the cumulative value of cleared checks in local currency decreased by 14.27% YoY to LBP 15,364B by March 2025. Likewise, the cumulative value of cleared checks in foreign currency dropped by 50.58% YoY to reach \$255M by March 2025. In addition, Banque du Liban (BDL) recently issued Circular 165, which permits depositors to make payments by check starting June 1st, 2023, as long as their accounts are in either fresh US dollars or Lebanese lira. To support this initiative, BDL has introduced a new clearing system, distinct from the one dedicated to pre-crisis deposits. This circular serves a dual purpose: it encourages

customers to open new accounts in both Lebanese pounds and US dollars, while also aiming to decrease the country's dependence on cash and stimulate economic recovery. As such, in March 2025, the cumulative number of checks issued from fresh accounts reached 14,750, of which 11,073 checks are in USD currency amounting \$152.82M and 3,677 checks are in LBP currency amounting LBP 7,377B. On a monthly basis, the number of cleared checks in March 2025 was 5,450 checks.

As to the balance sheet of Banque du Liban (BDL), **the Central Bank's total assets increased by 0.60% annually, to reach \$94.03B by mid-April 2025, amid adopting the 89,500 LBP/USD official rate by BDL since February 1st 2024.** Furthermore, the gold account, representing 31.62% of BDL's total assets, increased by 37.23% yearly to reach \$29.73B by mid-April 2025. **BDL foreign reserve assets consisting of 11.77% of total assets (after transferring the Eurobonds to securities portfolio and the other resident and / or illiquid assets to loans to financial sector) rose by 14.09% YOY and stood at \$11.07B by mid-April 2025.** Additionally, foreign reserve assets increased significantly by \$34.34M in the first two weeks of April 2025. On the liabilities front, financial sector deposits, representing 90.70% of BDL's total liabilities, decreased by 2% annually and reached \$85.29B by mid-April 2025 compared to last year, of which more than 90% are denominated in dollars. Moreover, public sector deposits, representing 7.16% of BDL's total liabilities, rose by 49.66% yearly and reached \$6.73B by mid-April 2025. Lastly, currency in circulation outside of BDL, consisting of 0.98% of BDL's total liabilities, rose by 32.88%

annually to reach \$923.14M by end-April 2025 amid adopting the 89,500 LBP/USD official rate by BDL.

As for Lebanon's consolidated commercial banks' balance sheet, **total assets declined by 1.20% on year over year (YoY) basis to stand at \$102.87B in February 2025** amid BDL's adoption of a new exchange rate of LBP 89,500 per USD effective 31/01/2024. On the assets side, currency and deposits with Central Bank represented a high figure of 77.10% of total assets; they dropped annually by 2.38% to settle at \$79.32B in February 2025. Deposits with the central bank (BDL) represented 99.89% of total reserves, and decreased by 2.37% YoY, to reach \$79.23B in February 2025. Furthermore, vault cash in Lebanese pound declined by 10.35% on a yearly basis to stand at \$85.04M by the same period. On the liabilities side, resident customers' deposits were the main account, representing 65.29% of total liabilities; they dropped by 2.94% since February 2024 to reach \$67.16B by the month of February 2025. In more details, deposits in foreign currencies (being 98.81% of resident customers' deposits) declined by 3.37% YoY to reach \$66.36B by February 2025, additionally deposits in LBP (1.19% of resident customers' deposits) increased by 52.57% YoY to stand at \$800.26M by February 2025. This reveals that a slightly higher proportion of deposits are now held in LBP, as the dollarization ratio for private sector deposits decreased from 99.37% in February 2024 to 99.03% in February 2025. As for non-resident customers' deposits, grasping 20.35% of total liabilities, they recorded a drop of 0.10% and stood at \$20.94B in February 2025. In details, the deposits in LBP rose by 0.53% to reach \$31.50M and deposits in foreign currencies declined by 0.11% to reach \$20.91B over the same period. In addition, non-resident financial sector liabilities representing 2.47% of total liabilities and decreased by 6.95% YoY to

reach \$2.54B in February 2025. Lastly, the capital accounts stood at \$4.63B, higher by 45.83% than February 2024, noting that only about 10% of those are in LBP.

According to BDL's latest monetary report, the BOP recorded a cumulative surplus of \$3,127.4M up to February 2025, far above than the deficit over the same period last year of \$21.5M. Cumulative Net Foreign Assets (NFAs) of BDL rose by \$2,678.1M while the cumulative NFAs of commercial banks increased by \$449.4M by February 2025. On a monthly basis, NFAs of BDL rose by \$753.1M while the NFAs of commercial banks increased by \$166M in February 2025.

Furthermore, **according to the data from the Orders of Engineers in Beirut and Tripoli, the total construction permits witnessed a year-on-year (YOY) decrease of 48.33% to reach 417 permits in January 2025.** However, the Construction Area Authorized by Permits (CAP) increased by 4.44% YOY to record 390,164 square meters (sqm). This could be explained by the increased tendency for group projects rather than individual projects. Moreover, construction activity witnessed a remarkable decrease compared to last year as all governorates witnessed a fall. It is worth noting that people remain fearful that conflict could erupt at any moment, despite the ceasefire agreement reached on November 27, 2024, Israel until today continues multiple strikes on some areas. Compared to January 2024, when the war was largely confined to southern Lebanon, by September 2024 it had spread beyond the south and reached Beirut, intensifying concerns and uncertainty, and explaining the drastic decrease in permits across all governorates.

Also, according to market sources, **Lebanese car market expanded by 78.47% year over year (YoY) by February 2025 to 1,583 cars.** On a monthly basis, 734 cars were sold in February 2025 in which Japanese cars grasped the lion's share with a stake of 46%, followed by Korean cars (18% share of total cars), and European cars (17% share of total cars). Lebanon's car market has faced significant fluctuations in recent years. Sales of new cars are much lower now compared to 2019, when cars were still being purchased through checks. Currently, the demand for new vehicles is restricted by the absence of financing options, exacerbated by the lower purchasing power of the people. However, there has been some improvement in the past year, and recent numbers up to February 2025 show more car registrations (1,583). Despite this increase, the number of cars sold is still much lower than the sales figures from 2019. This shows that while the market is indeed recovering, it still faces big challenges and is far from returning to its pre-crisis levels.

In April 2025, and just before the Lebanese representatives left to Washington to participate in the International Monetary Fund and World Bank's spring meetings; **the Lebanese government amended the bank's secrecy law with a retroactive effect of 10 years.** Later, the law was approved by the Lebanese parliament and was published in the official gazette. These amendments allowed the Central Bank, Bank Control Commission of Lebanon, and the National Deposit Guarantee Institute to lift bank secrecy. These parties can lift bank secrecy to get informational on all accounts and clients without specifying an account or client in particular for the purpose of restructuring and audit the banking sector. The information includes debtor and creditor accounts, on balance sheet and off balance sheet in

addition to any information, document or record related to real or legal person.

At the regional level, Mr. Jihad Azour, Director of the Middle East and Central Asia Department at the IMF, during the press conference regarding **IMF's May 2025 Regional Economic Outlook for the Middle East and North Africa**, stated that the economies directly impacted by conflicts -- including Lebanon -- encountered an average Gross Domestic Product loss of 15% in 2024, with a projected higher growth in 2025 mainly due to a less negative impact of the conflict. He also predicted a growth rate of 2.6% for the MENA region in 2025. He also emphasized the IMF's deep commitment to supporting MENA economies, and engagement in post-conflict economies, like Lebanon and Syria.

Moreover, the World Bank's (WB) latest report on Lebanon validates IMF's findings, as **the WB report reveals that Lebanon's real GDP contracted by 7.1% in 2024**. Also, the report states that 2025 offers hope, with the election of President Joseph Aoun in January and the appointment of a reform-committed cabinet under Prime Minister Nawaf Salam in February, as Lebanon now has the political foundation to pursue structural reforms. In this context, real GDP is projected to grow by 4.7% in 2025, marking the first year of positive growth since 2017. This rebound is expected to be driven by recovering tourism, increasing consumption, limited reconstruction inflows, and a favorable base effect from the prior year's contraction.

Regarding the approach to Lebanon's economic crisis, Dr. Fadi Khalaf delivered in April 2025 ABL's editorial a deeply analytical reflection on the complexities of Lebanon's ongoing financial

crisis and the imperative of adopting a just, pragmatic approach to economic recovery. The piece is framed around the law for banking sector restructuring that is expected to be discussed in the Lebanese parliament next week. Khalaf stresses the importance of balancing financial reform with the protection of depositors' rights, an issue that lies at the heart of public trust and economic stability. He believes that the Lebanese crisis is a deep-rooted and systemic failure that reveals longstanding dysfunction in state financial management and governance structures. Thus, the solution must involve legal and institutional reforms that acknowledge the crisis's extraordinary nature and long term implications and not only to surface-level financial adjustments. Khalaf adds that economic recovery is not a technical process driven solely by metrics and policy conditions; it is a moral and political undertaking that depends on genuine internal resolves and cooperative external support. Additionally, he utters sees that the proposed partnership between the state, the banking sector, and the IMF is not simply a mechanism to salvage a collapsing system; it is an opportunity to build a model of post-crisis recovery that could serve as an example for other nations. Lastly, Khalaf insists that any legislative text or reform plan must be guided by the principles of fairness and foresight, recognizing both the depth of the current crisis and the magnitude of future challenges.

In conclusion, the BLOM Lebanon April 2025 PMI scored 49 signaling a marginal contraction in the Lebanese private sector business activity. It is the second consecutive month that the private sector business activity deteriorates following the expansion in the first two months in 2025. Moreover, the surveyed Lebanese private sector businesses revealed their pessimism for the first time since

November 2024 regarding the upcoming 12 months, as Future Output index decreased below the 50-threshold and scored 49.6. In this context, resolving Hezbollah's weapons remains a challenge, though it could perhaps be eased if the negotiation between the United States and Iran regarding the latter's nuclear weapon lead to a positive outcome. Finally, the latest decision taken by UAE's officials to lift the ban on UAE nationals visiting Lebanon will revive Lebanese tourism; and hopefully other GCC countries will follow UAE's example in the near future. Needless to say, the revival of the tourism sector will give a great boost to the Lebanese economy.

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