

WB and Lebanon: \$250 M Loan Signed; Growth Expected at 4.7% in 2025



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In a promising step toward national recovery and reform, Lebanon signed a \$250 million loan agreement with the World Bank (WB) to support the restructuring of its energy sector, long considered one of the country's most pressing economic impediments. This ambitious reform package aims to modernize energy infrastructure, reduce fiscal burdens, and promote sustainable development. The key components of this reform initiative include:

- 1- Financing the establishment of a new national control center to improve oversight and system management.
- 2- Enhancing accounting, billing, and collection systems at Électricité du Liban (EDL) to improve operational efficiency and revenue generation.
- 3- Developing expandable solar energy farms with an initial production capacity of 150 megawatts, expected to save approximately \$40 million annually in fuel costs.
- 4- Rehabilitating three hydroelectric power situations on the Litani River to boost renewable energy output.
- 5- Upgrading the backbone infrastructure of the electricity transmission network, a vital move for stabilizing and distributing power nationwide.

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This energy sector overhaul is a cornerstone of Lebanon's broader recovery strategy, and it symbolizes an important alignment between domestic reform needs and international financial support.

Meanwhile, the WB's Macro Poverty Outlook for April 2025 paints a sobering picture of the country's recent past but a cautiously optimistic view for its near future. After years of economic collapse, Lebanon's real GDP contracted by 7.1% in 2024, reflecting worsening conditions tied to the conflict with Israel, which erupted in September 2024 and lasted until a ceasefire took effect on November 27, 2024. This contraction is downward revision from the WB's prior estimate of -5.7%, as the war slashed growth by 8 percentage points, transforming a no-conflict growth projection of 0.9% into a dramatic economic downturn. Nominal GDP was estimated at \$26 billion in 2024.

The war's toll was not only economic. It led to over 3,500 Lebanese deaths, 14,500 injuries, and displaced nearly 1.2 million people, over a quarter of the population. According to the WB's Rapid Damage and Needs Assessment (RDNA), \$6.8 billion in physical damages and \$7.2 billion in economic losses were recorded, with \$11 billion required for reconstruction. The most heavily affected sectors, agriculture, commerce, and tourism, accounted for 77% of total losses, particularly impacting low-income and informal workers, thereby deepening poverty and long-term vulnerability.

Yet 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, 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.

Macroeconomic indicators reveal a fragile but improving fiscal picture. Despite the war, Lebanon posted a fiscal surplus of 0.5% of GDP in 2024, driven by better than expected tax revenues (15.3% of GDP) and restrained public spending (14.7%). Tighter fiscal management and spending freezes on public sector accounts contributed to a 45% rise in public deposits. The 2025 budget, initially stalled in parliament, was passed by the decree by the new

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government, setting a zero-deficit target with both revenue and spending projected at 15.9% of GDP.

On the monetary side, the Lebanese pound stabilized at 89,500 LBP/USD since July 2023. This helped reduce inflation from explosive highs to an annual average of 45.2% in 2024, with further moderation to 15.2% projected in 2025, assuming exchange rate stability and no new global shocks.

Nevertheless, external balances remain a source of concern. The current account deficit stood at 22.2% of GDP in 2024, due to persistent trade deficits and a rare trade-in-services deficit stemming from war driven declines in tourism. Lebanon's labor market also remains under pressure, with the employment rate falling to 39% in 2024, and expected to drop further in 2025 due to lingering uncertainty and limited job creation.

In summary, while Lebanon continues to wrestle with the devastating legacy of conflict and economic collapse, the \$250 million World Bank loan and the accompanying energy reform agenda represents perhaps a strategic and symbolic turning point. If political will holds and reforms are executed faithfully, Lebanon could not only see 4.7% growth in 2025 but also lay the foundation for a more stable, sustainable, and inclusive economy in the years to come.

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Recent history and projections

	2022	2023	2024e	2025f
Real GDP growth, at constant market prices	-0.6	-0.8	-7.1	4.7
Private consumption	2.3	0.2	-4.6	2.2
Government consumption	34.9	-18.4	16.6	18.4
Gross fixed capital investment	-88.6	4.5	-31.6	157.1
Exports, goods and services	0.3	-1.1	-9.7	1.9
Imports, goods and services	3.5	-0.3	-0.1	-0.5
Real GDP growth, at constant factor prices	-0.6	-0.8	-7.1	4.7
Agriculture	-0.8	-0.2	-7.1	4.7
Industry	-0.6	0.1	-7.1	4.9
Services	-0.6	-1.0	-7.1	4.7
Employment rate (% of working-age population, 15 years+)¹	40.5	40.5	39.0	37.6
Inflation (consumer price index)	171.2	221.3	45.2	15.2
Current account balance (% of GDP)	-34.6	-28.1	-22.2	-15.3
Net foreign direct investment inflow (% of GDP)	2.2	2.9	1.1	1.9
Fiscal balance (% of GDP)	-2.9	0.5	0.5	0.0
Revenues (% of GDP)	6.1	13.7	15.3	15.9
Debt (% of GDP)	179.7	179.7	176.5	151.7
Primary balance (% of GDP)	-2.5	1.4	0.9	0.1
GHG emissions growth (mtCO2e)	-6.1	2.7	-9.0	2.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ ILO data is through 2023, with 2024-2025 projections imputed using the World Bank model. These projections are highly uncertain due to the 2023-24 conflict's impact, causing a steep contraction in 2024 and a potential rebound in 2025, with the overall employment effect unclear.

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