

Deterioration in Private Sector Conditions Eases, But Sentiment Drops Sharply



BLOMINVEST
BANK

July 3, 2025

Contact Information

Helmi Mrad

helmi.mrad@blominvestbank.com

The BLOM Lebanon PMI for the month of June 2025 recorded 49.2, witnessing a slight increase from 48.9 in May 2025. This increase reveals the decrease in private sector business activity for the fourth consecutive month but at a softer pace. The continued political uncertainty along with the escalation of the geopolitical tension in the Middle East were the main factors behind the contraction in business activity in June 2025. On the political front, the discussions regarding disarmament of non-state armed groups continues. As the discussion period extends, Lebanon is delaying the solution of the economic and financial crisis as well as reconstruction of the destroyed residences and small and medium enterprises. Also revealed is that aid for reconstruction and for economic recovery is linked to the full implementation of UN Resolution 1701. On the security front, the direct war between Iran and Israel for a couple of weeks affected Rafik Hariri airport traffic in addition to the shipment of goods in the region. This increased regional tensions and caused an increase in shipping costs and thus in a decrease in new orders and new export orders.

That said, Lebanon's annual inflation rate increased from 12.99% in April 2025 to 14.44% in May 2025, according to the Central Administration of Statistics (CAS). The 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 sea shipping routes, namely Hurmoz and Bab El Mandib straits, continue to pose risks of supply chains disruptions, potentially raising shipping costs and driving inflation back up. Notably, Education which accounts for 6.6% of the Consumer Price Index (CPI) increased by 30.74% Year-Over-Year (YoY). Owner Occupied Housing (13.6% of CPI) rose by 28.15% YoY, while Health (7.7% of CPI) saw a 21.61% YoY increase during the same period. The "New Rent" item rose by 27.06% YoY, despite the ceasefire agreement signed on November 27, 2024. In fact, many displaced individuals remain hesitant to return to their homes, as Israel continues to violate the ceasefire agreement. On a monthly basis, the CPI increased between April 2025 and May 2025 by 1.31%.

The cumulative activity at Rafic Hariri International Airport by May 2025 increased by 5.18% YoY, with a 10.69% YoY increase in arrivals, while departures fell slightly by 0.13% YoY; similarly, cumulative transit passenger numbers also fell by 73.16% YoY. On a monthly basis, airport passengers' activity fell by 5.86%, despite a 5.85% increase in arrivals. The arrivals rise comes as summer begins and the academic year ends in many countries abroad—boosting travel

as families visit, expats return home, and holiday plans pick up with the warmer weather and school breaks.

In addition, as per the Lebanese Customs Administration, **Lebanon's cumulative trade deficit increased by 14.87% year-over-year (YoY), reaching \$6.66 billion by May 2025.** This change was driven by a cumulative 16.02% YoY (\$1,124 million) surge in imports by May 2025, and a 21.51% YoY (\$262 million) rise in exports during the same period. The rise in exports likely signals a rebound in business activity across multiple regions following the November 27, 2024, ceasefire with Israel. While Israel has continued to breach the agreement, these disruptions have remained localized, allowing broader commercial operations to resume and drive export growth. That is in addition to the freer trade routes through Syria, especially since the fall of the previous regime. Additionally, consumer behavior adjusted as geopolitical tensions eased in May, with individuals spending more freely rather than limiting their consumption to stockpiling essentials, contributing to the rise in imports. The top three import destinations in 2025 up till May were China, Greece, and United Arab Emirates (UAE), accounting for 10.63%, 8.98%, and 8.39% of the total value of imports, respectively. The top imported products were mineral products (24.41%) at \$1,987 million, pearls, precious stones, and metals (17.91%) at \$1,458 million, and products of the chemical or allied industries (8.19%) at \$667 million. On the exports side, the top three destinations in 2025 up till May were Switzerland, United Arab Emirates (UAE) and Egypt capturing respective shares of 19.93%, 19.32% and 4.12% of the total value of exports. The top exported products were pearls, precious stones, and metals (36.76%) at \$544 million, base metals and articles of base

metal (15.68%) at \$232 million, and prepared foodstuffs, beverages, and tobacco (12.03%) at \$178 million.

Moreover, **the Association of Lebanese Banks (ABL) reported that the total number of cleared checks in the Lebanese financial system decreased remarkably by 48.62% year over year (YoY) to 47,624 checks by May 2025.** Similarly, the cumulative value of cleared checks in local currency decreased by 25.03% YoY to LBP 24.05B by May 2025. Likewise, the cumulative value of cleared checks in foreign currency dropped by 48.31% year-over-year (YoY) to reach \$352M by May 2025. Moreover, the volumes of cleared checks in Lebanese Pounds and foreign currencies witnessed substantial yearly drop of 45.67% and 74.66% respectively to settle at 45,239 and 2,385 checks, in May 2025. Accordingly, the dollarization rate of checks in terms of volume fell from 10.16% in May 2024 to 5.01% in May 2025. Notably, the number of returned checks dropped substantially by 47.34% YoY to stand at 267 checks in May 2025. Moreover, the value of returned checks in local currency decreased by 31.32% YOY to record LBP 125B, however, the value of returned checks in foreign currency increased significantly by 221.39% YOY to record \$69M in May 2025 . Banque du Liban (BDL) 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 May 2025, the cumulative number of

checks issued from fresh accounts reached 27,487, of which 20,801 checks are in USD currency amounting \$283.71M and 6,686 checks are in LBP currency amounting LBP 12,441B. On a monthly basis, the number of cleared checks in May 2025 was 7,089 checks.

Besides that, according to Lebanon's consolidated commercial banks' balance sheet, total assets declined by 1% on year over year (YoY) basis to stand at \$102.67B in April 2025. On the assets side, currency and deposits with Central Bank represented a high figure of 77.41% of total assets; they dropped annually by 2.26% to settle at \$79.48B in April 2025. Deposits with the central bank (BDL) represented 99.90% of total reserves, and decreased by 2.24% YoY, to reach \$79.4B in April 2025. Furthermore, vault cash in Lebanese pound declined by 23.15% on a yearly basis to stand at \$80.09M by the same period. Claims on resident customers, constituting 4.41% of total assets, shrank by 22.40% to stand at \$4.53B in April 2025. Moreover, resident securities portfolio, representing 5.25% of total assets, increased by 13.48% in April 2025 to stand at \$5.4B. More specifically, the Eurobond holding recorded an increase of 3.74% since April 2024, to reach \$2.3B (net of provisions) in April 2025. Additionally, claims on non-resident financial sector rose by 18.33% YoY to stand at \$5.2B by April 2025. On the liabilities side, resident customers' deposits were the main account, representing 65.38% of total liabilities; they dropped by 2.62% since April 2024 to reach \$67.13B by the month of April 2025. In more details, deposits in foreign currencies (being 98.75% of resident customers' deposits) declined by 3.03% YoY to reach \$66.3B by April 2025, additionally deposits in LBP (1.25% of resident customers' deposits) increased by 45.50% YoY to stand at \$836.96M by April 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 99.31% in April 2024 to 98.99% in April 2025. As for non-resident customers' deposits, grasping 20.64% of total liabilities, they recorded a rise of 1.12% and stood at \$21.2B in April 2025. In details, the deposits in LBP rose by 1.27% to reach \$31.61M and deposits in foreign currencies increased by 1.12% to reach \$21.16B over the same period. In addition, non-resident financial sector liabilities representing 2.51% of total liabilities, decreased by 2.89% YoY to reach \$2.6B in April 2025. Lastly, the capital accounts stood at \$4.3B, higher by 52.78% than April 2024, noting that only about 10% of those are in LBP.

Additionally, **BDL's latest monetary report indicated that the Balance of Payments (BOP) recorded a cumulative surplus of \$7,842.5M up to April 2025, far above than the surplus over the same period last year of \$2,769.1M. NFAs of BDL rose by \$2,207.8M while the NFAs of commercial banks increased by \$266.3M in April 2025.** Based on the BDL Central Council's Decision Number 37/20/24 dated 13/09/2024, BDL's foreign assets starting January 2024 include the Monetary Gold, the Non-Resident Foreign Securities held by BDL, and the Foreign Currencies & Deposits with Correspondent Banks & International Organization; while excluding the Lebanese Government's Sovereign Bonds and the BDL loans in FX to Resident Banks and Financial Institutions. **The significant increase in the change of BDL NFA is mainly explained by the increase in the value of the Monetary Gold. Cumulative Net Foreign Assets (NFAs) of BDL rose by \$7,035.9M while the cumulative NFAs of commercial banks increased by \$806.6M by April 2025.** For a more meaningful analysis, we examine the NFAs of

commercial banks for the month of April 2025. On the liabilities side, “Non-resident financial sector liabilities” decreased by \$1.33M to reach \$2.58B; in addition, “Non-resident customers’ deposits” rose by \$189.24M to reach \$21.19B. Meanwhile, on the asset side, “claims on non-resident financial sector” increased by \$102.3M to reach \$5.18B for the same period, similarly “other foreign assets” increased by \$63.17M to stand at \$2.49B while “Non-resident securities portfolio” fell by \$37.1M recording \$1.08B.

Furthermore, as per BDL’s balance sheet, **the Central Bank’s total assets increased by 0.14% annually, to reach \$93.96B by mid-June 2025.** Furthermore, the gold account, representing 33.61% of BDL’s total assets, increased by 47.74% yearly to reach \$31.58B by mid-June 2025. Regarding foreign assets item, recently BDL amended it and replaced it by foreign reserve assets item to include only non-resident and liquid foreign assets. Thus, other resident and / or illiquid assets were transferred to securities portfolio or loans to local financial sector. In more details, Lebanese Government Eurobonds with a nominal value of \$4.85B were transferred to securities portfolio; whereas \$298.8M was transferred to loans to financial sector. Therefore, and in order to calculate the YOY change of foreign reserve assets, we deducted the Lebanese Eurobonds from foreign assets as of June 15th, 2024 in addition to the loans to local financial sector. **As such, BDL foreign reserve assets, consisting of 12.03% 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 13.06% YOY and stood at \$11.3B by mid-June 2025. Additionally, foreign reserve assets increased by \$189.4M in the first two weeks of June 2025.** On the liabilities front, financial

sector deposits, representing 90.16% of BDL's total liabilities, decreased by 2.71% annually and reached \$84.71B by mid-June 2025 compared to last year, of which more than 90% are denominated in dollars. Moreover, public sector deposits, representing 7.67% of BDL's total liabilities, rose by 51.11% yearly and reached \$7.21B by mid-June 2025. Lastly, currency in circulation outside of BDL, consisting of 0.93% of BDL's total liabilities, rose by 32.89% annually to reach \$875.82M by mid-June 2025.

Also, **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 24.89% year-on-year (YoY) to record 3,491 permits by May 2025.** However, the cumulative Construction Area Authorized by Permits (CAP) increased by 17.57% to record 3,105,293 square meters (sqm) by May 2025. This could be explained by the increased tendency for group projects rather than individual projects. Moreover, construction activity showed mixed trends compared to the previous year. While North Lebanon experienced growth, all other governorates saw a decline. . Israel's war on Lebanon had been largely contained to specific areas during the first five months of 2024 and 2025. However, with the first five months of 2025 following a period of escalation, uncertainty appears to have had a greater impact this time. Despite the ceasefire limiting the conflict to certain regions, the war remains unresolved, leaving many hesitant to initiate new construction.

Additionally, **as stated by the General Directorate of Land Registry and Cadastre (LRC), the cumulative number of real estate (RE) transactions recorded 6,431, valued at \$627.43M by March 2025.** Moreover, the number of RE transactions increased by

94.17% YoY, and by 28.80% on a month on month basis. The value of real estate transactions by March 2025 reached \$627.43M. Beirut held the largest share of the total value at 28.67%, amounting to \$179.9M. Baabda followed with 27.29% of the total value, equivalent to \$171.2M.

In conclusion, the BLOM Lebanon PMI for June 2025 contracted for the fourth consecutive month. This decline reveals the effects of the political stagnation and the disagreement between local political parties regarding Hezbollah's arsenal after around seven months of the signing of the ceasefire agreement. Additionally, Israel is still breaching the ceasefire agreement, thus further worsening the situation. What is unfortunate is the pessimism of Lebanese private companies regarding the future outlook, as 53% of the respondents expect the activity in the next 12 months to deteriorate. Finally, we hope the country succeeds in disarming all armed parties and, concurrently, undertakes the needed economic and financial reforms, otherwise the consequences on the political/security and economic fronts could be dire. Failing to do just that, Lebanon might miss a golden opportunity to put its economic and political house in order!

**For your Queries:
BLOMINVEST BANK s.a.l.**

Research Department

Zaituna Bay

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

Helmi Mrad

helmi.mrad@blominvestbank.com

Research Department

Tel: +961 1 991 784

research@blominvestbank.com

Disclaimer

This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.