

Lebanon Opportunities' New 2024 GDP Estimate: A Critical Review



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(CAS) (LO)

GDP at market prices

	2018	2024
	54.9	40.3
1. Total final consumption expenditure	57.2	43.3
1.1 by households	48.8	39.3
1.2 by government	8.4	4.1
2. Gross capital formation	12.3	9
2.1 Gross fixed capital formation	12	8.6
2.1.1 private	11	8.1
2.1.2 public	1	0.5
2.2 Changes in inventories	0	0
2.3 Acquisition less disposal of valuables	0.4	0.4
3 Net export	-14.7	-12
3.1 Export of goods and services	11.4	6.7
3.1.1 Export of goods (fob)	3.7	2.8
3.1.2 Export of Services	7.7	3.9
3.2 less Import of goods and services	26.1	18.7
3.2.1 Import of goods (fob)	19.8	15.1
3.2.2 Import of Services	6.3	3.6

In an interesting and unconventional note, *Estimating GDP: \$40 + Billion in 2024*, published in mid-August 2025, Lebanon Opportunities (LO) provides a new estimate for Lebanon's GDP in 2024 at **\$40.3 billion**. The aim of the estimate is to put the record straight after the differing and conflicting estimates from notable financial institutions: WB at **\$26 billion**, IMF at **28.3 billion**, and IIF at **\$32.8 billion**. Though, it is interesting to note, all these three estimates were upward revisions of earlier estimates by the said institutions.

That upward revisions were warranted is actually supported by hard-to-ignore facts. For instance, in 2018, goods imports reached 19.8 billion and GDP stood at \$54.9 billion; whereas in 2024, goods imports were \$16.9 billion but GDP stood at no more than \$28.3 according to the WB and IMF. So something is amiss, and in this respect LO should be commented for undertaking needed revisions. And in undertaking these revisions, LO's methodology focused on the expenditures approach and relied on the following: estimating consumption directly – unlike the Central Administration of Statistics (CAS) where it is measured as a residual – based on changes in major consumption categories using CAS's 2018 households' budget shares as a benchmark; estimating investment based on the weighted changes in capital goods imports and cement deliveries; and estimating net exports based on a reconciliation between Com-trade and customs data in the case of goods and on a reconciliation between CAS and BDL data in the case of services¹. The estimates are shown in the table above under LO for 2024 against the actual CAS figures for 2018 as the base-line year.

That is not to say, however, that the new LO estimate is error-proof. We agree *a priori* that GDP in 2024 should be higher than \$28.3 billion; but we are not sure that it should be close to \$40.3 billion ala LO. In what follows, we present a few critical observations on LO's methodology, notwithstanding the fact that the new estimate is a highly worthy and courageous exercise in rectifying the estimate of a most important indicator.

¹ Interesting in this context that service imports and exports of BDL are always reported higher than those of CAS by almost 50%.

First, in terms of aggregate GDP, the LO estimate lacks exchange rate adjustments. It is now granted that the exchange rate in 2018 was overvalued, meaning that the LBP was worth more in USD than it actually deserved. Accordingly, calculating GDP for 2024 based on changes from the GDP of 2018 will *overvalue the GDP 2024 estimate, especially given that the exchange rate in 2024 of 89,500 LBP per USD was less overvalued (even undervalued according to the Big Mac index)² than the exchange rate of 1,507.5 in 2018.*

Additionally, it is not clear why LO didn't provide estimates of GDP for the intervening years from 2019 to 2023. If that was done, *then the percentage decline in GDP in each of these years will end up with a GDP estimate in 2024 that is less than the GDP obtained from the percentage decline from the year 2018 to 2024 only³.*

Second, in terms of personal consumption, the consumption weights need adjustments (if feasible), notwithstanding the fact that household budget surveys are hard to come by often. To elaborate, consumption was estimated based on CAS's 2018 constant budget shares as weights for changes in each major consumption category. *But surely these weights must have changed given the severity of the Lebanese crisis and the steep drop in income and GDP. For instance, one would expect the budget share, or weight of household expenditure, on food to increase not to stay constant with falling income.*

² If the exchange rate was actually undervalued in 2024, *then nominal GDP will be lower than otherwise, but GDP based on purchasing power parity will be higher.*

³ Assume that GDP in years 1, 2, and 3 is 30, 25, and 20 respectively. Then the percentage decline from year 1 to 3 will be 33.3%, whereas the sum of the percentage declines from year 1 to 2 and year 2 to 3 will be a higher 36.5%.

In a related vein, the magnitude of some of the consumption changes is questionable. For example, the estimate assumes that spending on education fell by 5% only, based on the fact that the student distribution across private and public schools stayed largely the same. But what about tertiary education, did the distribution across private and public universities stay the same as well? Perhaps unlikely, especially given the very high cost of attending private universities. Moreover, there is additionally an important supporting fact. We have alluded earlier that goods imports fell by much less than private consumption, as also attested by the new LO estimates. In fact, CAS figures show that the ratio of private consumption (both *tradeables* and *non-tradeables*) to goods imports (*tradeables*) had declined from 2.47 in 2018 to 1.68 in 2021 (the last year for which data are available!). This means *that non-tradeables (services) private consumption had declined the most⁴. And what are the most prominent service sectors? These are real estate, banking, hospitality, and education.*

As to public consumption, the estimate didn't exclude public transfers. It assumed that public consumption was \$4.1 billion *equal* to current government expenditures. But public consumption in the *national accounts* is equal to current expenditures minus transfers, because transfers are not earned income. In 2018, for instance, current expenditures were \$15.1 billion, but public consumption recorded was \$8.4 billion, the difference being public transfers (EDL, social security, subsidies, etc..).

Third, in terms of private fixed capital formation, or private investment, the estimate of \$8.1 billion lacks clarity. Specifically, it assumes that the share of capital goods in imports is a high 15%, and assumes also that the investment index assigns a weight of 0.32 for capital goods and 0.68 for cement deliveries. But the 15% share is based on the 2022 figure when capital goods were higher than usual because traders wanted to accumulate stock before the planned customs increase in 2023; whereas the average figure for the 2019-2021 period was only 10.5%. In addition, it is not clear why the weights in the investment index were distributed as cited above, and as such are made to look rather arbitrary. Perhaps more important, it is hard to fathom that investment fell by only 26.3% to \$8.1 billion *given the absence of any lending by a dis-intermediating, illiquid banking sector.*

⁴ The decline in non-tradeables consumption also explains why GDP had declined significantly as private consumption is almost 120% of GDP.

That said, the aim of these few critical notes is not to undermine the LO GDP estimate – far from it!. They are presented as suggestions to help make the excellent job of the LO estimate perhaps even better. And this is important not only because an accurate GDP is a crucial, if not perfect, measure of welfare and productivity. But also because, in a country like Lebanon, it is vital for matters like foreign debt restructuring; for if GDP happens to be mistakenly upwardly estimated, then the net debt-to-GDP ratio will be lower, and foreign debt restructuring will erroneously involve a lower haircut that is needed to maintain debt sustainability post-restructuring, which can only make debt sustainability that much harder.

Lastly, that we are excited about the LO estimate and discussing it in some details is of course good. But the flip side of this is rather unfortunate, as it points to the paucity of good, reliable, timely, and comprehensive economic data in Lebanon, for which the new estimate fills a small, tiny gap⁵. In this respect, this occasion of the LO estimate should be a stark reminder of the urgent need to develop the country's data capability, without which the process of economic and financial reforms – in fact, policy making in general – could be seriously misguided if not even flawed.

⁵ Note that CAS's national accounts start in 2004 and end up in 2021 only, and with no data whatsoever on national income. Also, though its inflation data is timely, the weights that it uses for the various consumption categories to calculate CPI are based on its 2011-2012 households' survey.

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