S&P Upgrades Lebanon's Long-Term Local Currency Rating to CCC

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Standard & Poor's Global Ratings (S&P), the international rating agency, raised Lebanon's long-term local currency (LC) sovereign rating to 'CCC' from 'CC' on August 15, 2025. S&P said the upgrade reflects modest improvement in managing local debt—helped by two years of budget surpluses and progress on crucial reforms for a potential IMF deal. However, it warned that default risks remain due to spending pressures, restricted sovereign borrowing options, governance gaps, strained banking sector liquidity, and weak growth conditions.

The short-term LC rating was affirmed at 'C'.

The agency also lifted Lebanon's long-term LC outlook rating to "Stable" from "Negative", citing reform momentum, despite major policy challenges including weak growth, fiscal strain, security risks, and reconstruction demands. **S&P's base case assumes LC debt will remain outside the scope of any restructuring.** The rating could be downgraded if the likelihood of LC debt inclusion in a restructuring plan increases. Conversely, an upgrade would hinge on reform-driven progress toward fiscal stabilization and economic recovery, potentially supported by concessional external funding.

S&P said the 98% drop in the Lebanese pound since 2019 has made local currency debt worth much less—now under $1 billion, or just 2% of GDP and 1% of gross general government debt. The government is still paying local banks on time, but had paused payments to the Central Bank from 2021 to 2023. These payments resumed in 2024, with plans to start repaying the missed amounts in 2025.

S&P welcomed Lebanon's reform steps toward unlocking IMF support, including **ending the country's political deadlock**, in addition to passing the **Banking Secrecy Law** and **Bank Restructuring Law**. However, the **Financial Gap Law**—needed to define and allocate sector losses—remains pending. Other required reforms include passing the **2026 budget**, a **medium-term fiscal plan**, tightening **AML/CFT legislation**, and restructuring **state-owned enterprises**. Reform risks remain high due to limited time before the May 2026 elections and persistent security threats linked to the Israel-Hezbollah conflict.
The transfer and convertibility assessment holds at 'CC'.

Foreign currency ratings remain at 'SD/SD' (selective default), reflecting Lebanon's 2020 Eurobond default. No outlook is assigned to 'SD' ratings. An upgrade would follow completion of debt restructuring, based on post-restructuring credit metrics and policy direction.

Lebanon's economy has been shrinking since 2018, except for 2021, with S&P estimating GDP to have contracted by 6.5% last year. The agency forecasts a **modest economic growth of 2.3% annually in 2025–2026**, helped by the low base and potential gains from improved stability, reform progress, and foreign financing.

S&P expects the **Lebanese pound** stabilization at 89,500 LBP/USD **to hold through 2025, with slight weakening thereafter.**

Furthermore, **S&P forecasts Lebanon's net debt to GDP to drop from 239% of GDP in 2022 to 113% by the end of 2025**. This is mostly because inflation artificially elevated nominal GDP, and the exchange rate became more stable.

Moreover, **S&P projects Lebanon's fiscal deficit to average 2.5% of GDP in 2027–2028,** as modest revenue gains from tax compliance and reform are offset by high spending on reconstruction, improving institutional capacities, interest payments to the central bank, wages, and pensions.

Lebanon--Selected Indicators

	2019	2020	2021	2022	2023	2024	2025bc	2026bc	2027bc	2028bc
Economic indicators (%)										
Nominal GDP (tril. LBP)	80.3	96.9	245.6	634.7	2,033.20	2,471.30	2,817.70	3,186.30	3,544.40	3,942.80
Nominal GDP (bil. $)	53.3	25	19.8	20.8	23.6	27.6	31.4	35.1	38.3	41.7
Fiscal indicators (general government %)										
Balance/GDP	-11	-4.2	0.9	-2.3	1.6	1.1	0.2	0	-2	-3
Debt/GDP	159.7	291.5	393.4	259.2	186.3	152.5	134.6	120.3	111.9	105.4
Net debt/GDP	140.2	269.3	367.3	238.9	166.2	128.8	113.1	102.1	96.5	92.2
Monetary indicators (%)										
CPI growth	2.9	84.9	154.8	171.2	221.3	45.2	15	12	10	10
Exchange rate, year-end (LBP/$)	1,507.50	5,635.00	23,000.00	38,000.00	89,450.00	89,700.00	89,900.00	91,698.00	93,532.00	95,402.60

Sources: S&P, Central Administration of Statistics (Economic indicators); Banque Du Liban, IMF (Monetary indicators); Ministry of Finance, Banque du Liban (Fiscal and debt indicators); Banque Du Liban, and Bank for International Settlements (External indicators).

Adjustments: General government debt adjusted by excluding public entities' holdings of government debt. Since year-end 2017, BDL has held on its balance sheet some portion of Lebanese Eurobonds, which was deducted from reported international reserves until 2023.

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