

Macroeconomic Review 2025: Highlights from the BDL Report with a Focus on the Balance of Payments



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Banque Du Liban (BDL) recently released its Macroeconomic Review for the first half of 2025, offering a comprehensive assessment of Lebanon's economic trajectory, monetary conditions, Balance of Payments (BOP), and the status of structural and institutional reforms. **This note focuses on the BOP section and selected findings across the report.**

We begin with global and regional context. Global growth is projected to slow to 2.8% in 2025, down from 3.3% in 2024, amid tighter financial conditions, slowing demand, and continued geopolitical and trade tensions. Advanced economies continue monetary tightening, with the Fed policy rate at 4.3%. **For Lebanon, elevated global rates complicate debt restructuring and increase the risk of capital outflows, adding pressure to an already fragile financial system.**

Regionally, beyond Israel's war on Gaza and Lebanon, Syria's partial stabilization following the **December 2024 regime change** and **international sanctions relief** has reopened trade routes. This could modestly **support Lebanon's export capacity**—conditional on broader regional stability. The expected gradual **return of 1.5 million displaced Syrians** may **ease pressure on Lebanon's infrastructure and social services**, though persistent security risks near the border could constrain Lebanon's ability to fully benefit from regional recovery.

Domestically, the war with Israel notably hit the Lebanese economy. **The Ministry of Finance projects a rebound to \$32.78 billion in 2025, with inflation at 15%, and further growth to \$36.3 billion in 2026 as inflation moderates to 3.5%**, according to an article in [L'Orient-Le Jour](#). However, it is interesting to note that The Central Administration of Statistics (CAS) has most recently estimated Lebanon's GDP for 2023 at \$31.4 billion

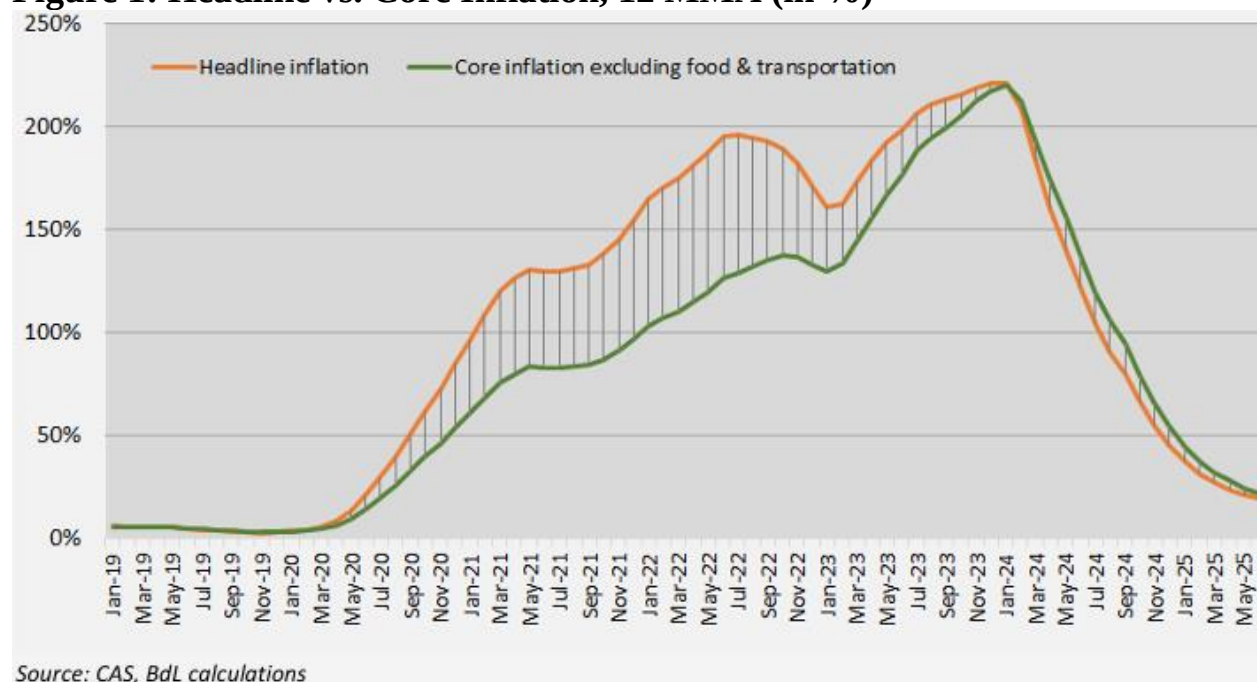
Growth in 2025 remains consumption-led, underpinned by short-term liquidity inflows and favorable base effects rather than structural improvements. Investment and trade remain weak, reflecting early structural vulnerabilities and delayed policy reform—though recent measures show promise, their impact will take time to materialize. As for governmental spending, fiscal capacity remains constrained by ongoing default and unpaid foreign debt. **The IMF recently advised the government to accelerate tax reforms and refocus spending on reconstruction and social welfare.**

Consumption is recovering after a steep drop in 2024, supported by two key liquidity sources: nonbank flows and remittances, which BDL estimates at \$6.8 billion in 2024 and expects to remain elevated. Liquidity conditions improved following BDL Circulars 158 and 166, which raised exceptional withdrawal limits in late 2024. Households likely saved part of this liquidity during the conflict and began spending as political stability returned. The June increase in monthly withdrawal ceilings—from USD 250 to USD 400 and USD 500 to USD 800—is expected to further support consumer demand. **We'd like to add to the report that the expected “realistic” return of depositors’ funds from banks soon is expected to support this trend further.**

Lebanon's **inflation dynamics** have shifted markedly since 2024, transitioning from externally driven price shocks to domestically rooted pressures. Between 2020 and 2023, headline inflation consistently exceeded core inflation, reflecting the dominant role of global food and fuel prices, compounded by currency collapse and import dependence. However, in 2024, headline inflation declined sharply, supported by exchange rate stabilization, tighter monetary and fiscal policy, and softer global commodity prices. While core inflation also eased, it now exceeds headline inflation, driven by salary adjustments linked to the new exchange rate and rising prices in non-tradable sectors such as education. This marks a pivot in inflation composition.

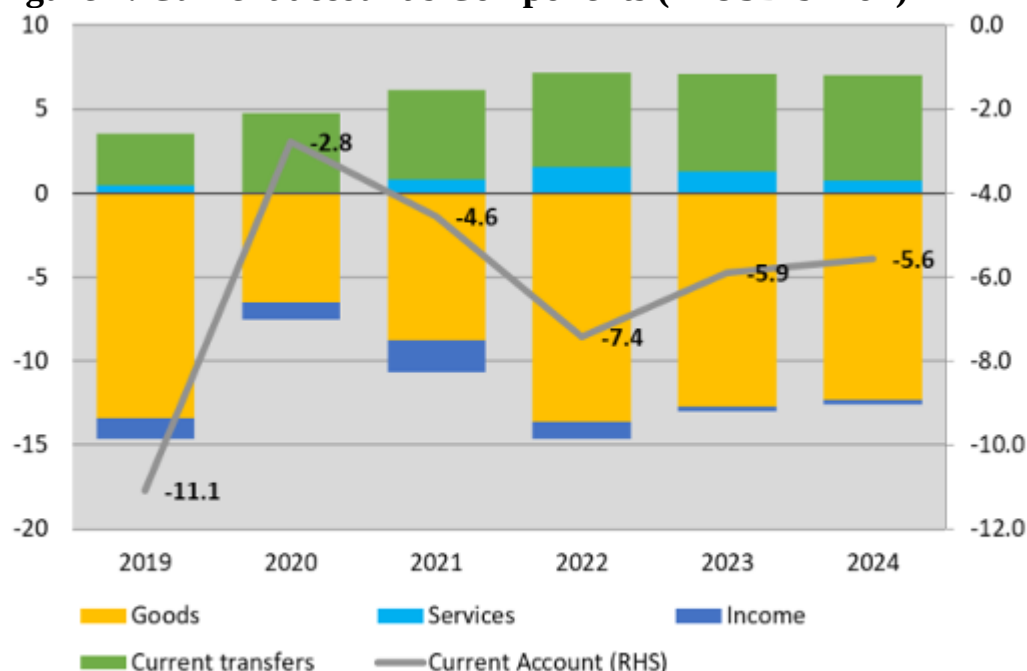
As of mid-2025, **headline and core inflation have converged** to 15% and 16.4%, respectively, signaling a more stable inflation environment. Yet, **the stickiness of core inflation suggests that domestic inflation remains unresolved**, and without deeper reforms, inflation may remain elevated even as external pressures subside.

Figure 1: Headline vs. Core Inflation, 12 MMA (in %)



Moving to the **BOP**, the surplus recorded \$6,437M in 2024, compared to a surplus of \$2,237M in 2023. Consequently, the **current account deficit** narrowed in 2024. While this shift may appear positive at first glance, it largely results from a steep contraction in domestic economic activity—particularly in consumption—which reduced goods imports. As a result, Lebanon’s trade deficit narrowed, despite falling exports. Lebanon’s net income deficit also declined. The capital account posted a notable surplus, driven by increased capital transfers. Foreign direct investment also rose, contributing to a modest improvement in the financial account. This helped offset the downturn in the services sector, supported by higher current transfers—partly driven by diaspora remittances.

Figure 2: Current account's Components (in USD billion)



Source: BDL

On the **goods trade balance**¹ side, the deficit narrowed by 3.15% in 2024 to USD 12.3 billion. This shift was not due to stronger exports, but rather a pullback in imports.

In fact, exports fell by 9% year-on-year (YoY) to USD 3.8 billion in 2024, led by a 25% drop in pearls and precious stones and a 21% decline in machinery.

On the imports side, total imports fell by 4% in 2024, driven primarily by a steep 30% drop in vehicles and a 20% decline in machinery. This reflects weaker investment and potential erosion in productive capacity.

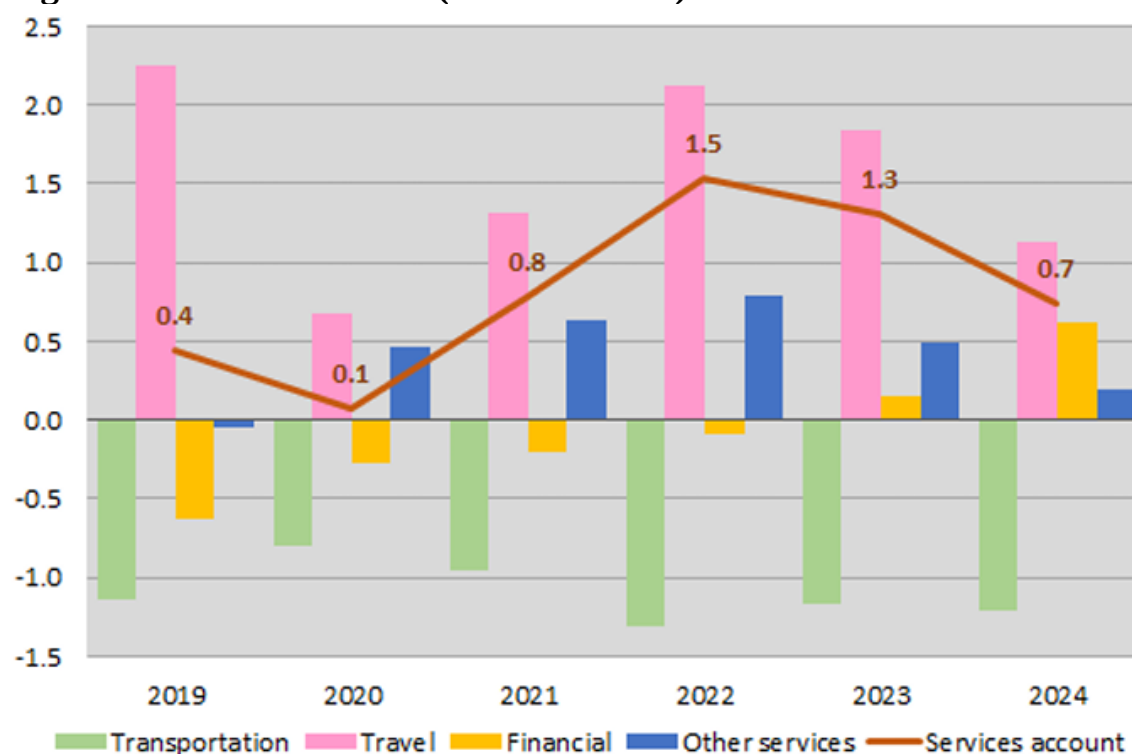
BDL's report highlights that non-monetary gold saw the most significant shift within the goods account in 2024, with a net deficit of USD 1.96 billion—driven by USD 2.2 billion in gold imports. The trend points to increased demand for hedging or savings instruments, reflecting economic uncertainty, thereby further diverting foreign currency.

¹ This item covers Lebanon's cross-border trade in general merchandise, goods sent for processing, repairs, port purchases by carriers, and nonmonetary gold—whether or not ownership changes hands.

Lebanon's **services surplus** fell sharply in 2024, dropping by 43% YoY to USD 0.7 billion. This decline was mainly driven by a 38% annual drop in travel services, with real travel receipts down 16%. The downturn reflects the impact of Israel's hostilities on Lebanon. The Lebanese diaspora accounts for around 60% of travel receipts, highlighting both the sector's exposure to external risks and the strategic value of diaspora engagement beyond traditional remittances.

Meanwhile, financial services posted a stronger performance, with the sector's surplus rising to USD 619 million in 2024. The report attributes this to a shift toward commissions and fees, signaling adaptation amid banking sector constraints. This increase helped partially offset the broader decline in services, though the overall balance remains weaker than in previous years.

Figure 3: Services account (in USD billion)

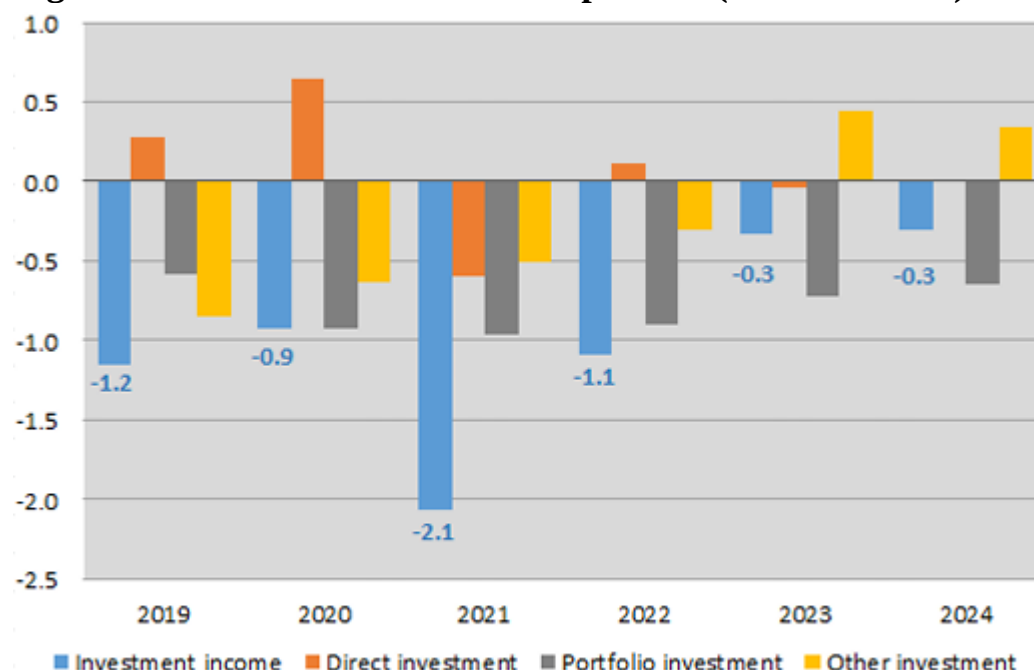


Source: Bdl

Lebanon's **income account deficit** narrowed by 9% annually in 2024 to USD 233 million. It captures returns on international investments and outflows to foreign stakeholders. This shift was driven by a 6% drop in payments to non-resident investors. As per the report, "The pattern reflects the broader economic crisis, which has deterred foreign investment and slowed the repatriation of profits and dividends by foreign-owned enterprises."

Investment income components showed mixed but generally improving signals. Direct investment income turned positive, moving from a USD 40 million deficit in 2023 to a USD 5 million surplus in 2024. The portfolio investment income deficit declined by 10% to USD 650 million, while other investment income posted a surplus of USD 341 million in 2024, slightly below the notably high 2023 level of USD 440 million.

Figure 4: Investment income's Components (in USD billion)



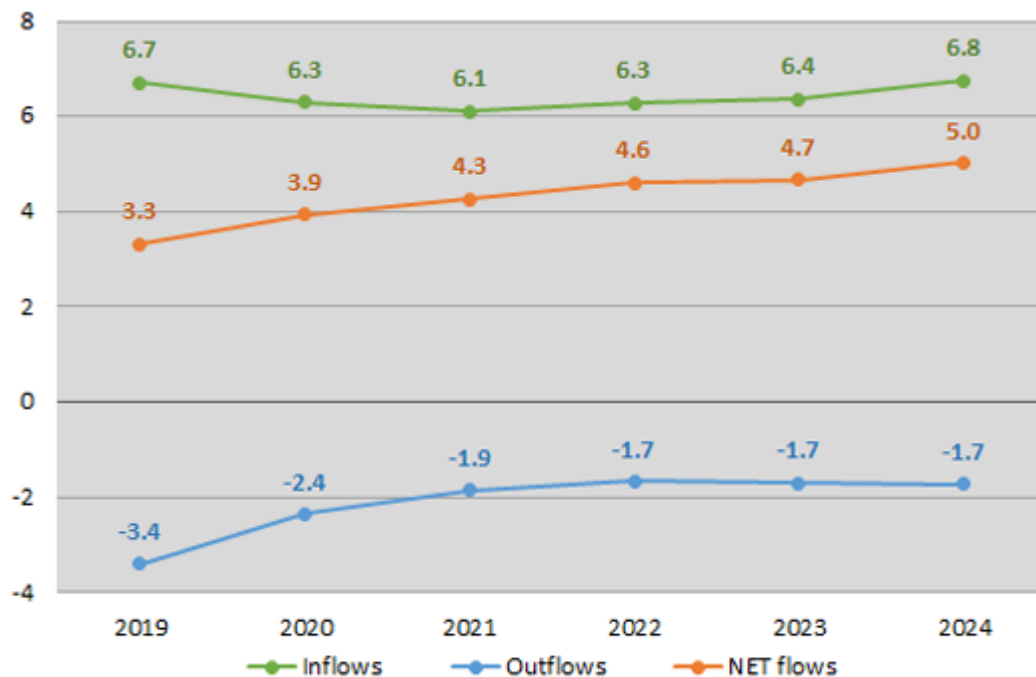
Source: Bdl

Lebanon has historically relied on **current transfers account** during times of crisis; their role became even more vital in 2024 as the country faced the repercussions of the conflict with Israel.

Net current transfers rose by 8% in 2024 to USD 6.3 billion as workers' remittances increased by 6% to USD 6.8 billion. This increase combined with a sustained outflow of USD 1.7 billion, led to a net foreign currency injection of around USD 5 billion to the Lebanese economy.

Remittances continue to play a critical role in Lebanon's external financing. In 2024, they covered roughly 55% of the goods trade deficit and supported domestic consumption, equivalent to 24.1% of the economy. As the report notes, "This steady inflow of foreign currency helps sustain a degree of financial stability while mitigating the strain on already limited reserves."

Figure 5: Workers' remittances flow (in USD billion)



Source: BDL

Lebanon's **capital and financial account** reflects a volatile and fragmented external financing landscape, shaped by prolonged economic crisis and structural adjustment.

The **capital account surplus** rose by 44% to USD 877 million in 2024. According to the report, "This growth was largely driven by a substantial increase in external grants, notably those supporting Syrian refugees. The development underscores Lebanon's reliance on international humanitarian assistance as a non-debt-creating source of foreign currency, reflecting both international solidarity and the ongoing social burdens borne by the Lebanese economy."

The **financial account** rebounded sharply in 2024, recording a surplus of USD 10.3 billion after a period of decline. However, the YoY volatility points to an unstable capital flow environment and limited long-term investor confidence.

- **Direct Investment:** Inflows rose by 73% to USD 1.8 billion, signaling selective investor interest—mainly in real estate. However, this was offset by USD 391 million in resident outflows, suggesting ongoing capital flight as locals seek safer assets abroad.

- **Portfolio Investment:** The liabilities shrank from USD 2.5 billion to USD 1.1 billion in 2024, “reflecting the reclassification of maturing government bonds as arrears amid the ongoing sovereign default and reduced non-resident equity investment in the banking sector, underscoring the urgent need for reforms to attract external financing.” Meanwhile, Lebanese residents increased their holdings of foreign portfolio assets, particularly long-term debt, rising from USD 68 million in 2023 to USD 249 million in 2024—indicating a shift toward external diversification and safer investment options.
- **Other Investment:** On the asset side, a USD 5.1 billion drop in “other assets”—which lies outside the formal banking system—drove a USD 4.9 billion overall decline in the other investment section. This suggests deepening mistrust in domestic financial institutions. Notably, this contraction generated significant foreign currency inflows, helping to finance the current account deficit. On the liabilities side, currency and deposit inflows increased modestly by USD 136 million, while loan liabilities contracted to USD 371 million in 2024 from USD 114 million in 2023, and Eurobond arrears to non-residents grew by USD 1.2 billion, highlighting Lebanon’s ongoing debt-servicing crisis.

Unclassified Transactions swung from a USD 2.1 billion surplus in 2023 to a USD 5.6 billion deficit in 2024. According to the report, “A positive value can indicate unrecorded inflows, such as informal remittances, while a negative amount may reflect discreet capital outflows. Taken together, this sizable and volatile NEO complicates the accurate assessment of Lebanon’s external financial position and underscores the need for reforms to strengthen macroeconomic governance, statistical capacity, and policy formulation.”

The war with Israel placed significant strain on Lebanon’s economy in 2024, disrupting key sectors and amplifying existing vulnerabilities. While **remittances and capital transfers** provided partial relief, they were not enough to counterbalance the broader deterioration. The **informal economy** may obscure some data points, but the underlying trend remains clear. **Without meaningful reform, Lebanon’s external position will remain fragile—and any escalation in the conflict with Israel risks stalling Lebanon’s reform agenda.** The urgency of structural reform is no longer theoretical; it is a prerequisite for restoring investor confidence and rebuilding external resilience.

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