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In its November 18, 2025 review, the international rating agency Moody's affirmed Lebanon's C rating with a stable outlook, noting that bondholders' losses from the March 2020 default are still expected to exceed 65%. Moody's also kept Lebanon's senior unsecured MTN Program rating at (P)C, lowest-rated class, while the short-term rating was likewise affirmed at (P)NP, not primed.

Lebanon has achieved some milestones this year, including the election of a new president, the appointment of a prime minister and cabinet, and the passage of key legislation such as the banking secrecy law and the bank restructuring law. However, the financial gap law remains unfinished, and more critically, the country has yet to implement a debt restructuring. Moody's expects that, given the progress on legislative reforms, a restructuring announcement could follow the May 2026 parliamentary elections. Still, without a comprehensive plan that involves the government, the central bank, and commercial banks, debt sustainability cannot be restored, nor can IMF support be unlocked. That said, Lebanon's economic, financial, and social strains remain severe, with geopolitical risks still high despite the ceasefire.

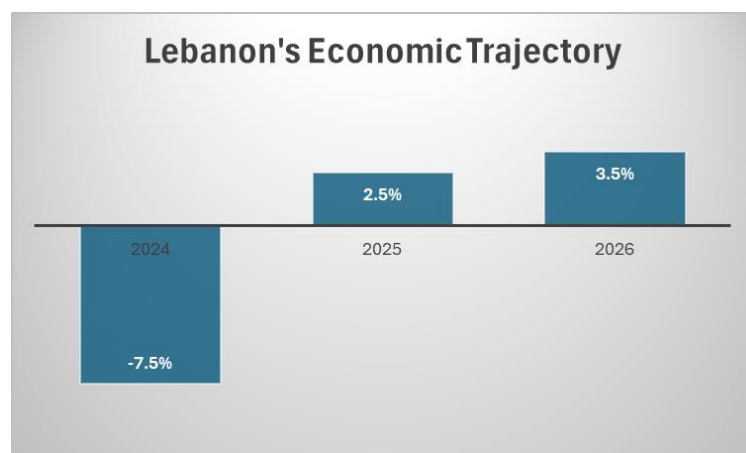
Moody's rating framework rests on four factors: economic strength, institutional and governance strength, fiscal strength, and susceptibility to event risk. Since the rating committee's last meeting in May 2025, none of these factors have materially changed.

The collapse of the currency peg to the dollar triggered sharp depreciation and inflation, eroding much of the domestic debt. Yet Eurobond obligations remain heavy: \$31 billion in principal plus unpaid interest have raised total liabilities to \$42 billion, equal to 127% of GDP in 2025. The central government's overall debt burden is estimated at 148% of GDP, down slightly from 163.8% in 2024, with 98% denominated in foreign currency. Without restructuring, debt levels are expected to remain near these highs in 2026.

It is noteworthy that, based on Moody's calculation of Eurobonds-to-GDP, Lebanon's GDP in 2025 is implicitly estimated at around \$33 billion. This figure appears understated. For reference, CAS reported GDP at \$31.6 billion in 2023, making it unreasonable to assume that output rose by only \$1.4 billion across both 2024 and 2025. While Lebanon's real GDP contracted in 2024 due to the impact of Israel's war on the country, inflation nonetheless drove an increase in nominal GDP. Looking ahead to 2025, the economy is expected to expand both in real terms and nominally, suggesting that GDP should exceed Moody's implied estimate.

Moody's also kept Lebanon's currency ceilings unchanged at Ca, highly speculative likely in default. The local currency ceiling is the result of weak institutions, unpredictable government action, and high domestic and geopolitical risks. The foreign currency ceiling at the same Ca level reflects the economy's dollarization and ongoing restrictions on depositors' transfers and conversions, which are unlikely to ease before restructuring. Meanwhile, the economy continues to depend on large remittance flows through informal channels outside the banking system.

Looking ahead, Lebanon's economy is projected to grow by 2.5% in 2025 and 3.5% in 2026 if the ceasefire between Israel and Hezbollah endures. The resulting stability would strengthen the business environment and attract renewed domestic and international investment.



Data Source: Moody's economic forecasts and estimates for Lebanon

Finally, a rating upgrade is unlikely before debt restructuring is finalized. Future improvements will depend on the pace of fiscal and institutional reforms, the government's ability to generate revenue, and the economy's transition to a more sustainable growth model. A higher rating would also require key debt indicators—such as economic growth, interest rates, liabilities from loss-making public enterprises, and the capacity to sustain large fiscal surpluses—to evolve in ways that ensure debt sustainability and reduce the risk of another default.

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