

## Lebanon's PMI Breaks the Contraction Cycle for the First Time in 2025!



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### Contact Information

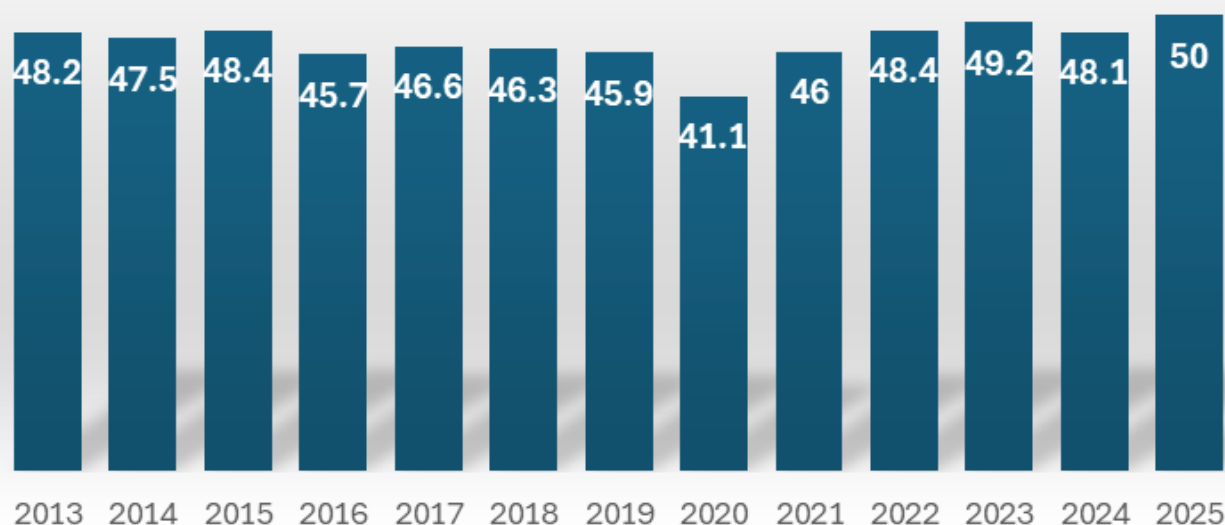
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Lebanon has faced a prolonged period of economic pessimism since the 2019 crisis, but recent data suggests a shift toward recovery. In 2025, the BLOM Lebanon Purchasing Managers' Index (PMI) reached an annual average of 50, the first time since data collection began that the index was not in contraction territory. A reading of 50 indicates economic activity neither expanded nor contracted. The 2024 average, at 48.1, while being in the contraction territory (<50), was also relatively resilient, standing above both Lebanon's historical PMI average (47) and the post-2019 average (47). This report highlights the most significant PMI movements in 2024 and 2025.

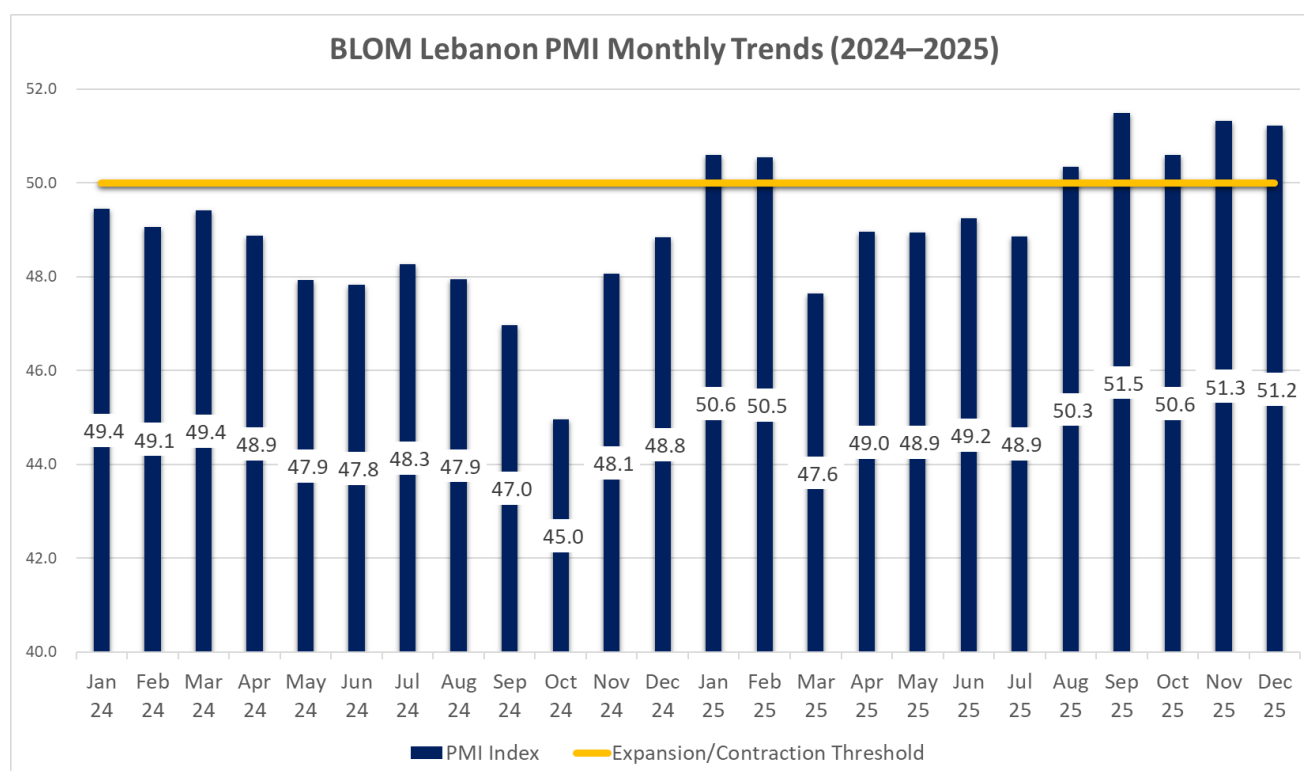
### BLOM Lebanon Annual PMI Average



Source: BLOMINVEST Bank

Note: PMI <50 = contraction | PMI =50 = neutral | PMI >50 = growth

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### Notes:

- PMI <50 = contraction | PMI =50 = neutral | PMI >50 = growth
- The indices are then seasonally adjusted.

Starting with [October 2024](#), Lebanon's PMI fell to 45 from 47 in September, marking its lowest level in 44 months as the war between Hezbollah and Israel escalated. The escalation, along with resulting supply chain disruptions, led to a sharp decline in domestic consumption and weaker demand for exports, which in turn caused a steep drop in private sector output. Lebanese private sector firms also expressed pessimism about the year ahead, with 84% of survey respondents expecting business activity to decline over the next 12 months.

Then, in [November 2024](#), the PMI rose to 48.1, though it remained in the contraction territory, below the 50 threshold. The improvement was driven by recovering exports and stronger domestic demand, supported by inventory restocking and the needs of large numbers of internally displaced people, as well as an injection of additional U.S. dollar liquidity by the Central Bank of Lebanon. It is worth noting that the data was collected before the ceasefire began on November 27, and therefore its impact was not reflected in the November PMI results.

In addition to the ceasefire, one of the most notable achievements in 2024 was the government's commitment to fiscal and monetary discipline. By enforcing strict policies, the authorities secured a modest budget surplus, strengthened the central bank's foreign currency reserves, and maintained exchange rate stability throughout the year at 89,500 LBP per USD.

In 2025, the trend shifted markedly. In [January](#), the PMI rose to 50.6, its highest level since data collection began in May 2013 (up until that point in time), marking a return to the growth zone for the first time since July 2023. This improvement was supported by the election of President Joseph Aoun, the ceasefire in Gaza, and encouraging statements from Arab countries, particularly the Gulf states, reaffirming their commitment to Lebanon's economic recovery. Growth was further driven by rising output and new orders, especially domestic demand, which rose for the first time since July 2023, with rates of increase the highest in 12 years.

Growth continued in [February](#), with all sub-indices moving into the positive territory. The election of a new prime minister and the formation of a new cabinet believed to be pro-reform boosted optimism among Lebanese businesses, as this move was expected to pave the way for a new phase of economic recovery.

In [March 2025](#), the PMI fell to 47.6 from 50.5 in February, its lowest level in five months. The decline was driven by several factors, most notably a sharp escalation in geopolitical tensions, including clashes along Lebanon's border with Syria and intensifying conflict with Israel. Domestically, political optimism waned as new government appointments focused on power-sharing rather than reform. Meanwhile, Israeli attacks on Gaza reached their highest levels since the January ceasefire, alongside rising tensions in the Israeli-U.S.-Houthi conflict. Against this backdrop of local and regional challenges, both output and new orders declined, across domestic markets and exports, reflecting weaker spending on non-essential goods, higher shipping costs due to the war, and reduced tourism activity.

In [August 2025](#), the PMI entered the expansion territory for the first time since February, rising to 50.3 compared to 48.9 in the previous month. Gains were driven by stronger output, new orders, and purchasing stock growth. Strong government action also played a role, notably the move to centralize weapons under state control—a key step toward stability, ending Lebanon's regional isolation and attracting foreign investments. The Central Bank's foreign assets rose by over \$206 million in the first half of August alone, as expats returned for summer, bringing fresh cash into the economy.

Indeed, 2025 stood out as a year of notable achievements for Lebanon. On April 24, Parliament approved amendments to the banking secrecy law, granting regulators access to banking records for a ten-year period. This was followed on July 31 by the passage of the banking sector restructuring law, aimed at protecting small depositors and considered a critical step toward securing external financial support. At the same time, the authorities maintained strict fiscal and monetary discipline, achieving a modest budget surplus according to anecdotal evidence, supported by [improved tax collection](#). Foreign currency reserves at the central bank increased, further supported by rising gold prices, while the exchange rate remained stable throughout the year at 89,500 LBP per USD.

Despite this progress, several shortfalls also occurred in 2025. The government made some progress in reducing non-state weapons, particularly within Palestinian camps, yet the most critical challenge — Hezbollah's disarmament — moved no further than the first phase.

Security instability also persisted, as Israel continued to carry out strikes on Lebanese territory and maintained forces in five strategic locations in southern Lebanon, weighing heavily on the national economy and deterring investment.

In addition, the financial gap law, a key prerequisite for an IMF agreement, was not enacted, with signs that the latest draft may still be amended. Delays in its approval inevitably postpone Lebanon's external debt restructuring process, as the country has been in default on its dollar-denominated Eurobond payments since 2020, and a reform program with the IMF.

Although the banking sector restructuring law has been passed, but its application depends on the approval of the financial gap law and clarity on the banking sector's share of losses. As a result, credit options for businesses remain limited.

**To conclude, a successful implementation of these measures could have lifted Lebanon's PMI in 2025 to the mid-50s.**

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