

Lebanese Private Sector Ends 2025 with its Fifth Successive Month of Growth



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The BLOM Lebanon PMI for December 2025 fell slightly to 51.2 from 51.3 in November yet remained above the 50.0 threshold for a fifth consecutive month, marking the longest uninterrupted expansion in private sector activity in over twelve years. The continued improvement was supported by sustained growth in output and new orders, driven mainly by domestic demand, which was temporarily reinforced by heightened economic activity surrounding the Pope's visit to Beirut in early December, even as export demand weakened, and cost pressures intensified. Politically and on the security front, December was marked by an escalation of tensions and heightened uncertainty, which weighed heavily on business confidence and kept firms cautious in hiring and investment decisions. At the same time, renewed discussion around engagement with the IMF and external support offered limited longer-term hope, though concrete progress remained elusive. Overall, while December's PMI confirmed the resilience of private sector activity into year-end, persistent security risks and political uncertainty continued to constrain expectations for a sustained and broad-based recovery.

A top macro indicator, Lebanon's annual inflation rate increased to 14.74% in November 2025, down from 16.42% in October 2025, according to the Central Administration of Statistics (CAS). The renewed pickup in inflation was mainly driven by a stable exchange rate environment but rising import costs, particularly for food and essential goods. Moreover, ongoing regional tensions continued to disrupt supply chains and elevate transportation and logistics expenses, feeding through to domestic prices. Energy and fuel costs also edged higher in line with fluctuations in global oil markets, placing additional upward pressure on CPI components. Meanwhile, subdued domestic demand and weak purchasing power limited firms' pricing flexibility, preventing sharper price increases and contributing to the month's slower inflation pace. In details, it is worthwhile to note that Education (6.6% of CPI) increased by 76.80% YOY, Recreation, Amusement, and Culture (2.4% of CPI) rose by 39.76% YOY, and Owner occupied (13.6% of CPI) grew by 26.80% YOY during the same period. The highest yearly increase was recorded in the "Education" component, which rose by 76.80% in November 2025. This sharp uptick largely reflects the continued dollarization of tuition fees. Private schools and universities have increasingly shifted their billing to fresh-dollar or dollar-indexed structures to cover operational costs, including salaries, maintenance, and imported educational materials. As a result, households faced a significant rise in schooling expenses at the start of the academic year, amplifying the overall inflation reading for November. On a monthly basis, Consumer Price Index (Inflation) increased between October 2025 and November 2025 by 0.82%. It is also interesting to note that the average inflation rate, between the period of December 2024 and November 2025 stood at 15.09%.

The cumulative activity at Rafic Hariri International Airport rose by 22.41% year-on-year (YoY) to 6,416,954 travelers. This annual improvement is largely driven by the exceptionally low base of November 2024, when the war in Lebanon was at its peak. During that period, Israeli strikes were widespread across multiple regions, leading most international airlines to suspend operations entirely. As a result, only Middle Eastern carriers continued operating, and even their flights were limited, sharply reducing arrivals and departures. With the security situation in 2025 becoming relatively more contained – strikes now concentrated mainly in the South and parts of the Beqaa – airlines gradually resumed service, supporting higher annual airport traffic. **This rebound is also reflected in Total Arrivals, which increased by 28.72% YoY, and Total Departures, which rose by 16.62%**

YoY. Transit passengers, however, declined by 42.97%, as Lebanon continues to function less as a regional transit hub compared to major Gulf hubs. **On a monthly basis, airport passengers' activity reached 466,955 passengers in November 2025, down 14.12% MoM,** reflecting the usual post-summer seasonal slowdown. However, on an annual basis, activity surged due to the extremely depressed travel levels recorded in November 2024 during the peak of the conflict. Monthly Arrivals increased by 208.43% YoY, and Departures grew by 208.63% YoY, underscoring the contrast between last year's wartime flight suspensions and this year's partial normalization of air operations. Transit passengers expanded dramatically by 2223.08% YoY, though from a very low base.

In addition, according to Lebanon's consolidated commercial banks' balance sheet, total assets declined by 1.29% on year-over-year (YoY) basis to stand at \$102.1B by October 2025. On the assets side, currency and deposits with Central Bank represented a high figure of 76.76% of total assets; they dropped annually by 2.85% to settle at \$78.34B in October 2025. Deposits with the central bank (BDL) represented 99.89% of total reserves, and decreased by 2.87% YoY, to reach \$78.3B in October 2025. Furthermore, vault cash in Lebanese pound increased by 22.21% on a yearly basis to stand at \$68.08M by the same period. Claims on resident customers, constituting 4.29% of total assets, shrank by 12.96% to stand at \$4.4B in October 2025. Moreover, resident securities portfolio, representing 4.99% of total assets, decreased by 8.68% in October 2025 to stand at \$5.1B. More specifically, the Eurobond holding recorded a decrease of 5.51% since October 2024, to reach \$2.2B (net of provisions) in October 2025. Additionally, claims on non-resident financial sector rose by 25.55% YoY to stand at \$5.21B by October 2025. On the liabilities side, resident customers' deposits were the main account, representing 64.32% of total liabilities; they dropped by 2.62% since October 2024 to reach \$65.64B by the month of October 2025. In more details, deposits in foreign currencies (being 98.81% of resident customers' deposits) declined by 2.88% YoY to reach \$64.9B by October 2025, additionally deposits in LBP (1.19% of resident customers' deposits) increased by 24.55% YoY to stand at \$783.2M by October 2025. This reveals that a slightly higher proportion of deposits are now held in LBP, as the dollarization ratio for private sector deposits decreased from 99.23% in October 2024 to 99.00% in October 2025. As for non-resident customers' deposits, grasping 21.02% of total liabilities, they recorded a rise of 2.28% and stood at \$21.5B in October 2025. In details, the deposits in LBP rose by 36.93% to reach \$ 41.59M and deposits in foreign currencies

increased by 2.23% to reach \$21.41B over the same period. In addition, non-resident financial sector liabilities representing 2.24% of total liabilities decreased by 9.23% YoY to reach \$2.3B in October 2025. Lastly, the capital accounts stood at \$4.8B, higher by 3.48% than October 2024, noting that only about 10% of those are in LBP.

Furthermore, According to BDL's latest monetary report, the Balance of Payments (BoP) recorded a cumulative surplus of \$15,828.9M up to October 2025, far above than the surplus over the same period last year of \$8,213.8M. Based on the BDL Central Council's Decision Number 37/20/24 dated 13/09/2024, BDL's foreign assets starting January 2024 include the Monetary Gold, the Non-Resident Foreign Securities held by BDL, and the Foreign Currencies & Deposits with Correspondent Banks & International Organization; while excluding the Lebanese Government's Sovereign Bonds and the BDL loans in FX to Resident Banks and Financial Institutions. **The significant increase in the change of BDL NFA is mainly explained by the increase in the value of the Monetary Gold. Accordingly, cumulative Net Foreign Assets (NFAs) of BDL rose by \$14,574.3M while the cumulative NFAs of commercial banks increased by \$1,254.7M by October 2025.** On a monthly basis, NFAs of BDL rose by \$1,892.7M, similarly the NFAs of commercial banks increased by \$41.6M in October 2025. For a more meaningful analysis, we examine the NFAs of commercial banks for the month of October 2025. On the liabilities side, "Non-resident financial sector liabilities" decreased by \$13.44M to reach \$2.3B; in addition, "Non-resident customers' deposits" fell by \$38.48M to reach \$21.45B. Meanwhile, on the asset side, "claims on non-resident financial sector" increased by \$90.8M to reach \$5.21B for the same period; similarly "other foreign assets" increased by \$26.37M to stand at \$2.7B while "Non-resident securities portfolio" fell by \$13.2M recording \$1.33B.

Also, as per BDL's balance sheet, the Central Bank's total assets increased by 0.81% Year-on-Year (YoY), reaching \$94.51B by mid-December 2025. Furthermore, the gold account, representing 42.36% of BDL's total assets, increased by 62.49% yearly to reach \$40.03B by mid-December 2025. Regarding foreign assets item, recently BDL amended it and replaced it by foreign reserve assets item to include only non-resident and liquid foreign assets. Thus, other resident and / or illiquid assets were transferred to securities portfolio or loans to local financial sector. In more details, Lebanese Government Eurobonds with a nominal value of \$4.85B were transferred to securities portfolio; whereas \$298.8M was

transferred to loans to financial sector. As such, BDL foreign reserve assets, consisting of **12.68% of total assets (after transferring the Eurobonds to securities portfolio and the other resident and / or illiquid assets to loans to financial sector)** rose by **17.80% YoY** and stood at **\$11.99B** by mid-December 2025. Additionally, foreign reserve assets increased by **\$137.82M in the first two weeks of December 2025**. On the liabilities front, financial sector deposits, representing 88.44% of BDL's total liabilities, decreased by 2.24% annually and reached \$83.6B by mid-December 2025 compared to last year, of which more than 90% are denominated in dollars. Moreover, public sector deposits, representing 9.19% of BDL's total liabilities, rose by 43.64% yearly and reached \$8.7B by mid-December 2025. Lastly, currency in circulation outside of BDL, consisting of 0.84% of BDL's total liabilities, rose by 27.35% annually to reach \$794.11M by mid-December 2025.

More so, Lebanon saw a cumulative 17.86% year-on-year (YoY) drop in construction permits to 8,324 permits by November 2025. The decline is largely attributed to ongoing insecurity, as Israeli attacks on Lebanon persist despite the ceasefire, though they remain mostly confined to specific regions. Consequently, many remain hesitant to initiate new construction projects. Despite the drop in the number of permits, the cumulative Construction Area Authorized by Permits (CAP) increased by 28.59% to record 7,216,822 square meters (sqm) by November 2025. This marks the highest cumulative CAP for November since 2022, when developers rushed to secure permits before tariffs were updated to reflect the Lebanese Pound's depreciation, taking advantage of the multi-year validity of permits. This divergence between the drop in construction permits and increase in CAP could be explained by the increased tendency for group projects rather than individual projects.

Additionally, According to market sources, Cumulative Lebanese car market expanded by 59% year over year (YoY) by November 2025 to 12,067 cars. On a monthly basis, 1,150 cars were sold in November 2025. Furthermore, the leading sellers of vehicles in Lebanon were Toyota and Kia with number of vehicles sold in November 2025 alone totaled 180 and 150 respectively. It is interesting to note that in November 2025, the share of non-gasoline cars and SUV (Hybrid, Plug-in Hybrid and Fully Electric cars) recorded a total of 247 automobiles. Lebanon's car market has faced significant fluctuations in recent years. Sales of new cars are much lower now compared to 2019, when cars were still being purchased through checks. **Currently, the demand for new vehicles is restricted by the**

absence of financing options, exacerbated by the lower purchasing power of the people. However, there has been some improvement in the past year, and recent numbers up to November 2025 show more car registrations (12,067). Despite this increase, the number of cars sold is still much lower than the sales figures from 2019. This shows that while the market is indeed recovering, it still faces big challenges and is far from returning to its pre-crisis levels.

Apart from that, based on the data published by the Association of Lebanese Banks' (ABL), the total number of cleared checks in the Lebanese financial system decreased remarkably by 42.62% year-over-year (YoY) to 99,704 checks by November 2025. Similarly, the cumulative value of cleared checks in local currency decreased by 21.52% YoY to LBP 56.8B by November 2025. Likewise, the cumulative value of cleared checks in foreign currency dropped by 49.51% year-over-year (YoY) to reach \$615M by November 2025. Moreover, the volumes of cleared checks in Lebanese Pounds and foreign currencies witnessed substantial yearly drop of 40.33% and 67.39% respectively to settle at 94,920 and 4,784 checks, by November 2025. Accordingly, the dollarization rate of checks in terms of volume fell from 8.44% in November 2024 to 4.80% in November 2025. Notably, the number of returned checks was dropped substantially by 47.29% YoY to stand at 516 checks by November 2025. Moreover, the value of returned checks in local currency decreased by 17.00% YOY to record LBP 498B, however, the value of returned checks in foreign currency increased significantly by 40.45% YOY to record \$95.47M in November 2025. Banque du Liban (BDL) recently issued Circular 165, which permits depositors to make payments by check starting June 1st, 2023, as long as their accounts are in either fresh US dollars or Lebanese lira. To support this initiative, BDL has introduced a new clearing system, distinct from the one dedicated to pre-crisis deposits. This circular serves a dual purpose: it encourages customers to open new accounts in both Lebanese pounds and US dollars, while also aiming to decrease the country's dependence on cash and stimulate economic recovery. **As such, in November 2025, the cumulative number of checks issued from fresh accounts reached 87,960, of which 65,010 checks are in USD currency amounting \$871.2M and 22,950 checks are in LBP currency amounting LBP 38,458B. On a monthly basis, the number of fresh cleared checks in both currencies in November 2025 was 10,713 checks.**

According to the General Directorate of Land Registry and Cadastre (LRC), the cumulative number of real estate (RE) transactions reached 64,455, valued at \$5.53B by November 2025. This valuation is calculated at the new official rate of USD/LBP 89,500, effective from February 1st, 2024. Real estate transactions reached 5,896 deals in November 2025, valued at \$503.7M. This marks a 135.84% annual increase and a 14.25% monthly drop. Beirut captured the largest share of transaction value at 31.34% (\$136.3M), followed by Metn with 15.48% (\$80.2M). This reduction could be attributed to lower backlogs that accumulated during earlier years because of shutdowns, as more of these backlogs are down due to continuous work during 2025.

To add, Cumulative container activity at the Port of Beirut rose by 20.15% year-over-year (YoY) to 842,188 TEU by November 2025. Cumulative container activity, referring to cargo loaded onto or unloaded from ships at the port; saw an increase of 23.51% YoY to 635,241 TEU. However, cumulative transshipment activity, which involves cargo transferred from one ship to another at an intermediate port, increased by 10.88% YoY to 206,947 TEU. On a monthly basis the total activity increased by 42.57% to 85,731 TEU compared to November 2024, mainly driven by the end of war escalation, given that in November 2024, Lebanon was in a middle of an aggressive war which led to higher insurance and shipping premiums and safety concerns, thus reduced shipments to Port of Beirut.

On a separate note, on November 28, 2025, the Central Bank of Lebanon issued Intermediate Circulars 746 and 747 amending Basic Circulars 158 and 166, which govern the gradual withdrawal and repayment of foreign currency deposits. The circulars raised monthly withdrawal limits, restricted the additional amounts to point-of-sale usage and extended eligibility to institutions and licensed organizations subject to lifting bank secrecy on sub-accounts for the Central Bank and the Banking Control Commission of Lebanon. The measures became effective on December 1, 2025, and will apply until June 30, 2026, with scope for amendment or renewal.

Moreover, in the October 2025 issue of the Union of Arab Banks' Economic Bulletin, the article on "Structural Performance and Financial Soundness of the Egyptian Banking Sector (2022–Q1 2025)" shows that Egypt's banking sector continued to expand despite regional and global pressures, supported by prudent monetary policy and strong

regulatory oversight by the Central Bank of Egypt. The analysis highlights sustained balance-sheet growth, solid capital adequacy, improving asset quality, high liquidity ratios, and controlled credit expansion. It also notes the dominance of the largest banks and the growing role of Islamic banking, concluding that the sector remains financially sound and resilient.

Meanwhile, in the economic growth literature, the article examines whether **the Arab economy has fallen into a middle-income trap and concludes that it has, as real GDP per capita grew by only 0.11% between 2014 and 2024, far below convergence levels.** The analysis attributes this stagnation to the inability to compete with low-cost producers or advanced innovators due to outdated policies, institutional weaknesses, talent gaps, and political and security instability. It highlights Morocco as a rare case of conditional convergence, while Lebanon's sharp decline in real GDP per capita is presented as a tragic missed opportunity driven by prolonged governance and economic failure.

Furthermore, in the introductory editorial of the **Association of Banks in Lebanon's** October 2025 monthly report, **Dr. Fadi Khalaf** stresses that **restructuring Lebanon's banking sector is unavoidable but insufficient without comprehensive public-sector reform.** He argues that the financial gap stems from decades of unsustainable fiscal policies, and that isolating banks while the state avoids structural reform risks reproducing the crisis. Khalaf concludes that restoring confidence requires a transparent framework that safeguards depositors' rights and ensures shared responsibility between the state and the banking sector.

Ultimately, Islamic finance refers to financial transactions that comply with Sharia principles, notably prohibiting interest and promoting asset-backed, risk-sharing activities, and has grown significantly since its modern development in the 1960s. Globally, Islamic finance assets expanded from around \$2.5 trillion in 2018 to \$6 trillion in 2024, driven mainly by Islamic banking and Sukuk, while supported by standardized regulatory frameworks such as AAOIFI and IFSB. In Lebanon, despite legal recognition since 2004, Islamic finance remains limited due to the financial crisis, weak public trust, low awareness, regulatory gaps, and liquidity management challenges, constraining the sector's growth.

Notably, the Association of Banks in Lebanon (ABL) warned that the leaked ninth draft of the financial regulation and deposit recovery law contains serious flaws, notably by placing losses on depositors and banks instead of the State, which it identified as the primary party responsible due to mismanagement and poor governance. Citing the Alvarez & Marsal report of August 7, 2023, ABL stated that the State and the Central Bank of Lebanon (BDL) were the main causes of the crisis, due to lack of transparency and the concealment of losses. ABL rejected the law's hierarchy of responsibility, stressing that Article 311 of the Code of Money and Credit obliges the State to cover BDL's deficit, and opposed the use of mandatory reserves, which are depositors' funds. The association also highlighted BDL's assets and reiterated its readiness to participate in a comprehensive recovery plan that ensures deposit recovery and restores confidence.

The proposed Gap Law eliminates anomalous deposits and restructures eligible deposits, with all amounts up to \$100,000 to be paid over four years, while larger deposits are repaid through long-dated asset-backed securities issued by Banque du Liban. Analysis of the proposed law concludes that the law imposes costs on banks that could exceed their liquidity and capital, risks penalizing solvent banks, and would undermine banking continuity **unless losses are aligned with banks' actual capacity and supported by Banque du Liban and , most important, state assets.**

Finally, The Association of Banks in Lebanon (ABL) expressed strong opposition to the draft financial gap law presented to the Council of Ministers, stating that it is **fundamentally flawed in substance and methodology and deviates from internationally recognized standards, thereby putting depositors' rights at risk.** ABL stressed that resolving the crisis requires a transparent and accurate assessment of the financial gap, particularly at Banque du Liban, which the draft law fails to provide, instead leading to the erosion of banks' equity and depositors' funds. The Association rejected measures that place banks in direct confrontation with depositors while the state continues to evade its obligations and ignore Banque du Liban's assets, noting that limited asset liquidation could allow full repayment of small depositors. ABL concluded that restoring confidence and achieving sustainable recovery require accountability, transparency, and respect for legal obligations, warning that retroactive measures against banks would further undermine financial stability.

In conclusion, the BLOM Lebanon PMI remained in expansionary territory in December, extending a streak of improvement in private sector conditions into year-end, despite a slight decrease from November's level. While continued growth signals underlying resilience in activity, the persistence of cautious hiring and subdued expectations points to mounting capacity and confidence constraints. Politically and on the security front, December's escalation of tensions reinforced an already fragile environment, dampening sentiment and limiting firms' willingness to commit to longer-term investment. At the same time, intensifying input cost pressures underline the growing risk that inflation could undermine competitiveness and weigh on profitability. As a result, December's PMI underscores that recent gains, though notable, remain vulnerable, with security risks, inflationary pressures, and delayed reforms continuing to cloud the outlook and prevent the current expansion from translating into a durable recovery.

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