

February 5, 2026

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Lebanon's economy recorded positive growth in 2025, marking a modest but notable shift after years of deep economic contraction. According to the article published by the World Bank in winter 2025, *Lebanon Economic Monitor*, this improvement reflects a fragile rebound driven mainly by tourism, sustained remittance inflows, and early signs of macroeconomic stabilization following prolonged crisis conditions. Political developments – including the election of a president, the formation of a government, and progress on delayed reforms such as amendments to the Banking Secrecy Law – have contributed to a degree of institutional and political stabilization. However, this stability remains weak, as ongoing regional conflict, intermittent security incidents, and persistent political polarization continue to weigh heavily on investment, tourism, and overall economic activity.

Despite some progress, reform implementation has been uneven and insufficient relative to the scale of Lebanon's challenges. While steps have been taken in judicial reform, banking sector restructuring, and key public-sector appointments, core reforms remain incomplete. In particular, the banking sector restructuring law, though a step forward, is not fully aligned with international standards and still requires the enactment of a comprehensive “financial gap law” to become effective. Fiscal policy also lacks a credible medium-term framework, limiting its role as a macroeconomic anchor. As emphasized in the article, piecemeal reforms have repeatedly failed to generate durable outcomes, underscoring the need for faster,

broader, and more coordinated macro-financial and sectoral reforms to restore confidence and support sustainable growth.

Economic performance in 2025 has been revised downward, with real GDP growth now estimated at 3.5%, compared to an earlier projection of 4.7%. This downgrade reflects a weaker-than-expected tourism season, largely due to continued regional instability. Growth has been driven primarily by private consumption, supported by remittances and increased dollarization of wages, while investment has made only a limited contribution amid uncertainty and constrained reconstruction spending. On the fiscal front, improved tax compliance has strengthened the government's fiscal position, with expectations of an overall fiscal balance and a cash surplus in 2025. Nevertheless, public debt remains high, and slow progress on debt restructuring continues to exclude Lebanon from international capital markets, leaving its recovery highly vulnerable.

External imbalances remain a central source of risk. The current account deficit is estimated to have narrowed to 15.8% of GDP in 2025, supported by stronger services exports and remittance inflows. However, the trade-in-goods deficit has widened, and external vulnerabilities persist. Exchange rate stability has been maintained since August 2023, supported by enhanced revenue collection, fiscal sterilization, and the absence of monetary financing. This has enabled Banque du Liban (BDL) to manage liquidity conditions and accumulate foreign currency reserves, which increased notably between mid-2024 and mid-2025. Still, reserve accumulation has relied partly on mechanisms that reinject dollar liquidity into the economy, highlighting the fragile nature of monetary stabilization.

Inflation dynamics have shown gradual improvement but remain elevated. Headline inflation is projected to decline to 15.2% in 2025 and fall to single digits in 2026 for the first time since 2019. This downward trend reflects exchange rate stability, the fading of pass-through effects, and the near-complete dollarization of the consumer basket. Nonetheless, domestic inflationary pressures persist, particularly in services such as rent and education, and inflation remains higher than global levels due to limited competition and oligopolistic market structures.

Fiscal policy developments are further detailed in the discussion of Lebanon's 2026 draft budget. The draft aims for a balanced budget, with revenues and expenditures projected at 17.9% of GDP. Revenue gains are expected to stem mainly from enhanced collection and compliance rather than new tax measures, while expenditures are heavily concentrated on recurrent spending – especially wages, salaries, and social benefits – leaving limited room for capital investment. Although timely submission of the budget and the avoidance of Treasury advances are positive steps, the budget process continues to suffer from weak transparency, the absence of a medium-term fiscal framework, and the exclusion of certain externally financed expenditures. The article highlights substantial scope for improving tax policy and administration, particularly through progressive taxation, reducing informality, and addressing widespread non-compliance.

Looking ahead, Lebanon enters 2026 with cautious momentum but significant downside risks. Real GDP growth is projected at around 4%, contingent on sustained reform progress, modest reconstruction inflows, and continued political stability. Remittances and tourism are expected to remain key growth drivers, yet momentum could stall quickly if reforms slows – especially in the run-up to the parliamentary elections scheduled for May 2026. External vulnerabilities are projected to intensify, with the current account deficit expected to widen to 16.1% of GDP in 2026 due to higher imports of raw materials and construction goods. While inflation is forecast to decline further to 8.7%, domestic price pressures may persist if external shocks materialize or if exchange rate conditions deteriorate.

Table 1: Selected Economic Indicators (2015-2026)

	2015	2016	2017	2018	2019	2020	2021	2022 Est.	2023	2024	2025 Proj.	2026 Proj.
(annual percentage change, unless otherwise specified)												
Real Sector												
Real GDP	0.5	1.6	0.9	-1.9	-6.9	-21.4	-7.0	-0.6	-0.8	-7.1	3.5	4.0
Real GDP per Capita*	-1.5	4.0	3.6	1.0	-3.9	-20.1	-7.3	-1.1	-1.3	-7.6	2.7	3.1
(Share of Real GDP)												
Agriculture	3.7	3.8	4.3	4.4	4.7	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Industry	12.7	12.8	12.3	12.0	10.7	12.8	12.8	12.8	12.9	12.9	12.9	12.9
Services	72.0	71.7	71.8	72.2	73.9	76.9	78.6	78.6	78.4	78.4	78.4	78.4
Net Indirect Taxes	11.6	11.7	11.6	11.4	10.6	4.3	2.6	2.6	2.6	2.6	2.6	2.6
(annual percentage change, unless otherwise specified)												
Inflation (Consumer Price Index)	-3.7	-0.9	4.5	6.1	2.9	84.3	154.8	171.2	221.3	45.2	15.2	8.7
(percent of GDP, unless otherwise specified)												
Public Finance**												
Revenue	19.2	19.4	21.9	21.0	20.8	13.1	7.5	6.1	13.7	15.3	16.3	16.6
o/w Tax revenue	13.7	13.7	15.5	15.4	15.6	9.0	5.6	4.9	10.0	11.7	13.2	13.5
Expenditure	26.9	28.7	28.6	32.0	31.4	16.4	6.6	9.0	13.2	14.7	16.3	16.6
Current expenditure	21.7	23.2	23.6	26.0	26.1	14.3	5.8	7.8	11.5	10.3	10.9	11.1
o/w Interest payment	8.9	9.3	9.4	9.9	10.1	2.5	0.9	0.4	0.9	0.3	0.1	0.2
Capital expenditure	1.4	1.4	1.5	1.7	1.3	0.4	0.1	0.2	0.2	0.9	1.9	2.1
Overall fiscal balance	-7.7	-9.3	-6.7	-11.0	-10.6	-3.3	0.9	-2.9	0.5	0.5	0.0	-0.0
Primary balance	1.2	0.0	2.7	-1.2	-0.5	-0.8	1.8	-2.5	1.4	0.9	0.1	0.1
(percent of GDP, unless otherwise specified)												
External Sector												
Current Account Balance	-17.1	-20.5	-22.9	-24.3	-21.5	-8.8	-14.7	-34.6	-28.1	-22.2	-15.8	-16.1
Trade balance	-22.9	-23.7	-24.8	-24.8	-25.1	-20.3	-31.0	-55.0	-53.2	-44.5	-31.4	-30.0
o/w Export (GNFS)	39.7	37.3	36.1	35.7	35.7	28.2	44.9	60.1	52.7	40.2	40.9	41.1
Exports of goods	8.0	7.7	7.6	7.0	9.4	12.9	19.9	21.5	20.6	16.3	14.2	13.4
Exports of services	31.7	29.6	28.5	28.7	26.3	15.3	24.7	38.6	32.1	23.9	26.7	27.7
o/w Import (GNFS)	62.6	61.0	60.9	60.5	60.8	48.5	75.9	115.1	105.9	84.7	72.2	71.1
Imports of goods	35.2	35.1	34.8	34.4	35.3	33.4	55.4	86.4	83.9	57.5	47.4	47.7
Imports of services	27.4	25.9	26.1	26.1	25.5	15.1	20.5	31.3	21.9	27.1	24.8	23.3
Factor services and transfers	5.8	3.2	1.9	0.5	3.0	11.0	18.5	22.3	25.1	22.3	15.6	13.9
o/w Net remittance inflows	7.2	6.7	5.2	4.2	6.1	11.9	17.8	21.9	21.2	18.7	15.9	14.4
Total Public Debt												
Total debt stock (US\$ million)***	70,315	74,959	79,530	85,139	91,922	62,567	46,881	44,312	43,976	45,851	48,158	49,844
o/w External debt	27,089	28,114	30,391	33,496	35,751	38,095	38,959	40,976	42,906	44,825	47,135	48,821

	2015	2016	2017	2018	2019	2020	2021	2022 Est.	2023	2024	2025 Proj.	2026 Proj.
Debt-to-GDP ratio (percent)	140.8	146.6	150.0	155.1	178.1	197.3	202.7	211.1	219.0	176.5	157.4	148.7
Memorandum Items												
Nominal GDP (LBP billion)	75,268	77,105	79,939	82,764	80,196	116,954	271,916	573,282	1,723,308	2,324,462	2,737,720	2,999,923
Exchange rate, average (LBP/ US\$)	1,508	1,508	1,508	1,508	1,554	3,688	11,755	27,309	85,828	89,500	89,500	89,500
Nominal GDP (US\$ million)***	49,929	51,147	53,028	54,902	51,606	31,712	23,132	20,992	20,079	25,972	30,589	33,519

Source: World Bank, Lebanon Economic Monitor - A Fragile Rebound, winter 2025.

Overall, the article characterizes Lebanon's recovery as real but fragile. Without comprehensive reforms, particularly in banking sector restructuring, public debt resolution, and fiscal governance, and without an IMF-supported program to anchor expectations and unlock external financing, the current stabilization risks remaining temporary. Therefore, the report makes it clear that Lebanon stands at a critical juncture, and sustained recovery is possible, but only if authorities commit to decisive, transparent, and inclusive economic reform.

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