

# Initial Estimate of the Impact of the Current War on Lebanese GDP: A Brief Note



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In 2024, the war between Israel and the military wing of Hezbollah<sup>1</sup> lasted for two months from late September to late November. The World Bank (WB) had estimated that, absent the war, the Lebanese economy would have grown by 0.9% in real terms. But after the war, it had estimated that the Lebanese economy fell by -7.1%. So this implies that the impact of the war in those two months in 2024 was a decline in Lebanese GDP at the rate of -8% -- or, on average, a decline at the rate of -4% in each of the two months<sup>2</sup>.

What is the economic impact of the current war that has started again at the beginning of March 2026 between the two belligerents? To answer this question in terms of its impact on Lebanese GDP, we are going to assume that *the intensity of the war is the same now as it was in 2024 -- an assumption that could be largely true*. In addition, we will be using for that purpose WB data, because unfortunately the Central Administration of Statistics (CAS) has published national accounts data for up to 2023 only.

To start with, note that the WB had forecasted that Lebanese GDP would grow by \$3 billion *from \$30.5 billion in 2025 to \$33.5 billion in 2026*<sup>3</sup>. This is a growth of 10%, split between growth of 4% in real GDP and growth of 6% in the GDP deflator (a

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<sup>1</sup> Interesting to note that, since March 2026, the military wing of Hezbollah has been outlawed by the Lebanese government.

<sup>2</sup> WB, *Lebanon Economic Monitor*, Issues: Fall 2024; and Spring 2025.

<sup>3</sup> WB, *Lebanon Economic Monitor*, Issue: Winter 2025.

*sound measure of inflation*). So, on average, at the end of February 2026 GDP would have reached \$31 billion (\$0.25 billion for each month); and at the end of March 2026 it would have reached \$31.25 billion.

But because of the war, and utilizing the stated assumption above, we now know that GDP would fall by -4% at the end of March 2026 if the war stayed this long. Moreover, the additional \$0.25 billion that would have been attained in that month, had there been no war, would be forgone. *So the total loss of GDP in March 2026 would be equal to:*

$$\$31 \text{ billion} \times 0.035 + \$0.25 \text{ billion} = \$1.08 \text{ billion} + \$0.25 \text{ billion} = \$1.33 \text{ billion}$$

Note that, though the fall in *real GDP* would have been -4%, the GDP deflator would have grown by 0.5% during that month (as its annual rate is 6%), making the fall in *nominal GDP* to be at the rate of -3.5% in March 2026. More important, as the above simple calculation shows, *the loss in GDP from the war would be expected to be close to \$1.35 billion in March 2026*. And, simply speaking, if the war – God forbids! -- continues for a year at the same intensity, *the loss would be a whopping \$16.2 billion*.

That said, two important qualifying remarks need to be registered regarding the above result. First, the assumptions of the same war intensity and stability of the GDP deflator growth at 6% may not hold. For instance, if the war intensity proves to be less by end of March 2026, and the GDP deflator shows a higher trajectory (*assuming a constant exchange rate*), then the GDP loss would be lower. Second, CAS had estimated that *Lebanese GDP in 2023 reached \$30.4 billion*, and that is actually what the WB had estimated for 2024! – in other words, the WB estimate is undervalued for 2024. And if that proves to be true when CAS estimates for 2024 are out, then the loss of GDP for March 2026 from the current war, based on our methodology, would be higher.

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