

## PMI Rebounds in February as New Business Growth Re-accelerates Sharply



March 4, 2026

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**The BLOM Lebanon PMI rose to 51.2 in February 2026, from 50.1 in January, its seventh straight month in expansion.** Growth was driven by rising new orders, and stronger output, supported partially by an expected rise in public sector wages in the short-term and improvement in the country's economic conditions. However, this came with inflationary pressures. To fund the increase in public sector salaries, the cabinet announced hikes in petrol and value-added taxes (VAT) in February. Petrol taxes, effective immediately, fuelled inflationary pressures. It seems that the proposed VAT increases, still awaiting parliament's approval, pushed customers to buy in advance before prices rose, driving new orders higher and output to meet demand. Notably, despite rising inflation, staff costs remained almost stagnant, so private sector wages slipped relative to inflation. **It is worth highlighting that data was gathered before the escalation of the war in Lebanon and the wider region.**

That said, according to the Central Administration of Statistics (CAS), [Lebanon's annual inflation rate increased by 10.91% in January 2026](#), down from 12.23% in December 2025. This slowdown mainly reflected a steady exchange rate environment. The highest yearly increase was recorded in the "Education" component, which rose by 35.94% in January 2026. On a monthly basis, inflation marginally fell between December 2025 and January 2026 by 0.08%.

Based on market sources, [cumulative Lebanese car market expanded by 37.34% year-over-year \(YoY\) in January 2026, recording 1,166 cars](#). The leading sellers of vehicles in Lebanon were Toyota, Nissan, and MG with number of vehicles sold in January 2026 alone totaled 231, 89, and 80 respectively.

As per the Lebanese Customs Administration, [Lebanon's cumulative trade deficit increased by 22.84% YoY, to reach \\$17.44B by December 2025](#). This change was driven by a cumulative 24.70% YoY (\$21,076 million) surge in imports by December 2025 despite a 34.43% YoY (\$3,639 million) rise in exports during the same period. The increase of Lebanon's trade deficit is largely reflecting the impact of persistent regional and geopolitical pressures. Ongoing tensions along the southern border continued to disrupt economic activity and logistics, weighing on trade flows and investor confidence. At the same time, shifting regional dynamics – including relatively stronger trade movement through neighboring Syria and alternative transit routes – reduced Lebanon's traditional role as a regional trade and re-export hub. Continued political uncertainty and the absence of structural economic reforms further constrained productive sectors and external competitiveness.

Apart from that, [Lebanon saw a 35.86% YoY rise in construction permits to 754 permits in January 2026](#). The increase is primarily due to a more stable security environment, despite ongoing strikes in certain regions. The Construction Area Authorized by Permits (CAP) also increased by 43.26% YoY to record 715,457 square meters (sqm) in January 2026.

Moreover, the data of the General Directorate of Land Registry and Cadastre (LRC) showed that [the cumulative number of real estate \(RE\) transactions reached 4,633, valued at \\$476.42M in January 2026](#). This valuation is calculated at the new official rate of USD/LBP 89,500, effective from February 1<sup>st</sup>, 2024. The number of real estate transactions increased by 67.86% on an annual basis, and decreased by 29.01% on a monthly basis. The value of real estate transactions in January 2026 reached \$476.42M. Beirut held the largest share of the total value at 30.42%, amounting to \$144.94M. Metn followed with 19.39% of the total value, equivalent to \$69.6M. This increase in real estate transactions is mainly attributed to the relative exchange rate stability and sustained demand for property as a secure investment amid ongoing dollarization. Cash buyers also supported the activity.

Besides that, as per the data published by the Association of Lebanese Banks' (ABL), [the total number of cleared checks in the Lebanese financial system decreased remarkably from 10,235 checks in January 2025 to 6,270 checks in January 2026](#). Similarly, value of cleared checks in local currency decreased from LBP 5,502B in January 2025 to LBP 4,940B in January 2026. Additionally, the value of cleared checks in foreign currency dropped from \$78M in January 2025 to \$37M in January 2026. Moreover, the volumes of cleared checks in Lebanese Pounds and foreign currencies witnessed substantial yearly drop of 36.35% and 70.32% respectively to settle at 6,056 and 214 checks, in January 2026. Accordingly, the dollarization rate of checks in terms of volume fell from 7.04% in January 2025 to 3.41% in January 2026.

In addition, [according to Lebanon's consolidated commercial banks' balance sheet, total assets declined by 0.44% YoY basis to stand at \\$102.3B by December 2025](#) amid Banque Du Liban's (BDL) adoption of a new exchange rate of LBP 89,500 per USD effective 31/01/2024. On the assets side, currency and deposits with Central Bank represented a high figure of 75.74% of total assets; they dropped annually by 2.73% to settle at \$77.5B in December 2025. Deposits with the central bank represented 99.91% of total reserves, and decreased by 2.72% YoY, to reach \$77.41B in December 2025. On the liabilities side, resident customers' deposits were the main account, representing 63.69% of total liabilities; they dropped by 2.79% since December 2024 to reach \$65.2B by the month of December 2025. In more details, deposits in foreign currencies (being 98.70% of resident customers' deposits) declined by 3.05% YoY to reach \$64.31B by December 2025, additionally deposits in LBP (1.30% of resident customers' deposits) increased by 21.91% YoY to stand at \$846.55M by December 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 99.14% in December 2024 to 98.91% in December 2025.

Alongside that, based on BDL's balance sheet, [the Central Bank's total assets increased by 0.42% YoY, reaching \\$93.92B by mid-February 2026](#). In details, the gold account, representing 48.78% of BDL's total assets, increased by 70.29% yearly to reach \$45.81B by mid-February 2026. 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 12.86% 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 14.70% YoY and stood at \$12.07B by mid-February 2026, around \$1.55B in USD. Additionally, foreign reserve assets increased by \$126.55M in the first two weeks of February 2026.** On the liabilities front, financial sector deposits, representing 87.81% of BDL's total liabilities, decreased by 3.20% annually and reached \$82.47B by mid-February 2026 compared to last year, of which more than 90% are denominated in dollars. Moreover, public sector deposits, representing 9.76% of BDL's total liabilities, rose by 43.27% yearly and reached \$9.17B by mid-February 2026. Lastly, currency in circulation outside of BDL, consisting of 0.82% of BDL's total liabilities, fell by 19.12% annually to reach \$769.22M by mid-February 2026.

In parallel, as per BDL's latest monetary report, [the Balance of Payments \(BoP\), as the change of Net Foreign Assets in the banking system, recorded a cumulative surplus of \\$19,560.8M up to December 2025](#), far above than the surplus over the same period last year of \$6,437.0M. Accordingly, cumulative Net Foreign Assets (NFAs) of BDL rose by \$18,025.7M while the cumulative NFAs of commercial banks increased by \$1,535.3M by December 2025. The significant increase in the change of BDL NFA is mainly explained by the increase in the value of the Monetary Gold. On a monthly basis, NFAs of BDL rose by \$2,015.9M, similarly the NFAs of commercial banks increased by \$215.9M in December 2025.

On a separate note, the [World Bank revised economic performance in 2025 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.

Furthermore, the [World Bank provided \\$350 million in financing to Lebanon](#). The financing package is divided into two key projects. The first, the Social Safety Net Enhancement and System Building Project, valued at \$200 million. The second component, the Inclusive Digital Transformation Acceleration Project, valued at \$150 million, focuses on improving digital access to public services and economic opportunities. In parallel with the World Bank's financing, Qatar has pledged \$400 million to support Lebanon's electricity sector.

Also, [S&P Global Ratings](#) raised Lebanon's long-term rating in local currency (LC) to CCC+ in February 13th, 2026 from CCC and upheld its short-term LC rating at C; with a stable future outlook. However, S&P maintained Lebanon's rating in foreign currency (FC) at Selective Default (SD).

On January 29<sup>th</sup>, 2026, the Lebanese Parliament passed the [2026 Budget Law](#) prepared by the Ministry of Finance (MoF) and approved by Council of Ministers (COM). This budget law is generally a balanced budget where expenditures is equal revenues (USD 6 billion); with a small primary surplus at around \$300M.

Moreover, [an International Monetary Fund \(IMF\) mission, led by Ernesto Ramirez Rigo, visited Beirut, Lebanon, from February 10 to 13, 2026, to discuss progress on key economic and financial reforms](#). The IMF pointed that the draft Financial Stabilization and Depositor Recovery (FSDR) law needs to be aligned with international principles, including to ensure that the hierarchy of claims will be respected and no losses would be allocated to depositors before they are allocated to shareholders or junior creditors, and to reestablish a viable banking system for current and future generations. Also, the authorities are preparing a medium-term fiscal framework, which is critically needed to support their bank restructuring strategy, underpin a sovereign debt restructuring to restore debt sustainability, and expand much needed social and capital spending, while rebuilding institutional capacity.

The IMF's visit came with several **off the record** proposed changes to the latest draft of the Financial Regularization & Deposit Recovery Law (commonly known as the Financial Gap Law) approved by the cabinet. As part of its recommendations, the IMF requested a fresh assessment of BDL's assets and liabilities. [We examined the impact of the proposed changes on BDL's balance sheet, as well as further adjustments we found necessary](#): repricing gold and Eurobonds to the two-year average, reassessing loans to the public sector (with obligations potentially closer to \$40–50 billion than the \$16.6 billion reported), re-evaluating public sector deposits, given their mix of dollars, lollars, and lira, re-evaluating financial sector deposits, following a reassessment of illicit funds linked to corruption and misconduct, and updating the re-valuation account to reflect gold value adjustments.

Additionally, [the former Deputy Prime Minister of Lebanon \(2021 -2025\), Mr Saade Chami, provided in January 2026 an analysis of the proposed Financial Gap law in an article, The New Gap Law: A Useful Framework with Strategic Ambiguity](#). He recognizes this proposed law's value in imposing structure and moving the debate forward. Yet, without clarity on core fundamentals like numbers, liquidity constraints, and State exposure. While the analysis is excellent, it would have been even better if it examined the origins of the crisis – unsustainable fiscal/governance and monetary/exchange rate policies. Acknowledging that the crisis originated with BDL rather than the banks would have strengthened the analysis, since in this case the IMF's hierarchy of claims framework is not directly applicable.

Besides, the Lebanese Council of Ministers (COM) approved on 16 February 2026 an [increase to public sector wages and benefits \(for army and administrative personnel and retirees\), in addition to higher indirect taxes to finance the said increase](#). The wages and benefits bill is expected to rise by \$800M annually, whereas it is hoped that the higher indirect taxes will be enough to fund that increase.

In addition, [Goldman Sachs warns that Lebanon's Eurobond rally has moved ahead of fundamentals, with bonds trading above 29¢ while their fair value estimate is only 12–25¢](#). They point to unfinished reforms, uncertain banking losses, and political risks that could lead to deeper haircuts. *This valuation is anticipated to weaken further amid the escalation of the Israeli-Hezbollah conflict.*

**In conclusion, the BLOM Lebanon PMI recorded its seventh straight month in expansion**, mainly driven by rising new orders and stronger output. The 12-month outlook index stayed in contraction but climbed to a 6-month high. *It should be emphasized that with the escalation of the Israel-Hezbollah conflict in early March, it is expected that the 12-month outlook index will decline drastically, dragging the overall PMI into contraction—we expect, likely, closer to 47.*

That is because, during wars, it is typical to experience a decline in new orders and new export orders as domestic demand will be limited to essential goods, while international clients avoid requests from conflict-affected countries due to increased shipping costs and supply chain disruptions, which will also raise output prices. In addition, aid is expected to be more limited than during the 2024 war, and consequently, the domestic demand to support internal refugees will likely be smaller. Furthermore, economic reforms are typically delayed during wars as priorities shift toward more pressing emergencies. *As a result, we anticipate that the PMI in 2026 will revert to an average in the contraction zone, reversing last year's unprecedented break from the contraction cycle since data collection began in 2013, and registering below the 2024 average of 48.1—likely closer to 47.*

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