

Lebanese Nominal GDP Growth: It is all in the GDP Deflator!



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Table 1: Previous CAS Data:

	2019	2020	2021	2022	2023
Nominal GDP (Tn LBP)	80.3	91.6	254.7	651.2	2,760.6
Real GDP Growth (%)	-6.6	-26.8	2.1	1.8	0.5
Average Exchange Rate (LBP)	1,507.5	3,843.5	12,647.0	30,473.5	87,472.3
Nominal GDP (Bn USD)	53.3	23.8	20.1	21.3	31.5

Table 2: Updated CAS Data:

	2019	2020	2021	2022	2023
Nominal GDP (Tn LBP)	80.3	91.1	246.1	621.3	2,257.8
Real GDP Growth (%)	-6.6	-26.7	1.6	1.4	-0.5
Average Exchange Rate (LBP)	1,507.5	3,810.0	12,563.2	30,477.1	87,043.2
Nominal GDP (Bn USD)	53.3	23.9	19.6	20.4	25.9

In late 2025, the Central Administration of Statistics (CAS) published the national accounts for year 2023, as some of the relevant indicators are shown in Table 1 above. However, in March 2026, when the national accounts for year 2024 were published, the figures for the 2019 to 2023 period were altered, as can be seen in Table 2. Most notable is the nominal GDP for year 2023, which in the previous data stood at 2,760.1 trillion LBP (or \$31.5 billion), but now with the new data it stood at 2,257.8 trillion LBP (or \$25.9 billion). Why was that? This is what we will try to elaborate in this note.

Comparing the two Tables, we can see that the difference between the previous and the updated 2023 nominal GDP estimates can't be explained in terms of differences in real GDP growth rates or differences in exchange rates as these were more or less very close to each other. So the difference has to be explained in terms of differences in the GDP deflator. That is because the change in nominal GDP is equal to the sum of changes in the GDP deflator and real GDP growth. And as the brief analysis below will show, this is in fact what we will obtain.

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Table 3: Inflation Variables

%	GDP Deflator Growth (Previous)	GDP Deflator Growth (Updated)	CPI Growth	Exchange Rate Depreciation
2019	3.3	3.3	2.9	0.0
2020	55.9	59.1	84.9	152.8
2021	172.2	165.7	154.8	229.7
2022	151.1	148.9	171.2	142.6
2023	321.8	265.0	221.3	185.6

We can see from Table 3 that the GDP deflator growth for year 2023 was drastically adjusted as it fell from 321.1% to 265%, almost a 56% decline; while for all the other years, 2019 to 2022, it was more or less the same. As such, recalling that:
GDP 2023 = GDP 2022 + GDP 2022 (sum of GDP real growth and GDP deflator growth)

Then:

GDP 2023 previous = 651.2 + 651.2 (3.223) = **2,760.6 trillion LBP or \$31.5 billion USD**

GDP 2023 updated = 621.3 + 621.3 (2.645) = **2,257.8 trillion LBP or \$25.9 billion USD**

The above calculations show, first, that **GDP deflator growth was doing ‘all’ the growth in nominal GDP, which is hardly an achievement in real terms. Second, they show a downward adjustment in nominal GDP of more than 500 trillion LBP or \$5 billion – a substantial adjustment, no doubt.**

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But was a downward adjustment of this magnitude justified? To help us answer the question, a note on the difference between the GDP deflator and the consumer price index (CPI) is relevant. Three main differences are important:

- 1) GDP deflator includes prices of domestically produced goods only; while CPI includes the prices of domestically produced goods and imports also;
- 2) GDP deflator includes prices of both consumer goods and capitals goods; whereas the CPI includes prices of consumer goods only;
- 3) GDP deflator allows substitution among goods as they are currently produced; however, CPI doesn't, as it is based on a fixed basket of goods whose weights are not adjusted¹.

That said, there are three reasons that would justify the downward adjustment in the GDP deflator growth in 2023:

- 1) The increase in CPI from 171.2% to 221.3% between 2023 and 2024 doesn't justify an increase in the GDP deflator growth from 151.1% to 321.8% during the same period; whereas the rise from 148.9% to 265% is a more reasonable one;
- 2) It is widely believed that the price increases of capital goods, both globally and domestically, have eased in 2023 after the havocs in supply chains due to Covid were ended; thus the updated change in the GDP deflator growth is more warranted;
- 3) Changes in the exchange rate affect GDP deflator growth as a result of the 'pass-through effect' to domestically produced goods. As such, the exchange rate change between 2023 and 2024 from 142.6% to 185.6% can't justify the rise in the GDP deflator growth from 151.1% to 321.8%; but the updated change is by far better justified.

We would like to close with two important observations. First, regardless which GDP deflator growth is adopted (though the updated one makes more sense), it was responsible for all the growth in nominal GDP in 2023. Real growth was clearly absent, something that is really unfortunate, especially given that 2023 was supposed to be a recover year, without war concerns. Second, the reduction in the nominal GDP estimate in 2023 from \$31.5 billion to \$25.9 billion, from a debt sustainability point of view, is a 'blessing in disguise', as it implies that the level of sustainable debt is lower than otherwise, and accordingly justifies a larger haircut on Eurobonds come restructuring!

In fact, the adjustment is done rarely, every 5 or 10 years. Besides, the GDP deflator allows for qualitative changes in ¹ prices, but the CPI doesn't.

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