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Guest Article:

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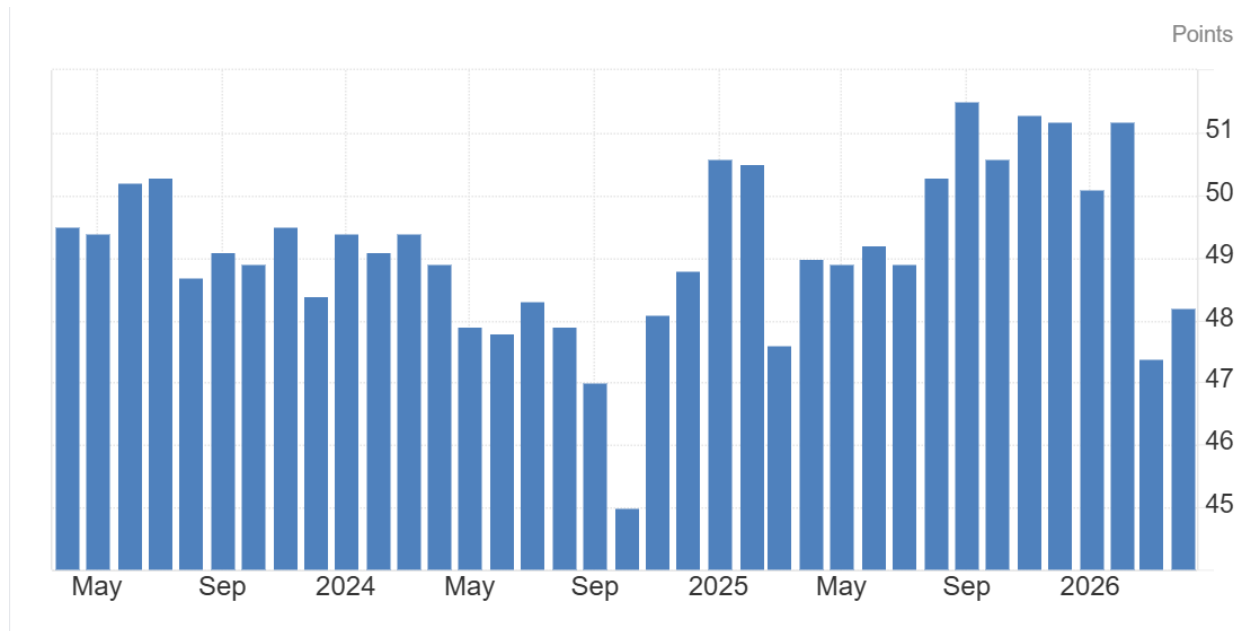
Via, research@blominvestbank.com

1.Intoduction

Was the economic recovery that Lebanon witnessed in 2025 based on a sustainable productive activity that can be built on? Or was it a fragile and artificial recovery? Were the economic activities legitimate? And how can we know?

The Lebanese Economy recorded in 2025 the best performance in more than a decade, Gross Domestic Product (GDP) grew at 3.5% as per World Bank estimation, and 3.8% per BDL. And the Purchasing Managers Index (PMI) was in the growth zone (above 50) for the full year 2025 for the first time since PMI data was first collected in Lebanon in May 2013, and also reached 51.5 in September 2025, which was the highest reading ever.

BLOM Lebanon PMI



Source: BLOMINVEST

Optimist observers see this growth as driven by political stability in the country after the presidential election and the formation of a reform government, and the Banking Secrecy law amendments and the progress made in the Financial Gap Law, which restored some trust. In addition to stable exchange rates and the improvement in tax collection and monetary management which resulted in lower inflation rates. Besides, tourism and the dollarization of the economy contributed to increased consumers spending.

But should we cheer for 2025? Can it be considered a model year for economic recovery in Lebanon? Could there be something suspicious in this growth? In this report we will review a couple of facts in this matter, in addition to indicators of illegal economic activities and baseless economic growth.

2. Alternative Look at the Growth Recorded in 2025

A. Trade Deficit and ‘Quasai-Rentier Economy’

In its annual report "Macroeconomic Review - December 2025", published in April 2026, Central Bank of Lebanon talked about the growth drivers in 2025, and mentioned that economic activity was primarily driven by domestic consumption, and that domestic consumption in turn was mainly supported by tourism. This raised two different key concerns. The first one is that demand was narrow in 2025 and limited to internal consumption, exports growth remained limited while imports surged, which reflects persistent imbalances and trade deficit. Data collected from the Lebanese Customs Administration showed that Lebanon’s cumulative trade deficit for the full year 2025 increased by 22.84%, compared to 2024, to reach 17.44\$ billion.

Lebanon’s Balance of Trade (USD Million)

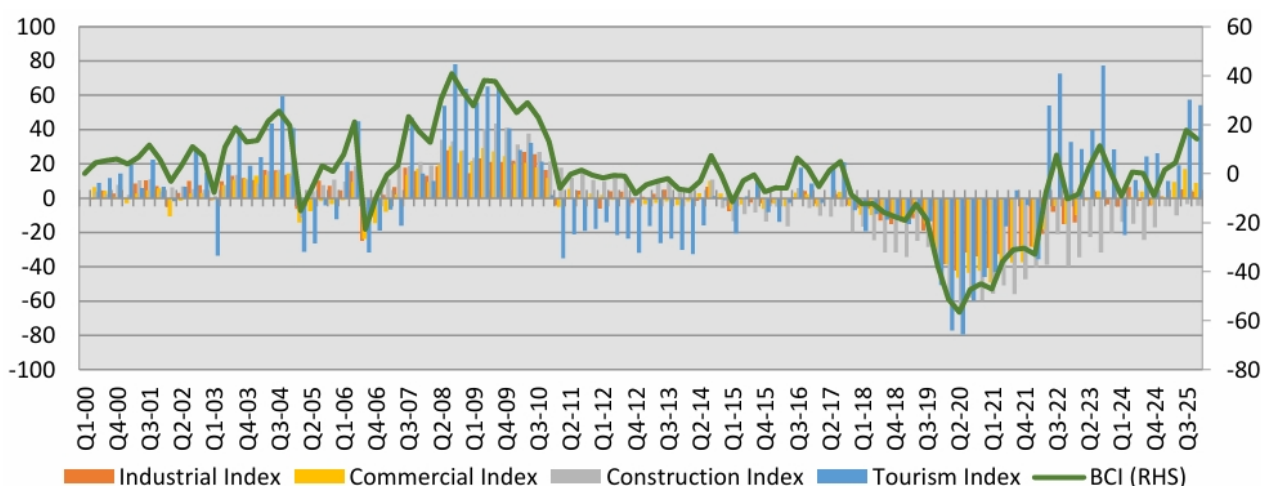
| Indicators | Dec-25 | Nov-25 | MoM Change | Dec-24 | YoY Change | YTD Dec 2025 | YTD Dec 2024 | YTD YoY Change |
|---------------|--------|--------|------------|--------|------------|--------------|--------------|----------------|
| Exports | 430 | 226 | 90.27% | 212 | 102.83% | 3,639 | 2,707 | 34.43% |
| Imports | 1,698 | 1,734 | -2.08% | 1,185 | 43.29% | 21,076 | 16,902 | 24.70% |
| Trade Balance | -1,268 | -1,508 | -15.92% | -973 | 30.32% | -17,437 | -14,195 | 22.84% |

YTD: Year to Date

Source: BLOMINVEST

Second, the improvement in economic activity was mainly driven by tourism, although industrial activity stabilized and construction recorded a modest uptick, as per the report of the Central Bank, and as can be seen from the Business Composite Indicator¹ (BCI) and its sectoral components below.

A business composite indicator aggregates multiple economic metrics into a single value. It provides a holistic overview of current economic health, making it easier to benchmark performance without evaluating dozens of scattered statistics



Source: BDL

Lebanon in 2025 witnessed a boom in restaurants and hospitality sector. The year was recorded as the strongest year for new startups and market activity in this sector since the beginning of the crisis in 2019. Beirut had witnessed a surprisingly impressive spread of expensive restaurants despite the economic collapse. Specifically, 402 new restaurant and hospitality brands were registered in the Ministry of Economy in the period between the beginning of 2025 and summer 2025, which raised the total number of operational restaurants and cafes and nightlife venues to around 5,500. It is worth mentioning here that the sector had reached 8,500 prior to 2019 crisis and dropped to far fewer than that during the crisis. This strong rebound was supported by a strong touristic summer: the year 2025 recorded 44.59% growth in the number of tourists and expatriates, following a 32% decline in 2024.

Historically, the Lebanese Economy is heavily dominated by the services sector, which accounts for approximately 80% of GDP. This doesn't seem to have adjusted much in 2025, as it shows no signs towards transition to a productive economy in place of a 'quasai-rentier' one. Besides, tourism is a seasonal factor of growth, and having it as the main driver means that our economy remains fragile and sensitive to external developments and shift in confidence. Not to mention that restaurants specifically are usually one of the classical tools to legitimize illicit funds, since it is easy to mix it with daily sales.

B. Cash Economy and Money Smuggling

Since the beginning of the banking crisis in 2019, Lebanon transitioned to a massive cash economy. And today, some estimates suggest that a large portion of economic activity in Lebanon, approximately 46% of GDP, is transacted in cash. This facilitates hiding illicit funding since it is difficult to track the origin of funds, which exposes the Lebanese financial system to huge security and criminal risks. Not to mention the difficulties in monitoring informal financial institutions and exchange shops and illegitimate money transport. To wit, the Lebanese authorities in 2025 seized many attempts to transport money in cash across Rafik Hariri International Airport; for instance, the most prominent of them was 2.5 million dollars hidden in a suitcase of a passenger coming from Turkey in February 2025, and 7 million dollars in suitcases on a flight coming from African nation in June 2025

C. Illegitimate Financial Institutions

Since Lebanon's transition to cash economy, hundreds of informal and unregulated exchange shops have operated in Lebanon which bypass the oversight of the banking system, in addition to the active networks through messaging applications that is operating outside the supervision of the central bank. Not to mention the long history of smuggling operations at the borders that can overcome state regulations. Add to that, Al Qard Al Hassan Financial Institution that is unlicensed but is still operating despite tight restrictions and war damages. The positive news is that the Lebanese Government have taken several concrete and legislative steps to combat money laundering and unlicensed financial institutions, such as: the amendment to the Banking Secrecy law in order to achieve financial transparency and better comply with the International guidelines and requirements, the issuance of a directive by the central bank in July 2025 which prohibit licensed institutions from dealing with unlicensed financial groups and internationally sanctioned ones, the upgrading of the monitoring and scanning infrastructure in the airport and the port and on borders. But despite all these measures, Lebanese authorities are still facing deficiencies in regulatory oversight and inability to separate legitimate entrepreneurs from illegitimate ones who can still mask their wealth. All of that has kept the Lebanese financial system vulnerable, and prompted the Financial Action Task Force FATF to keep Lebanon on its Grey List despite the Lebanese Government efforts. Lebanon was listed on this list in October 2024, due to the strategic failure in combating money laundering and financing terrorism. This was followed by listing Lebanon in July 2025 on the black list for high-risk third countries by the European Commission in the field of money laundering and terrorism financing.

3. Conclusion

The economic recovery that Lebanon witnessed in 2025 remained fragile and limited, and not a sustainable growth based on a productive and legitimate economy, rather a temporary stability built on unstable foundations. The stability of the exchange rate was not caused by a strong economy or increased production, rather is caused by restrictive and conservative recessionary monetary policy; hence, it is a delicate un-sustainable stability. Though not a perfect, we can see that as a consequence of the renewed military conflict, in addition to destruction and displacements, which resulted in a new wave of economic decline and huge immediate reversal of the fragile growth and economic gain.

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