

How Strong is the Impact of Exports on BDL's Foreign Reserves? A Simple View



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Million USD	Foreign Reserves: FR	Total Exports: X	Δ Foreign Reserves: ΔFR	Δ Total Exports: ΔX
Jun-23	9,300	1,082.90		
Jul-23	8,780	1,216.37	-520	133.47
Aug-23	8,870	1,250.59	90	34.22
Sep-23	8,960	1,089.06	90	-161.53
Oct-23	9,140	1,017.58	180	-71.48
Nov-23	9,270	868.9	130	-148.68
Dec-23	9,520	962.71	250	93.81
Jan-24	9,580	937.08	60	-25.63
Feb-24	9,780	809.86	200	-127.22
Mar-24	9,810	929.43	30	119.57
Apr-24	9,880	939.54	70	10.11
May-24	10,080	1,110.86	200	171.32
Jun-24	10,120	981.61	40	-129.25
Jul-24	10,440	1,194.22	320	212.61
Aug-24	10,700	965.35	260	-228.87
Sep-24	10,850	861.25	150	-104.1
Oct-24	10,260	705.65	-590	-155.6
Nov-24	10,150	601.31	-110	-104.34
Dec-24	10,130	879.83	-20	278.52
Jan-25	10,380	929.75	250	49.92
Feb-25	10,520	889.9	140	-39.85
Mar-25	10,720	835.12	200	-54.78
Apr-25	11,060	925.83	340	90.71
May-25	11,110	1127.4	50	201.57
Jun-25	11,320	993.69	210	-133.71
Jul-25	11,480	1,433.14	160	439.45

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Aug-25	11,660	1,198.97	180	-234.17
Sep-25	11,750	1,035.94	90	-163.03
Oct-25	11,860	962.4	110	-73.54
Nov-25	11,840	833.75	-20	-128.65
Dec-25	11,890	1,194.55	50	360.8
Average	10,361	922.41	86.33	3.72

Source: BDL

It is widely believed that the Lebanese economy started on the path of stability in early summer 2023, mostly with the stabilization of the exchange rate. The election of a new president and the formation of a new reform government in early 2025 have surely added to the stability and reform momentum, but that has unfortunately put on hold by the war with Israel that Hezbollah has imposed on the country since the beginning of March 2026. As a result, the economy is currently in a severe recessionary mode, and one of its most salient features is the loss of foreign reserves at BDL, which fell by \$440 million in the months of March and April 2026. Of course, what adds insult to injury is that the sources of economic activity that nourish BDL's foreign reserves have been negatively affected too, because of the war: through the current account, these are exports and remittances; and through the capital account, FDI and official loans.

In this note, we will try to ascertain the impact of exports, both goods (like jewelry) and services (like tourism), on the BDL's foreign reserves. We will capture this impact by the simple, yet instrumental, notion of the elasticity of foreign reserves (FR) with respect to exports (X). This elasticity (E) is measured as follows (with Δ signifying change):

$$(1) E = (\% \Delta \text{ in FR}) / (\% \Delta \text{ in X}) = (\Delta \text{FR} / \text{FR}) / (\Delta \text{X} / \text{X}) = (\Delta \text{FR} / \Delta \text{X}) \cdot (\text{X} / \text{FR})$$

Simply put, E captures the percentage change in BDL's foreign reserves that will arise from a given percentage change in exports. And to arrive at a numerical value for E, we calculated its components for the **monthly** period stretching from June 2023 to December 2025¹, as shown in the table above². Notice that, in monthly terms, FR averaged \$10,361 million during the period, whereas X averaged \$922.41 million, 38% of which was in goods and 62% in services.

¹ December 2025 is the last date for available data on exports of goods and services from BDL.

² The data set covers 30 data points which is considered the bare minimum for statistical significance, and which contains enough cyclical periods that the average estimate can smooth out.

Using the average value for these components or variables, E can be found as:

$$(2) E = (86.33/3.72).(922.41/10,361) = 23.2 \times 0.089 = 2.06$$

Equation (2) is very illuminating. It indicates that a 1% change in exports will generate a 2% change in foreign reserves – quite a strong result. Sadly, it also means that, for any percentage loss in total exports because of the current war, the loss in reserves would be twice as much.

That this elasticity estimate, or the magnitude of the response of FR to changes in X, carries important implications for Lebanon can be deduced from the following three crucial arguments:

First, though there are yet no monthly data for goods and services exports from BDL for the year 2026³, the BLOM Lebanon Purchasing Managers Index – a leading indicator of economic activity – for the Month April 2026 saw the exports sub-index fall to a low 30, noting that 50 is the break-even point. So this doesn't bode well at all for both GDP and FR growth.

Second, the effect on FR accumulation could be especially significant. This is not only because the elasticity estimate at about 2 is a meaningful one, but also because total exports are quite substantial. We are accustomed here to always mention the significance of remittances, but remittances have rarely exceeded \$6.5 billion annually, whereas total exports have been in excess of \$11 billion annually⁴, almost two thirds of which are in services. And service exports, like tourism, are expected to have a larger impact on reserve accumulation than goods exports, since they don't necessarily require correspondingly large imports; whereas, for instance, goods exports like jewelry do, as they rely on large precious metal imports.

³ There are data from Lebanese Customs, but these data are only up to February 2026 and do not include services exports; besides, they differ in measurement from those of BDL.

⁴ Remittances averaged on a monthly basis \$540 million, while total exports about \$925 million.

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Third, we know from our PMI leading indicator that total exports will fall; we also expect FDI to fall as Lebanon is not hospitable to foreign investment at the moment. That leaves us with remittances and official loans to feed FR. What will happen to remittances we don't know because, though they should increase in difficult times, they could be negatively affected by the war and the economic slowdown in the Gulf. So official loans and concessional lending is our sole remaining source. In this respect, we should keep in mind two qualifying points: 1) these loans should be the responsibility of the government to transact, not BDL⁵; 2) they should only be undertaken as a stop gap measure, since if they are done excessively then they will constitute a heavy future burden to pay without any tangible returns, especially if the war drags on and on.

The last point mentioned above represents a good juncture to conclude this note. And that is, the sufficient way to resume economic growth and FR accumulation is for the war to end, for Hezbollah to disarm, and for peace, sovereignty, and stability to prevail. Wishful thinking, perhaps!

⁵ This is especially the case as rumors have it that BDL intends on foreign borrowing, against its holding of US TBs as collateral, to shore up its FR.

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