

## Moody's Periodic Review on Lebanon: Issuer Rating at C; Economic Strength at caa1



**May 26, 2026**

### **Contact Information**

Research Department

[research@blominvestbank.com](mailto:research@blominvestbank.com)

Moody's Ratings (Moody's) has completed a periodic review of the ratings of Lebanon. The review was conducted through a rating committee held on 7 May 2026 in which we reassessed the appropriateness of the ratings in the context of the relevant principal methodology (ies), and recent developments.

The review's key rating considerations can be summarized as follows. Lebanon's issuer rating is at C, which is the lowest possible credit rating, indicating that an obligation or issuer is typically in default and has little to no prospect for recovering the principal or interest owed. It represents extremely poor standing and the highest level of credit risk on the rating scaler. According to the review, it also "reflects a credit profile that continues to be severely constrained by the legacy of its sovereign default in March 2020, prolonged political and institutional paralysis, and extremely weak government balance sheets. The rating reflects Moody's assessment that losses to bondholders are likely to exceed 65%, with resolution contingent on a comprehensive restructuring of the sovereign, BDL, and the commercial banking system. Renewed regional hostilities on Lebanese territory have compounded

macroeconomic, fiscal and social pressures, underscoring Lebanon's very weak economic resilience and heightening its susceptibility to event risk.”

In addition, the review noted, “The conflict between Hezbollah and Israel has triggered a deep and broad-based economic shock. Real GDP is projected to contract by 14% in 2026, driven by population displacement, the collapse of tourism, disruptions to agriculture and manufacturing, and extensive infrastructure destruction. We expect that the resulting decline in government revenues, combined with rising social and reconstruction needs, will worsen fiscal balances and intensify reliance on foreign exchange reserves and conditional external support, while continued regional tensions risk exacerbating Lebanon's already weak balance of payments position.”

As such, the review added, “a temporary extension of the ceasefire and discussions with the IMF regarding potential rapid financing could provide some near-term relief by supporting liquidity and fiscal space. However, while such developments would help mitigate the immediate effects of the conflict, they would not address Lebanon's deep-seated structural weaknesses, including the unresolved sovereign default, the absence of a comprehensive debt restructuring and longstanding institutional and governance challenges.”

In terms of strength rating, “Lebanon's economic strength is assessed at "caa1" (low to very low), reflecting reduced economic capacity following years of contraction, the collapse of the previous foreign inflow-driven growth model, and persistent social vulnerability. Institutions and governance strength is assessed at "ca" (exceptionally weak), reflecting very weak institutional quality, a prolonged default history, and a track record of arrears. Fiscal strength is assessed at "ca", reflecting an extremely impaired sovereign balance sheet, with a high debt

burden and debt sustainability contingent on deep restructuring. Susceptibility to event risk is assessed at "ca" (exceptionally high), driven by very weak government liquidity, banking sector vulnerabilities, and high external financing needs.”

Lastly, the review indicated, that “any upward movements in Lebanon's sovereign rating after the debt restructuring would depend on the pace of fiscal and institutional reform, the government's revenue generation capacity and the economy's adjustment to a new growth model. A further precondition for an upgrade would be that the key drivers of the country's debt dynamics — such as economic growth, interest rates, the ability to generate and sustain large primary surpluses, and the mitigation of contingent liabilities stemming from loss-making state-owned enterprises — evolve in a way that ensures debt sustainability and reduces re-default risk”.

**For your Queries:**

**BLOMINVEST BANK s.a.l.**

Research Department

Zaituna Bay

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

**Research Department**

Tel: +961 1 991 784

[research@blominvestbank.com](mailto:research@blominvestbank.com)

***Disclaimer***

*This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.*