

Lebanon's 2026 Budget: Fiscal Performance and the Impact of War Escalation



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Lebanon's Q1 2026 fiscal position showed strong revenue growth—driven by VAT collections, higher non-tax income, and revised excise duties on fuel and beverages—offsetting the impact of public sector salary hikes and expanded treasury spending. As a result, the primary balance surged 41% compared to Q1 2025. Yet this quarterly surplus masked a sharp deterioration in March, where Israel's hostilities on Lebanon, along with the Middle East war, triggered a primary deficit of LBP 2,857 billion and a total deficit of LBP 4,205 billion. The reversal was fueled by a 145% year over year (YoY) surge in expenditure, led by doubled personnel costs and a rise in Budget advances, Capital Expenditures and Treasury expenditures.

Table 1 - Summary of Fiscal Performance

LL Billions	Monthly YoY			Quarterly YoY		
	March 2025	March 2026	% Change	Q1 2025	Q1 2026	% Change
Revenues and Grants	24 093	33 396	39%	97 404	143 698	48%
Expenditures	15 346	37 577	145%	69 386	101 652	47%
Primary Balance	9 915	-2 857	-129%	31 486	44 452	41%
Overall Balance	8 746	-4 205	-148%	28 018	42 022	50%

Source: MoF – DG Treasury – CMU Cash flow statement

Revenues

Revenues and grants in Q1 2026 surged by 48% YoY to LBP 143,698 billion, driven by strong gains in both tax and non-tax income. Tax revenues rose by 44% to LBP 70,250 billion, with excises on fuel and cars posting triple-digit increases following policy changes and import growth, while domestic VAT collections jumped 126% due to compliance measures and arrears clearance. Non-tax revenues surged by 76% to LBP 18,573 billion, led by higher transfers from the Tobacco Régie, Beirut International Airport and Telecoms.

Table 2 - Factors Behind Fiscal Revenue Trends (Q1 2026 vs Q1 2025)

Revenue Category	Trend (Q1 2026 vs Q1 2025)	Reason(s)
Taxes on International Trade	↑ 65%	Excise revenues surged (+194%) due to higher fuel excise (policy change) and car excise (import volume growth). Tariffs revenues (3% fees and customs) grew modestly (+25%) in line with import value rise (+33%).
Domestic VAT	↑ 126%	Boosted by compliance measures (mandatory settlement before customs clearance), declaration deadlines, clearance of accumulated arrears, and stronger Q4 2025 activity.
Tax on Property (Real Estate Fees)	↑ 16%	Growth despite fewer transactions, supported by backlog effects and valuation alignment with market exchange rates.
Other Revenues (Unclassified)	↑ 42%	Includes income taxes, fiscal stamps, rental income, and other non-tax fees
Beirut International Airport	↑ 231%	Boost from increased passenger departures (+3.9%) and higher departure fees (+USD 2 per passenger).

Sources: MoF; BLOMINVEST Bank

March 2026 marked a sharp slowdown, with revenues rising only 39% YoY, compared to a 48% revenue growth for Q1 2026. The outbreak of conflict severely disrupted tax administration—offices in affected areas closed and filing obligations were suspended—resulting in weaker collections. Broader economic activity also contracted under the weight of the war. Nonetheless, higher fuel excise rates, surging car imports, and elevated transfers from telecoms and the tobacco authority provided a partial offset to the decline.

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Table 3 - Summary of Revenue Performance

LL Billions	Monthly YoY			Quarterly YoY		
	March 2025	March 2026	% Change	Q1 2025	Q1 2026	% Change
Revenues and Grants	24 093	33 396	39%	97 404	143 698	48%
Revenues	24 093	33 372	39%	97 404	143 674	48%
Tax revenues	16 561	18 487	12%	48 915	70 250	44%
Tax on property	1 993	1 400	-30%	5 524	6 402	16%
Real estate registration fees	1 993	1 400	-30%	5 524	6 402	16%
Tax on domestic goods and services	9 461	8 483	-10%	29 079	40 260	38%
Domestic VAT	1 528	382	-75%	6 433	14 558	126%
Import VAT	7 934	8 101	2%	22 645	25 702	14%
Tax on international trade	5 107	8 605	69%	14 313	23 587	65%
Tariff revenues	4 113	4 055	-1%	10 923	13 608	25%
<i>Customs</i>	2 826	2 679	-5%	7 351	9 083	24%
<i>3% fees</i>	1 287	1 376	7%	3 572	4 526	27%
Excise revenues	994	4 550	358%	3 389	9 979	194%
<i>Fuel excise</i>	265	2 867	983%	779	4 440	470%
<i>Tobacco excise</i>	180	451	150%	973	1 177	21%
<i>Car excise</i>	529	1 194	126%	1 568	4 228	170%
<i>Beverage excise</i>	20	37	90%	69	134	94%
Non-tax revenues	2 472	5 386	118%	10 533	18 573	76%
Property income	1 948	4 873	150%	8 897	16 420	85%
Transfer from Telecom	167	2 011	1104%	3 938	5 261	34%
Revenues from Port of Beirut	358	179	-50%	1 029	1 432	39%
Revenue from Casino du Liban	578	561	-3%	1 668	2 004	20%
Revenues from Lebanese Regie for Tobacco	537	1 790	233%	1 611	5 370	233%
Revenues from Beirut International Airport	307	332	8%	651	2 353	262%
Administrative fees and charge	524	513	-2%	1 636	2 153	32%
Passenger departure fees	524	513	-2%	1 636	2 153	32%
Other Revenues 1/	4 734	8 846	87%	36 996	52 548	42%
Cashiers revenues	326	653	101%	960	2 303	140%
Grants	0	24	0%	0	24	0%

1/ "Other revenues" are inflows which have not been disaggregated along the tax and non-tax classification.

Source: MoF – DG Treasury – CMU Cash flow statement

Expenditure

Expenditures in Q1 2026 also surged by 47% YoY to LBP 101,652 billion, driven by higher primary spending (+51%), while interest payments declined (-30.6%) due to shrinking public debt stock despite not counting in Eurobond arrears. Personnel costs (57% of total) also rose sharply, reflecting wage and pension recovery measures for military staff and retirees.

Table 4 - Summary of Expenditure Performance

LL Billions	Monthly YoY			Quarterly YoY		
	March 2025	March 2026	% Change	Q1 2025	Q1 2026	% Change
Expenditures	15 346	37 577	145%	69 386	101 652	47%
Primary Expenditures	14 178	36 253	156%	65 918	99 246	51%
Current expenditures	12 525	23 589	88%	54 041	72 422	34%
Personnel cost	10 320	20 287	97%	40 976	57 646	41%
<i>Salaries, wages and social benefits</i>	<i>6 036</i>	<i>11 733</i>	<i>94%</i>	<i>26 675</i>	<i>34 943</i>	<i>31%</i>
<i>Transfers to Public Institutions</i>	<i>312</i>	<i>714</i>	<i>128%</i>	<i>2 287</i>	<i>2 547</i>	<i>11%</i>
<i>Retirements</i>	<i>3 927</i>	<i>7 790</i>	<i>98%</i>	<i>11 778</i>	<i>20 010</i>	<i>70%</i>
<i>End of service</i>	<i>44</i>	<i>50</i>	<i>14%</i>	<i>237</i>	<i>146</i>	<i>-39%</i>
Interest payments	1 168	1 324	13%	3 468	2 406	-31%
Other transfers	804	1 746	117%	7 341	6 485	-12%
<i>Hospitalization</i>	<i>81</i>	<i>521</i>	<i>546%</i>	<i>1 384</i>	<i>1 575</i>	<i>14%</i>
Other current expenditures	234	232	-1%	2 256	5 885	161%
Capital expenditures	1 372	5 270	284%	5 013	10 673	113%
Budget advances	343	6 462	1781%	3 771	6 608	75%
Treasury expenditures	688	1 904	177%	5 164	10 952	112%
Municipalities	208	969	365%	2 844	6 523	129%
Cashiers spending	417	352	-15%	1 396	998	-29%
MEMO: Social Protection Expenditures	5 151	18 063	351%	31 497	50 412	160%

Source: MoF

Table 5 - Factors Behind Fiscal Expenditure Trends (Q1 2026 vs Q1 2025)

Expenditure Category	Trend (Q1 2026 vs Q1 2025)	Reason(s)
Personnel Costs	↑ 41%	Increase tied to wage/pension adjustments introduced in summer 2025, adding LBP 38 million monthly.
Other Transfers	↓	Limited rise in hospitalization (+14%) suggests reclassification under treasury or budget advances.
Budget Advances	↑ 75%	Rise mainly due to higher hospitalization costs for military personnel (+LBP 2,007 billion).
Social Spending	↑	LBP 3,421 billion for medication purchases and LBP 1,507 billion for Ministry of Social Affairs and NGO programs.
Capital Expenditures	↑ 113%	Large allocations to Council of the South (LBP 3,625 billion) and High Relief Council (LBP 2,040 billion), linked to conflict response.
Treasury Expenditures	↑ 112%	Surged partly due to stepped-up transfers to municipalities for waste management.
Municipal Transfers	↑ 129%	Surged due to stepped-up transfers to municipalities for waste management.

Sources: MoF; BLOMINVEST Bank

Fiscal Impact of the March 2026 War Escalation

We projected Lebanon's 2026 budget performance to assess the fiscal impact of the March 2026 war escalation. Two scenarios were considered: one in which the trend from the first two months of the year continues through year-end, explicitly excluding the escalation that began in March; and an alternative in which the March escalation persists until December. In both cases, 2025 interest payments were applied as a proxy for 2026.

Table 6 - 2026 Budget Projections: No Escalation vs. War Escalation

	Jan-Feb 2025	Jan-Feb 2026	% Change	2025	2026 – No War Escalation Scenario	2026 – War Escalation Scenario
Revenues and Grants	73,311	110,302	50%	554,351	834,063	777,085
Expenditures	54,040	64,075	19%	424,109	502,864	970,245
Primary Balance	21,571	47,309	119%	157,428	358,385	(165,973)
Overall Balance	19,272	46,227	140%	130,242	331,199	(193,159)

Sources: MoF; BLOMINVEST Bank

If the war were to persist, revenues would decline by 57 trillion LBP compared to a no war escalation scenario while expenditures would rise by 467 trillion LBP. This shift would turn the overall balance from surplus to deficit, resulting in a net deterioration of 524 trillion LBP compared to a no war escalation scenario. This sharp reversal highlights the immense fiscal impact of continued conflict, transforming a path of recovery into one of deepening imbalance.

Lastly, it is interesting to note that March's performance is expected to be even stronger than April's and May's, based on anecdotal evidence. If this proves accurate, budget projections could turn out even worse than the scenario we have outlined.

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