

PMI rises to three-month high in May, moving closer to the Neutral/Growth threshold



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The BLOM Lebanon PMI rose to 49.7 in May 2026, from 48.2 in April, while staying in the contraction zone for the 3rd month in a row. Indices for both total new orders and exports slowed, but the pace of decline eased, the latter noticeably to 41.9 from April's low of 30.0. The new export orders index follows foreign demand for both goods and services, while taking fixed holidays into account. Since Adha holiday dates are tentative, and last year they fell in June, it seems they capped the destruction in new export orders by limiting tourism's decline, especially as during May many Lebanese expats living in the Gulf were not required to work from office given the security situation there. Besides, it appears that regional and local ceasefires, however grossly imperfect, provided some respite to domestic and foreign new orders.

That said, moving to indicators, according to the Central Administration of Statistics (CAS), [Lebanon's annual inflation rate rose by 20.02% YoY in April 2026 \(3.04% monthly increase from March 2026\), rising from 17.26% YoY in March 2026](#). The increase was driven by the persistent of US and Israeli war on Iran that led to the closure of the Strait of Hormuz. The closure of this vital Strait, where around 20% of energy sources passes through, led to a spike in energy sources prices. Domestically, Lebanon faced additional pressures. The re-escalation of the Hezbollah-Israeli war interrupted production by destroying factories and wiping out farmland, driving prices up. The destruction of many homes drove demand for homes up leading to remarkable increases in rent compared to April 2025.

Based on market sources, [cumulative Lebanese car market expanded by 36.47% YoY by April 2026 to 3,993 cars](#). On a monthly basis, the re-escalation of the Hezbollah-Israeli war in March weakened consumer confidence and discouraged high-value and non-essential purchases such as vehicles, hence a 24% monthly decline in cars sold was recorded in April 2026 and registered 728 sold cars. The leading sellers of vehicles in Lebanon were Toyota, MG, and Nissan with number of vehicles sold in April 2026 alone totaled 106, 82, and 48 respectively.

As per the Lebanese Customs Administration, [Lebanon's trade deficit widened by 38% YoY to \\$4.75 billion in Q1 2026](#). The shift was primarily driven by a 22.9% YoY surge in imports, which reached \$5.38 billion in Q1 2026, coupled with a cumulative 32.5% YoY decline in exports to \$631 million over the same period. The rise in imports highlights Lebanon's growing dependence on foreign goods as domestic production was severely disrupted by the war. Damage to infrastructure and factories, along with the displacement or loss/injury of workers due to conflict, significantly reduced the country's production capacity for both local consumption and exports. At the same time, shipping and transportation costs surged due to the closure of the Strait of Hormuz, the rise in energy prices, and the need to avoid unsafe or damaged routes. These factors made exports more expensive and caused delays in delivery. Insurance premiums on Lebanese exports also climbed, discouraging foreign buyers from purchasing local products. Moreover, key export markets such as the UAE were directly impacted by the regional conflict, reducing demand for non-essential goods and further weakening Lebanon's export performance.

[In addition, cumulative container activity at the Port of Beirut rose by 51.22% YoY to 167,884 TEU by February 2026](#). Cumulative container activity, referring to cargo loaded onto or unloaded from ships at the port, saw an increase of 38.06% YoY to 117,064 TEU. Similarly, cumulative transshipment activity, which involves cargo transferred from one ship to another at an intermediate port, increased by 93.75% YoY to 50,820 TEU.

However, [the cumulative activity at Rafic Hariri International Airport declined by 32.84% YoY to 1,242,700 travelers in April 2026](#). Total arrivals reached 566,296, down by 41.12% YoY, similarly departures fell to 676,382, down by 23.83% YoY. Meanwhile, transit passengers reached 1,441, up by 198.34% YoY, marking a notable increase compared to the previous year, albeit from a low base. Although a "semi-ceasefire" was announced on April 17th, continued breaches and security tensions, particularly in South Lebanon, continued to weigh on passenger traffic and travel confidence. On a monthly basis, airport passenger traffic increased by 8.80% in April 2026, supported mainly by a significant 47.88% rise in arrivals, while departures fell by 12.46%. The increase in inbound activity may be partly attributed to the Easter holiday period during the month, which likely encouraged Lebanese expatriates and visitors to return to the country despite the fragile security situation.

Apart from that, [Lebanon saw a cumulative 23.10% YoY decline in construction permits to 2,011 by April 2026](#). This decrease is largely reflecting the disruption and uncertainty following the outbreak of the Israel-Hezbollah conflict on February 28, 2026. Similarly, the Cumulative Construction Area Authorized by Permits (CAP) fell by 6.66% to 2,180,260 square meters (sqm) by April 2026.

Moreover, the data of the General Directorate of Land Registry and Cadastre (LRC) showed that [the cumulative number of real estate transactions reached 11,483 by March 2026, valued at \\$1,211.8M.](#)

Furthermore, [according to the data published by the Association of Lebanese Banks' \(ABL\), the total number of cleared checks in the Lebanese financial system decreased remarkably by 36.19% YoY to 24,098 checks by April 2026.](#) However, the cumulative value of cleared checks in local currency increased by 11.31% YoY to LBP 21,807B by April 2026. This upsurge in value of Lebanese checks given that the number of Lebanese checks issued decreased reflects higher denomination in LBP per check due to the exchange rate depreciation. However, the cumulative value of cleared checks in foreign currency dropped by 59.60% YoY to \$120M by April 2026. Moreover, the volumes of cleared checks in Lebanese Pounds and foreign currencies witnessed substantial yearly drop of 35.09% and 56.09% respectively to settle at 23,233 and 865 checks, by April 2026. Accordingly, the dollarization rate of checks in terms of volume fell from 5.22% in April 2025 to 3.59% in April 2026.

[According to Lebanon's consolidated commercial banks' balance sheet, total assets declined by 1.93% on year over year \(YoY\) basis to stand at \\$100.7B in March 2026.](#) On the assets side, currency and deposits with Central Bank represented a high figure of 75.81% of total assets; they dropped annually by 3.83% to settle at \$76.32B in March 2026. On the liabilities side, resident customers' deposits were the main account, representing 63.79% of total liabilities; they dropped by 4.22% since March 2025 to reach \$64.22B by the month of March 2026. In more details, deposits in foreign currencies (being 98.69% of resident customers' deposits) declined by 4.31% YoY to reach \$63.4B by March 2026, additionally deposits in LBP (1.31% of resident customers' deposits) increased by 3.26% YoY to stand at \$838.22M by March 2026.

Alongside that, [according to Banque du Liban's \(BDL\) balance sheet, the Central Bank's total assets decreased by 1.01% YoY, reaching \\$93B by mid-May 2026.](#) Furthermore, the gold account, representing 45.17% of BDL's total assets, increased by 43.36% yearly to reach \$42B by mid-May 2026. **BDL foreign reserve assets, consisting of 12.33% of total assets rose by 2.60% YoY (around \$290M) and stood at \$11.46B by mid-May 2026. Additionally, foreign reserve assets increased by \$31.75M in the first two weeks of May 2026. It is to be noted that in March and April 2026, foreign reserves assets balance decreased by around \$446M after the resumption of the war with Israel. On average, the fresh USD expenses paid by the Central Bank in March and April are around \$980M (\$500M for wages of public sector employees and \$480M for circulars 158 and 166). Therefore, the central Bank must have collected around \$534M in fresh USD within the two previous months. The reason behind this drop might be due to the decrease in remittances especially that a significant part of remittances is from Lebanese expats in GCC countries. Additionally, the stop of the tourism sector due to the war also affected the inflow of hard currency.** On the liabilities front, financial sector deposits, representing 87.13% of BDL's total liabilities, decreased by 4.57% annually and reached \$81.03B by mid-May 2026 compared to last year, of which more than 90% are denominated in dollars. It is interesting to note that BDL changed the composition of its foreign reserve assets, as foreign securities increased from \$169M in March 2025 to \$5.56B in March 2026, driven by the need for higher interest income.

In parallel, as per BDL's latest monetary report, [the Balance of Payments \(BoP\) recorded a cumulative surplus of \\$1,666.5M up to March 2026, far below the surplus over the same period last year of \\$5,368.3M.](#) Cumulative Net Foreign Assets (NFAs) of BDL rose by \$1,391.1M while the cumulative NFAs of commercial banks increased by \$275.4M by March 2026. On a monthly basis, NFAs of BDL fell by \$5,969.0M while the NFAs of commercial banks decreased by \$70.0M in March 2026.

On a separate note, [on April 28, 2026, the Central Bank issued Basic Circular 173 \(Decision No. 13810\) capping the Merchant Discount Rate \(MDR\).](#) Banks and financial institutions may not charge vendors more than 1.25% per transaction on local bank card payments, with interchange fees capped at 0.9%. The rule applies only to vital sectors such as gas stations, supermarkets, hospitals, pharmacies, and large bakeries. Additionally, merchants accepting POS or electronic payments are prohibited from imposing extra fees on consumers. The Banking Control Commission of Lebanon will oversee compliance. Aimed at promoting electronic payments and curbing reliance on cash, the circular will take effect on June 15, 2026.

Also, on May 4th, 2026, [the Central Bank issued intermediate circular 760 \(decision 13814\) that amends basic circular 44 \(decision 6939\) related to the regulatory framework for the capital adequacy of banks operating in Lebanon](#). The fourth item in article 10 in the basic circular 44 (decision 6939) states that, at any time, the shortfall of the “Capital Conservation Buffer” below the required 2.5% of the weighted assets, should be re-formed from among the items eligible within the category of common shareholders' equity. This new intermediate circular allows, exceptionally and temporarily, the “Capital Conservation Buffer” to drop below the 2.5% required ratio in the years 2023, 2024, 2025, and 2026. However, this shortfall should be replenished gradually as per the Central Bank’s instructions to be issued at a later stage.

And, [On May 8, 2026, the Central Bank issued Intermediate Circular 763 \(Decision 13817\), amending Basic Circular 38 \(Decision 6895\)](#) to restrict banks from accepting deposits, checks, money orders, or payment orders related to the public sector, and from granting facilities to public sector employees, except in legally defined exceptions. Banks are now required to submit monthly detailed reports on public sector deposits and loans using the new PSDL-01 form via the SEBIL platform, ensuring consistency with specific accounting items in Form 2010. Effective from May 31, 2026, this decision replaces prior reporting requirements.

Alongside this, [Moody's Ratings \(Moody's\) has completed a periodic review of the ratings of Lebanon](#). 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.

Lebanon’s economy, which had shown signs of stabilization since mid-2023 with a steady exchange rate and further momentum from the election of a president and reform government in early 2025, has been thrown back into crisis by the war with Israel in March 2026. Foreign reserves at the central bank fell by \$440 million in March–April, worsened by declines in exports, remittances, FDI, and official loans. [Analysis of the elasticity of foreign reserves to exports shows that a 1% drop in exports leads to a 2% fall in reserves, underscoring the vulnerability of Lebanon’s external position](#). **With exports historically exceeding \$11 billion annually—especially in services like tourism that have a strong impact on reserves—the war’s disruption is particularly damaging. PMI data already signal collapsing exports, while FDI is drying up, leaving remittances and official loans as the only uncertain lifelines. Remittances typically rise in hardship but could fall this time as the war and economic slowdown in the Gulf could negatively affect it, making concessional lending the sole remaining source. Ultimately, sustainable recovery hinges on ending the war, restoring peace and sovereignty, and resuming reform and growth.**

On top of that, [Dr. Garbis Iradian's IIF report projects Lebanon's GDP to shrink by 12–16% in 2026 due to the war](#), mainly from the collapse of tourism and services, alongside losses in agriculture and severe infrastructure damage. Over a million displaced people are straining public services, while remittances from the Gulf are weakening amid regional instability, widening the current account deficit. Foreign reserves fell by \$446M in March–April 2026, compounded by lower gold prices that cut \$5B from the central bank's assets. Fiscal discipline achieved in 2024–25 has unraveled, with tax collection collapsing in war-hit areas, leaving the government reliant on external grants and loans. Meanwhile, public institutions are weakened by wage erosion, talent flight, and a payroll dominated by retirees.

[Similarly, the report Business Impact of the 2026 Lebanon-Israel War by Lebanon Opportunities, April 2026, shows how the war has deeply disrupted the business environment beyond physical damage](#), with weaker demand, rising costs, labor instability, and logistical challenges. Around 77% of firms reported revenue declines versus February 2026, and 74% compared to March 2025, while fuel, energy, transport, and raw material costs surged. Companies shifted into survival mode—cutting hours, lowering production, shutting operations, rerouting deliveries, raising prices, or relying on inventories. Labor adjustments were mostly indirect: 30% reduced hours, 26% froze hiring, and 7% cut salaries, reflecting attempts to avoid mass layoffs but leaving workers with lower incomes and greater insecurity. Small and medium-sized enterprises were hit hardest due to weaker reserves and flexibility, while larger firms showed more resilience but still faced closures and shortages. Sectoral impacts varied: trade firms suffered from collapsing demand and transport disruptions, manufacturers struggled with energy and input costs, and service firms remained active but under pressure. Looking ahead, investment intentions are weak, with most businesses prioritizing continuity over growth. The report concludes that recovery requires more than rebuilding infrastructure—it must address liquidity shortages, high costs, weak demand, and unstable business conditions, as firms remain operational but cautious, focused on survival rather than expansion.

In conclusion, business conditions deteriorated only marginally in May 2026, with the PMI rising to a three-month high and moving closer to the neutral/growth threshold. The 12-month outlook index fell sharply again, registering 24.3—low, but above April’s level of 19.3. Private sector firms voiced concerns about a potential escalation of the Israeli-Hezbollah war, compounded by persistent uncertainty over reconstruction and investment. Although Israel and Hezbollah accepted a U.S. plan for a partial ceasefire on June 1—under which Hezbollah pledged not to attack Israel provided Israel refrained from striking Beirut—the agreement was breached on the same day, deepening pessimism over Lebanon’s economic prospects. If both parties adhere to the agreement, even with minor violations, the PMI could improve and move out of contraction, given its proximity to the 50.0 no-change threshold. Growth in this scenario is possible largely because the base is already low; under different circumstances, such improvement would have been unlikely, especially as the partial ceasefire does not extend to all of Lebanon. A meaningful turnaround in the PMI depends on ending the war, restoring sovereignty, and advancing structural reforms. While hopes persist for an eventual end to the conflict, and for reforms to follow, such a resolution remains unlikely in the near term, capping any meaningful upside in the PMI. In the event of major breaches, the already fragile situation suggests the PMI is unlikely to decline much further unless Beirut suffers a severe strike that triggers a significant economic shock, a scenario we hope to avoid.

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