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LEBANON ECONOMIC REPORT

4TH QUARTER 2025

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THE MACRO OUTCOMES IN FIGURES FOR THE FIRST YEAR OF THE NEW PRESIDENTIAL ERA

Considerable macro spillovers following political breakthrough
The political breakthrough that Lebanon witnessed at the beginning of the year 2025 had considerable economic and financial spillovers that translated into trend reversals on a number of fronts. With respect to the real economy, real GDP growth is estimated at 5% in 2025, following the 7.5% contraction that it had reported in 2024 amid war spillovers.

Financial inflows exceeded outflows by US$ 3 billion over the first 11 months of 2025
The year 2025 saw a real balance of payments surplus of US$ 3.0 billion over its first eleven months, depicting the excess of inflows over outflows. As a matter of fact, while the financial system's net foreign assets increased by US$ 17.3 billion year-to-date, US$ 14.3 billion of the increase is due to the rise in gold reserves as a result of the surge in gold prices, leaving a real balance of payments surplus of US$ 3.0 billion over the period.

A US$ 1 billion fiscal surplus in 2025, as actual revenues exceed budgeted figures by 21%
The Lebanese Presidency has recently stated that the government's actual budgetary surplus recorded circa US$ 1 billion in 2025, equivalent to 2.3% of GDP. This comes in contrast to the budgeted equilibrium for the year and is a direct result of multiple governmental initiatives aiming to crack down on tax evasion within various parts of the economy. According to the statement, public revenues for 2025 recorded circa US$ 6 billion, around 20.7% higher than budgeted. In parallel, public expenditures for the year recorded circa US$ 5 billion, only marginally (0.5%) higher than budgeted.

BDL's liquid FX reserves on the rise in 2025, gold reserves close the year at all-time high
Lebanon's monetary conditions throughout the year 2025 were mainly anchored by continuous currency stability, a net positive growth in the Central Bank of Lebanon's liquid foreign reserve assets and a record high level of BDL's gold reserves. BDL's liquid foreign reserve assets rose steadily all through 2025 to reach US$ 11,895 million at end-December 2025 compared to US$ 10,135 million at end-December 2024. Concomitantly, BDL gold reserves hit an all-time high at US$ 40,374 million at end-December 2025.

Quasi stability in free FX liquidity in 2025, reflecting no cash burn this year
The year 2025 has reported a significant increase in fresh US$ deposits in the Lebanese banking sector. Indeed, fresh US$ deposits rose by US$ 1.3 billion year-to-November (34%), to move from US$ 3,209 million at end-December 2024 to US$ 4,468 million at end-November 2025 (latest available). Net free FX liquidity has stabilized at US$ 2.9 billion between December 2024 and November 2025. Gross FX liquidity amounted to US$ 7.3 billion at end-November 2025, broken down as follows: US$ 5.0 billion of claims on non-resident banks, US$ 0.8 billion of cash in vaults and US$ 1.5 billion of non-resident security portfolio.

First equity price slump in five years in 2025, along with strong bond price surge
Lebanon's equity market took a nosedive in 2025, following four consecutive years of strong price rally, as some market players sought to cash in their gains following a significant surge in the "fresh-to-domestic" US dollar ratio that was mainly stoked by promising political developments at the beginning of the year and growing optimism about the reform process. At the level of Eurobond market, sovereigns registered a strong price rally over the year 2025 and early-2026 amid rising hopes of debt restructuring, hitting a current level of 28.50c per US dollar, the highest since Lebanon's sovereign default on March 9, 2020.

Three scenarios envisaged for 2026
We have actually adopted three scenarios for 2026: The positive scenario with a probability of realization of 45%, the medium scenario with a probability of realization of 35% and the negative scenario with a probability of realization of 20%. The positive scenario rests on the persistence of security stability throughout 2026, supported by a widespread reconstruction effort, significant foreign inflows, and the ratification of a Gap Law. It also assumes that an IMF deal is reached, collectively driving a strong recovery trajectory. The medium scenario rests on the assumption of security stability throughout 2026 but envisions only a limited reconstruction effort and continued domestic political bickering. This assumes no significant reforms and no IMF deal, leading to a modest recovery pace. The negative scenario rests on a relative security drift, intense internal political bickering, and the absence of considerable foreign inflows.

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The political breakthrough that Lebanon witnessed at the beginning of the year 2025 had considerable economic and financial spillovers that translated into trend reversals on a number of fronts. The macro achievements of the first year of the New Presidential era could be summarized by the following:

With respect to the real economy, real GDP growth is estimated at 5% in 2025, following the 7.5% contraction that it had reported in 2024 amid war spillovers. As a reflection of improving demand for consumption and investment goods, imports were nominally up by 12% over the first eight months of 2025, which translated into a real imports growth of 6.7% year-on-year after adjusting for imported inflation.

In parallel, the balance of payments reported a real surplus of US$ 3 billion over the first 11 months of 2025, which corresponds to the change in the net foreign assets of the financial system after isolating the observed increase in the price of gold. Such a US$ 3.0 billion surplus reflects the net impact of inflows of funds to Lebanon over outflows from the country.

The liquid FX reserves of the Central Bank grew by US$ 2 billion in 2025 to reach US$ 12 billion at year-end. This is mainly the result of BDL intervening on the FX market acquiring Lebanese Pounds trading surpluses from the market, after isolating the part of the rise in FX reserves that is due to interest earned abroad on the foreign held reserves and the impact of the rising Euro/US$ exchange rate on the reserves held in Euro. In parallel, BDL's gold reserves reached an almost all-time high of above US$ 40 billion today, rising by a significant US$ 16 billion over the past year, the equivalent of a 67% growth.

Likewise, the banking sector fresh customer deposits grew by US$ 1.3 billion over the first eleven months of the year to reach US$ 4.5 billion at end-November 2025, or up by 40%. This noticeable growth comes amid the quasi-normalization of political conditions, carrying favorable economic, monetary and financial spillovers, though bearing in mind that a much more significant progress could materialize on the back of the ratification of a Gap Law.

Moreover, Lebanese sovereign Eurobond prices more than doubled over the past year, to move from 12.75 cents at the beginning of 2025 to circa 28 cents today, bearing in mind that they were quoted at below 6 cents in the midst of the war in September 2024. The Eurobond price rally comes amid rising demand from institutional investors that are betting on Lebanon's reform trajectory and its effect on the potential restructuring of foreign debt at large.

As to fiscal performance, the State's public finances are estimated to have recorded a net surplus of US$ 1 billion in 2025, significantly exceeding the zero deficit target by the Budget 2025. As a matter of fact, public revenues have exceeded their budget target by 21% to reach above US$ 6 billion amid improved collection efforts.

The developments in the real sector, external sector, public sector and financial sector for the year 2025 will be analyzed thereafter while the concluding remarks are left to an assessment of the macro outlook for the year 2026 looking ahead.

1. ECONOMIC CONDITIONS

1.1. REAL SECTOR

1.1.1. Agriculture and Industry

Lebanon's primary and secondary sectors on an improving trend in 2025

The country's primary and secondary sectors have been on an improving trend throughout the year 2025 amid the implementation of strategies, initiatives and collaborations that have helped boosting productivity and supporting the growth of the sectors.

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In details, the Ministry of Agriculture signed a memorandum (MoU) in December 2025 with the non-governmental organization CARE International. Under the MoU, both parties would collaborate to implement an agricultural vocational training program targeting 2,000 farmers affected by the war in the governorates of Nabatieh and Baalbek-Hermel, with the aim of providing them with the necessary skills and knowledge to recover from crises.

Concurrently, the Ministry and the Chinese Ambassador to Lebanon signed in December 2025 a cooperation agreement to provide dedicated drones for spraying pesticides in pine forests, which would protect the forests and improve the efficiency of natural resources management in Lebanon.

In parallel, the Ministry launched a new agricultural, environmental and eco-tourism complex, which has been inaugurated in Upper Chouf, to boost local agricultural production, expand market access for small farmers and cooperatives, and promote sustainable rural eco-tourism. “Souk El Jabal”, established by the United Nations Development Program (UNDP) in partnership with the Union of Chouf El Sweijani Municipalities and with funding from the Government of Germany, aims to revitalize livelihoods and strengthen the rural economy in the Chouf region.

The new complex includes a central wholesale vegetable market, agro-food and beekeeping shops, training facilities, a community kitchen and administrative offices. It would benefit over 270 farmers, 400 beekeepers and 40 agro-food producers across 30 communities in the region, while also creating sustainable income opportunities for 50 women operating the community kitchen. By improving market access, reducing transportation costs, supporting women’s economic participation and promoting eco-tourism activities, “Souk El Jabal” marks an important step toward revitalizing local economies and turning rural potential into sustainable growth.

Additionally, the Ministry and the Food and Agriculture Organization of the United Nations (FAO) in Lebanon signed in November 2025 agreements to launch two new projects aimed at strengthening the agriculture sector through institutional reform and environmental protection.

The first project, entitled “Strengthening Corporate Governance: A Two-Year Initiative for Institutional Reform and Capacity Building in the Ministry of Agriculture”, aims to support the public sector modernization agenda in Lebanon. The project would enhance the Ministry’s capacity to effectively manage and implement agricultural policies, programs and services, thereby contributing to sustainable agricultural development, food security and economic growth in rural areas. The second project would support the safe disposal of confiscated pesticide stockpiles to ensure the environmentally safe management, thereby reducing risks to human health and the environment in Lebanon.

Within the framework of the Enhancing Agricultural Livelihoods project, funded by the Embassy of Denmark and in cooperation with the FAO, the Ministry of Agriculture completed a new phase of support through the Green Project. In this context, 50 farmers from the North Region 1 (Akkar, Minya-Diniyeh) signed agricultural support contracts, which include land reclamation, the construction of cement tanks to collect irrigation water, the construction of support walls and stone fortifications, thus supporting the sustainable development in the agricultural sector.

Concomitantly, the Ministry signed in October 2025 a MoU with SPHERE Building Tomorrow (SBT), a local humanitarian non-profit organization, to provide direct financial support of US$ 500 per farmer to 129 eligible farmers, as part of a larger initiative to support sustainable agriculture and rural development in Lebanon. The initiative also includes the training and mentorship for approximately 300 farmers in South and Nabatiyeh governorates.

All in all, the Ministry of Agriculture announced that 45,435 farmers benefited from various agricultural assistance between March and December 2025, in cooperation with local and international partners and in various Lebanese regions.

At the secondary market level, industrialists are facing continuing setbacks. In response, the Ministry of Industry (MoI) is actively deploying a multi-pillar strategy to stabilize and expand the sector.

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In details, the Ministry launched in November 2025 a comprehensive National Industrial Strategy designed to restructure the industrial sector and transform it into a primary driver of economic growth and stability over the next 10 years. The strategy focuses on transitioning the sector from "resilience to growth" by targeting several high-potential industrial clusters and modernizing the country's business environment. The strategy is built on three main pillars: tracking global industrial trends, leveraging Lebanon's competitive advantages, and addressing existing liabilities.

The secondary market continues to struggle with rising production costs especially the cost of energy, as the cost of a kilowatt-hour in Lebanon is about 30 cents, compared to 5.4 cents in Turkey, 4.2 cents in Egypt and 5.6 cents in Saudi Arabia. Hence, the MoI announced in October 2025 an initiative in cooperation with the Industrialists Association and the Ministry of Energy that allows the import of energy directly, which would reduce the cost by up to 22%.

Looking forward, achieving accelerated growth in both the agricultural and industrial sectors, and boosting foreign direct investment, hinge upon the successful implementation of modernized practices, sustainable management protocols and robust international cooperation.

1.1.2 Construction

A noticeably favorable year for the realty sector

Lebanon's construction and real estate sectors have shown considerable ameliorations in 2025 amid improved security and political conditions as well as returning investment appetite following the end of the war in late 2024. This improvement, backed by all sectoral indicators, is expected to carry on its momentum into 2026. These ameliorations are the result of the sector stabilizing post-crisis.

In details, looking at current construction supply in Lebanon, construction permits in 2025 increased by 30.3% against figures from the year prior. Construction permits actually increased to 5,990,313 sqm, up from 4,597,715 sqm in 2024. This shows a significant improvement in construction activity during the period, as per figures from the Order of Engineers and Architects of Beirut (OEAB). Additionally, according to the Order of Engineers and Architects of the North (OEAN), construction permits issued by the order recorded 1,175,661 sqm in 8M-2025, up by 22.5% from levels recorded in 8M-2024. In parallel, cement deliveries, a coincident indicator of construction activity, jumped by a yearly 25.8% in 8M-2025 against the same period of the year prior, as released by the Central Bank of Lebanon.

At the level of demand, during 2025, the number of property sales shot up by 95.1% to register 70,981 operations, up from 36,682 operations in 2024. The five regions in Lebanon with the highest levels of property sales during 2025 are Baadba (23.6% of the total), North Lebanon (15.4%), Bekaa (11.8%), Metn (11.2%) and South Lebanon (10.7%). In parallel, the value of the transactions increased significantly by 112.9% during the period to reach US$ 6,157.0 million in 2025, up from US$ 2,891.9 million in the year prior. The average value of property sold by region is in order as follows: Beirut (US$ 363.7 thousand), Metn

CONSTRUCTION

						Variation	
	2019	Q4-24	2024	Q4-25	2025	Q4/Q4	25/24
Value of property sales (in millions of US$)	6,839	1,033	2,892	1,754	6,157	69.8%	112.9%
Number of property sales	50,352	9,952	36,382	19,298	70,981	93.9%	95.1%
o.w. Sales to foreigners	993	266	859	344	1,485	29.3%	72.9%
Average value per property sale (in US$ 000)	136	104	79	91	87	-12.4%	9.1%
Property taxes (in millions of US$)	302	41	123	86	280	112.7%	127.6%

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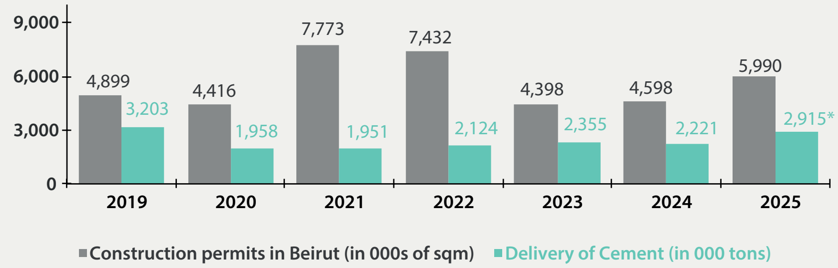
(US$ 125.1 thousand), Keserouan (US$ 95.8 thousand), South Lebanon (US$ 75.1 thousand), Baabda (US$ 65.5 thousand), North Lebanon (US$ 50.8 thousand), Nabattiyeh (US$ 38.2 thousand) and Bekaa (US$ 27.3 thousand).

Additionally, the number of sales to foreigners have noted a 72.9% jump year-on-year reaching 1,485 sales in 2025, up from 859 in 2024. The distribution of sales to foreigners by region has South Lebanon taking the lion's share (28.5%). Baabda, Metn and North Lebanon followed with contributions of 21.9%, 12.1% and 10.3% of the total respectively. Beirut, Keserouan, Bekaa and Nabattiyeh followed with contributions of 9.8%, 8.3%, 7.3% and 1.7% respectively in 2025. When looking at the five regions with the highest concentration of sales to foreigners against respective total sale, South Lebanon comes first with 5.6% of its total sales being to foreigners. Beirut and Metn followed with concentrations of 2.9% and 2.3% respectively. Baabda and Keserouan came next with foreigners making up 1.9% and 1.7% of total sales during 2025. It is worth noting that the number of sales to foreigners in 2025 are the highest recorded since 2011, as per data from the Directorate of Land Registry and Cadastre (DLRC).

These numbers show us that the demand for realty in Lebanon is improving considerably and is mostly concentrated around areas with middle-to-low price offerings. This comes as essential spending within the Lebanese population is still on an upwards trend as purchasing power continues to regularize. The rate of increase is estimated to be around 19% for 2025 (as per FitchSolutions), showing that this upwards trend is expected to continue on the medium term while gradually rationalizing. This should, in theory, continue until essential spending starts growing only slightly each year, which shows that consumer spending habits have returned to normal. As such, a positive performance in realty demand within the aforementioned area is expected to continue increasing in the next few years, barring any negative changes in the security, political or economic status quo.

Other factors are also set to positively contribute to the expected growth trend in the sector looking forward. First, unemployment rates in Lebanon are expected to begin declining gradually in the next five years. Second, year-on-year real inflation for housing has reached a sustainable 2.5% in November 2025. These factors, along with the rationalization of purchasing power are set to boost the realty and construction markets in Lebanon looking forward.

EVOLUTION OF CONSTRUCTION INDICATORS



Annualized eight-month figures

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1.1.3. Trade and Services

Tertiary sector surpasses contractionary effects of war , poised for further growth amid supporting fundamentals

The tertiary sector has recorded a considerable improvement in activity during 2025, offsetting the effects war had on the sector in 2024 and returning to normal operations. This can be seen as all indicators surpassed 2023 levels and are recording the highest figures noted since the start of the crisis. This reality substantially supports the real economic growth of 5% estimated in Lebanon for 2025. The tertiary sector's growth has been supported by a positive local environment conductive for growth and governmental initiatives to regain international trust.

In details, activity within the first 11 months (11M) of 2025 at the Port of Beirut (PoB) was noticeably positive with the quantity of goods increasing by 18.0% year-on-year to reach 5,863.6 thousand tons. As such, the recovery rate in the quantity of goods imported through PoB during 11M-2025 against the same period of 2019 reached 94.8%. This recovery rate stands as the highest recorded recovery rate since the start of the crisis, as per data from PoB.

In parallel, the import of cars through PoB noted a year-on-year jump of 56.9% between 11M-2024 and 11M-2025. Additionally, the total amount of new cars registered in Lebanon jumped by 41.3% year-on-year between 9M-2024 and 9M-2025. This shows an increase in local demand as well as returned appetite for more pricey purchases such as cars. In turn, we can note a gradual return to normalcy within households' spending habits following sharp drops in unnecessary spending during the crisis.

Concurrently, looking at the tourism sector, the year-on-year performance of BIA for the total number of passenger arrivals increased markedly by 24.7% in 2025 when compared to 2024, reaching 7,008,690 individuals in the former. This improvement comes on the back of the relative stability noted during the year along with the Pope's visit in December compounding the positive performance of the Christmas high season. Within this context, passenger arrivals reached a recovery rate of 83.9% in 2025 against levels recorded in 2019. This shows an improvement of 19.4 percentage points (pps), from the recovery rate during 2024 and a 2.7 pps improvement against 2023 levels, pointing to a clear return to pre-war levels of tourism with added momentum. The aviation transport sector has directly benefited from this as passenger activity through Middle East Airlines recorded a year-on-year increase of 19.1% between 2024 and 2025.

Tertiary fundamentals have seen notable improvements within 2025, as purchasing power rationalizes, Lebanon's demography becomes more supportive for service consumption and the country returns to a state of relative security stability. As salaries continue to improve, the tertiary economy is expected to be the biggest benefactor in the medium-term.

TRADE AND SERVICES

					Variation	
	Q4-24	2024	Q4-25	2025	Q4/Q4	25/24
Number of ships at the port*	210	1,351	236	1,286	12.4%	-4.8%
Number of containers at the port (in 000s)*	99	514	120	635	21.4%	23.5%
Merchandise at the Port (in 000 tons)*	863	4,968	1,092	5,864	26.6%	18.0%
Planes at the Airport	6,932	46,680	13,761	55,561	98.5%	19.0%
Number of passengers at the Airport (in 000s)	720	5,620	1,605	7,009	123.0%	24.7%

**Q4 figures are for October & November of each year, full year figures are for 11M*

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These realities have made the tertiary sector a focus of local and international investment. This has caused many companies to plan for further large developments such as MEA opening a low-cost airline for example. Additionally, following the Beirut 1 conference, investors have shown notable interest in investment projects worth up to US$ 7 billion in various sectors including Telecom, Tourism and Transport. E-banking and FinTech services have also been growing in popularity. This comes as e-wallets and other such tools have effectively replaced the traditional banking system in Lebanon that was present pre-crisis. The telecom sector also has benefitted greatly from governmental initiatives during 2025 with the Ministry of Telecommunication outlining a reform roadmap centered on reactivating the Telecom Regulatory Authority (TRA), expanding fiber coverage, restructuring the state's fixed and mobile assets and attracting international operators through Public Private Partnerships.

In conclusion, the tertiary sector has always been the lifeline of the Lebanese economy, mirroring its health and giving insight into its trajectory. The figures noted in 2025 show a clear picture of recovery with significant momentum. This comes despite geopolitical uncertainty and provides a solid view into the resistance factor for service demand in Lebanon. The current environment remains conductive for growth, projecting a positive picture looking forward. The tertiary sector is well on its way to recover its pre-crisis levels of activity but will require governmental initiative to uphold the current stability. The private sector has correctly assessed and adapted to the shift in Lebanese consumption behavior leading to a more reliable growth looking ahead.

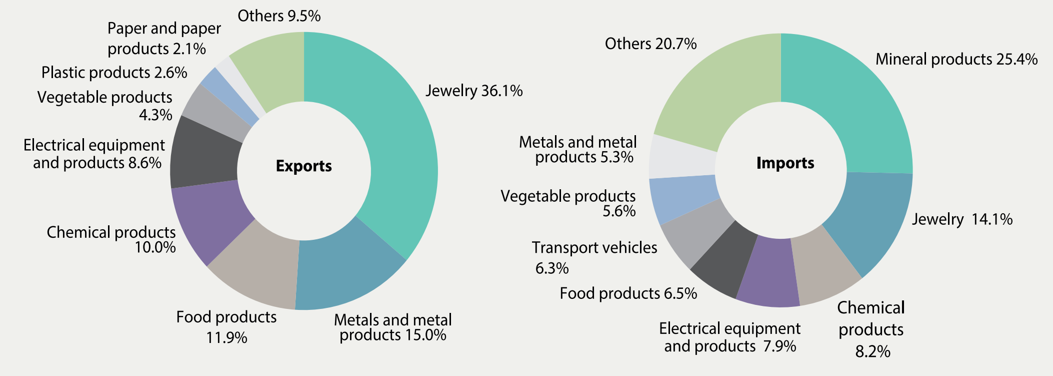
1.2. EXTERNAL SECTOR

Financial inflows exceeded outflows by US$ 3 billion over the first 11 months of 2025

The year 2025 saw a real balance of payments surplus of US$ 3.0 billion over its first eleven months, depicting the excess of inflows over outflows, according to the monetary/banking data just provided by BDL. As a matter of fact, while the financial system's net foreign assets increased by US$ 17.3 billion year-to-date, US$ 14.3 billion of the increase is due to the rise in gold reserves as a result of the surge in gold prices, leaving a real balance of payments surplus of US$ 3.0 billion over the period, which corresponds to the US$ 2.8 billion increase in the financial system's net foreign assets, net of around US$ 0.2 billion of currency adjustments.

Based on eight-month foreign trade data, imports are forecasted at an annualized figure of US$ 19.4 billion for 2025, while exports are forecasted at an annualized figure of US$ 3.7 billion, leaving a trade deficit of US$ 15.7 billion, the equivalent of 36.5% of GDP. On the assumption that the balance of payments ends the year 2025 at around US$ 3 billion of real surplus, gross financial inflows are estimated at slightly less than US$ 19 billion for the year.

BREAKDOWN OF EXPORTS AND IMPORTS BY COMMODITY (8M-2025)



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The breakdown of imports by country over the first eight months of 2025 shows that imports were led by China, which held the lion's share at 11.7% of total imports. Greece followed with 8.2%, while Egypt and Turkey accounted for 6.7% and 6.6%, respectively. Imports from the UAE and Switzerland were broadly comparable, each representing around 6.1%, reflecting a relatively diversified sourcing structure among Lebanon's main trading partners.

Over the same period, exports were highly concentrated by destination, with Switzerland absorbing the largest share at 22.6%. The UAE ranked second, accounting for 16.2% of total exports. Egypt and the United States followed at 4.6% and 4.5%, respectively, while exports to Syria and Iraq represented 4.4% and 4.1%.

By product category, imports were dominated by mineral products, which accounted for 25.4% of total imports, reflecting Lebanon's heavy reliance on energy-related goods. Jewelry ranked second with 14.1%, followed by chemical products and electrical equipment and products, representing 8.2% and 7.9%, respectively. Food products and transport vehicles completed the top categories, with shares of 6.5% and 6.3%, underscoring the weight of essential consumption and investment-related goods.

Exports remained heavily skewed toward high-value goods. Jewelry captured the lion's share at 36.1%. Metals and metal products followed with 15.0%, while food products accounted for 11.9%. Chemical products and electrical equipment and products contributed 10.0% and 8.6%, respectively, with vegetable products adding 4.3%, pointing to a narrower but high-value export base.

1.3. PUBLIC SECTOR

A US$ 1 billion fiscal surplus in 2025, as actual revenues exceed budgeted figures by 21%

The Lebanese Presidency has recently stated that the government's actual budgetary surplus recorded circa US$ 1 billion in 2025, equivalent to 2.3% of GDP. This comes in contrast to the budgeted equilibrium for the year

PUBLIC FINANCES: BUDGETED FIGURES (US$ MILLION)

	Budget Law 2025	Budget Proposal 2026
Public Revenues	**4,974**	**5,974**
o.w Tax Revenues	4,038	4,907
o.w. Income taxes	482	644
o.w. Property taxes	330	402
o.w. Internal Consumption taxes (including VAT)	2,274	2,854
o.w. Taxes on international trade	820	826
o.w. Other tax revenues	132	182
o.w Non Tax Revenues	937	1,067
o.w. Revenues of State-owned enterprizes	612	718
o.w. Other non tax revenues	325	349
Public Expenditures	**4,974**	**5,974**
o.w Current spending	4,401	5,340
o.w. Staff expenses	1,077	1,481
o.w. Debt service	352	290
o.w. Other current spending	2,971	3,569
o.w. Social expenses	1,318	1,651
o.w. Consumption goods	589	645
o.w. Emergency expenses	152	218
o.w. Others	911	1,055
o.w Capital spending	574	635
Public deficit	**0**	**0**
Debt Service	352	290
Primary deficit	352	290
Deficit/Expenditures	0.0%	0.0%
Capital Spending/Expenditures	11.5%	10.6%
Deficit/GDP	0.0%	0.0%
Revenues/GDP	11.6%	12.2%
Expenditures/GDP	11.6%	12.2%
Primary Deficit/ GDP	0.8%	0.6%

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and is a direct result of multiple governmental initiatives aiming to crack down on tax evasion within various parts of the economy. According to the statement, public revenues for 2025 recorded circa US$ 6 billion, around 21% higher than budgeted. In contrast, public expenditures for the year recorded circa US$ 5 billion, only marginally (0.5%) higher than budgeted. These figures also represent a year-on-year increase of circa 75% and 72% respectively against 2024 figures.

The major factor that led to this substantial improvement in public finance is the crackdown on tax evasion, especially in customs departments. This statement was supported by numbers, which puts customs tax revenue in 2025 at US$ 2,274 million, up from US$ 1,678 million in 2024, showing a year-on-year hike of 35.4%. The increase far exceed the increase noted in foreign trade, showing a clear and substantial impact from the crackdown on tax evasion and smuggling operations in the various ports of entry. Also supporting the announcement is a recorded jump of 127.6% year-on-year between 2024 and 2025 in property tax receipts. As such, governmental initiatives during 2025 show two realities: the impact of the opportunity cost from inefficiency & tax evasion on public finances and the substantial lucrative nature of crackdowns on revenue generation. However, the steps taken in 2025 need to be reinforced as there remain many areas within public finance (i.e. overstaffing, electricity, water, illegal telecom cables, etc.) that require attention.

Concurrently, the MoF has recently released its public finance monitor for 2024, providing a deeper insight into potential points of interest for reforms. During 2024, current expenditures represented 98.6% of total public expenditures, mainly on the back of personnel costs (67.2% of total expenditures). This comes despite public sector salaries remaining low, showing an extremely bloated sector, leading to inefficiencies and unnecessary costs. Additionally, the extremely low share of capital spending remains worrisome for governmental sustainability. Tax revenues remain the main source of public revenues (82.9% of the total) due to low governmental investment leading to a low diversity in sources of revenue generation. As such, while the current initiatives stand as a welcomed first step, much remains to be done.

In 2026, the government would benefit greatly from working on lowering unnecessary expenditures in parallel to increasing the tempo of the crackdowns, effectively compounding the benefits. This can be done through reducing unnecessary personnel, even if not substantial. The campaign to reduce personnel costs must focus on active personnel as salaries, wages & social benefits account for 48.1% of all expenditures. Additionally, this step could help in both increasing the government's ROI and improving public sector salaries. In parallel, working on digitalization could help in reducing inefficiencies, corruption and overemployment. This would in turn make it easier for the government to fix the gaps in the fiscal system and follow the current international public management standard. The government should also look to diversify its income sources through investments and improved revenue collection efforts for non-tax revenues. This diversification helps the state mitigate the downside risks to revenue generation brought on by potential economic shocks, decreasing population, changes in consumption behavior and other variables affecting the tax base.

In conclusion, the current government has shown its ability and willingness to tackle major issues related to public finance performance. However, threats remain present if efforts stop here. It is imperative that more action be taken in the year ahead to solidify the government's improvements and protect its financial stability from future shocks. A comprehensive reform plan must be put together, with the help of international organizations, in order to purify the government's budget from opportunity costs and unnecessary losses as well as join the international community in the most recent public governance standards. Improved border security and tighter guidelines are a first step among many. The more the state is capable of improving its current fiscal results, the more optimism grows for its future performance and sustainability.

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1.4. FINANCIAL SECTOR

1.4.1 Monetary situation

BDL's liquid FX reserves on the rise in 2025, gold reserves close the year at all-time high

Lebanon's monetary conditions throughout the year 2025 were mainly anchored by continuous currency stability, a net positive growth in the Central Bank of Lebanon's liquid foreign reserve assets and a record high level of BDL's gold reserves.

In details, the Lebanese Pound maintained a technically and fundamentally supported stability in 2025. This came within the context of a fiscal surplus of US$ 1 billion in 2025 and a real surplus in the balance of payments of US$ 3 billion in the first eleven months of the year, as per latest figures released by BDL. That being said, the LP/US$ parallel market rate continued to move marginally around 89,600-89,700 over the year 2025.

Concurrently, the Central Bank of Lebanon's liquid foreign reserve assets rose steadily all through 2025 to reach US$ 11,895 million at end-December 2025 compared to US$ 10,135 million at end-December 2024, which marks an expansion of US$ 1,760 million over the year. This took place as BDL's FX reserves reported an average monthly growth of US$ 147 million over the year 2025, which was mostly tied to significant expansions in the first half of each month. The expansion in BDL's liquid FX reserves in 2025 is mainly the result of BDL intervening on the FX market acquiring Lebanese Pounds trading surpluses from the market, after isolating the part of the rise in FX reserves that is due to interest earned abroad on the foreign held reserves and the impact of the rising Euro/US$ exchange rate on the reserves held in Euro.

Concomitantly, BDL gold reserves hit an all-time high at US$ 40,374 million at end-December 2025 (9.2 million ounces at a price of US$ 4,389 per ounce) against US$ 24,102 million at end-December 2024, which marks a significant expansion of US$ 16,272 million (the equivalent of 67% growth). The remarkable surge in gold reserves is mainly explained by a strong rally in gold prices globally, as investors flew to safe-haven assets on concerns about the impact of the new US tariff policy on global economic growth, and as the US Federal Reserve delivered three interest rate cuts for a total of 75 bps over the September-to-December period, raising the attractiveness of non-yielding assets. The gold price rally allowed BDL's gold reserves to GDP ratio to top 94%, which is the highest in the world, compared to a global average of circa 4%.

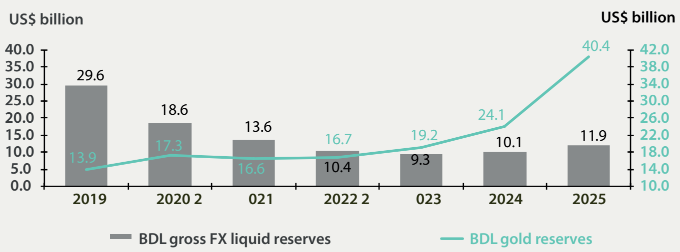
In parallel, the currency in circulation outside BDL reached LP 71.5 trillion at end-December 2025, compared to a much lower level of LP 65.6 trillion at end-December 2024, which marks an expansion of LP 6.0 trillion, the equivalent of US$ 67 million. This represents 6.7% of BDL's liquid foreign reserve assets.

As to Treasury bills, the outstanding Tbs' portfolio denominated in Lebanese pound remained in a contractionary mode over the year 2025, noting that Tbs issuance has been suspended since the start of the year 2024 in response to BDL policy refraining from financing the government. That being said, latest figures

MONETARY SITUATION

Flows in US$ million	11M-24	11M-25	Progression
	Vol	Vol	Vol
Net foreign assets (excluding gold)	-3,279	3,005	6,284
Net claims on the public sector (excluding valuation adjustments)	8,081	-2,932	-11,013
Claims on the private sector	-2,150	-272	1,878
Uses=Sources	**2,652**	**-198**	**-2,850**
Money (M3)	-8,354	-1,534	6,820
Valuation adjustment and other items	11,006	1,336	-9,670

EXCHANGE MARKET INDICATORS



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released by the Association of Banks in Lebanon showed that the outstanding LP Tbs' portfolio reached LP 47,847 billion at end-December 2025, down from LP 67,165 billion at end-December 2024, which denotes a contraction of LP 19,318 billion.

Moving forward, continuous efforts to advance the reform agenda and meet the prerequisites for a final agreement with the IMF, would help unlocking much-needed international financial assistance and boosting the Central Bank of Lebanon's liquid foreign currency reserves.

1.4.2 Banking activity

Quasi stability in free FX liquidity in 2025, reflecting no cash burn this year

The year 2025 has also reported a significant increase in fresh US$ deposits in the Lebanese banking sector. Indeed, fresh US$ deposits rose by US$ 1.3 billion year-to-November (40%), to move from US$ 3,209 million at end-December 2024 to US$ 4,468 million at end-November 2025 (latest available). This comes amid the political breakthrough that took place this year, with the quasi-normalization of political conditions, carrying favorable economic, monetary and financial spillovers.

The increase in fresh US$ deposits is accompanied by a decrease in lollar deposits by US$ 2.2 billion year-to-date, the equivalent of US$ 200 million a month. In fact, lollar FX deposits contracted from US$ 84.7 billion to US$ 82.4 billion. As such, total FX deposits (incorporating both fresh and lollar deposits) remained almost constant at around US$ 87 billion.

In parallel, LL deposits reported a noticeable increase in the first eleven months of 2025, to move from LL 67.9 trillion in December 2024 to LL 82.7 trillion in November 2025, rising by LL 14.8 trillion. This comes amid some LL money creation with currency in circulation rising by LL 6.1 trillion, along with few FX to LL deposit conversions.

The settlement of loans to the private sector continued in 2025 though at a relatively lower pace. While LL loans contracted by LL 0.7 trillion, to move from LL 11.5 trillion in December 2024 to LL 10.8 trillion in November 2025, FX loans contracted by US$ 219 million, to move from US$ 5.5 billion to US$ 5.3 billion over the period. The decline in total FX loans comes despite the start of fresh US$ loan extension by few banks. As at end-June 2025, BDL had reported a total portfolio of fresh US$ loans outstanding of US$ 553 million.

The banking sector has reported a quasi stability in free FX liquidity year-to-date, reflecting no cash burn this year amid relatively profitable bank operations offsetting the withdrawals on BDL circulars. As a matter of fact, net free FX liquidity has stabilized at US$ 2.9 billion between December 2024 and November 2025. Gross FX liquidity amounted to US$ 7.3 billion at end-November 2025, broken down as follows: US$ 5.0 billion of claims on non-resident banks, US$ 0.8 billion of cash in vaults and US$ 1.5 billion of non-resident security portfolio.

BANKING ACTIVITY

in millions of US$	Oct-19	Dec-24	Nov-25	Var 11M-25
Total assets	**262,804**	**102,760**	**101,825**	**-935**
Total shareholders' equity	**20,602**	**4,820**	**4,727**	**-94**
Total deposits	**168,364**	**88,646**	**87,668**	**-978**
o.w. LP deposits	44,727	759	924	165
o.w. FC deposits	123,637	87,888	86,744	-1,143
Total credits	**54,166**	**5,646**	**5,418**	**-228**
o.w. LP credits	16,029	129	121	-9
o.w. FC credits	38,136	5,517	5,298	-219

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It is worth mentioning that non-resident financial sector liabilities have continued their contraction this year, declining by US$ 0.2 billion over the 11-month period, to move from US$ 2.5 billion at end-December 2024 to US$ 2.3 billion at end-November 2025.

A stability in bank shareholders' equity was recorded this year following drastic declines over the previous few years (contraction of US$ 15.9 billion since crisis onset). Shareholders' equity actually reported US$ 4.7 billion in November 2025, almost similar to end-December 2024 (US$ 4.8 billion). The stability comes amid slight positive profitability this year, somewhat reversing the massive loss trend of the previous few years.

1.4.3. Equity and Bond Markets

Lebanon's first equity price slump in five years in 2025, along with strong bond price surge

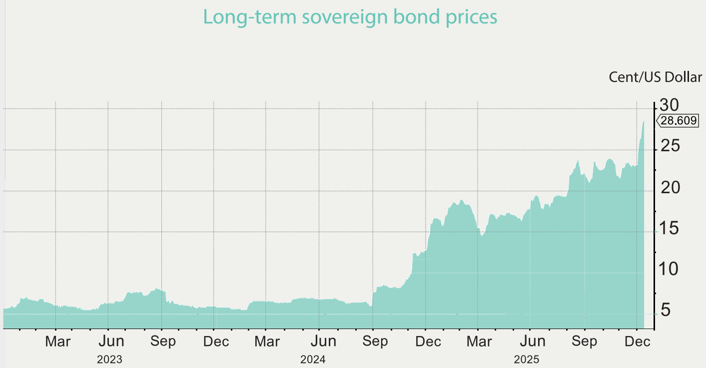
Lebanon's equity market took a nosedive in 2025, following four consecutive years of strong price rally, as some market players sought to cash in their gains following a significant surge in the "fresh-to-domestic" US dollar ratio that was mainly stoked by promising political developments at the beginning of the year and growing optimism about the reform process. At the level of Eurobond market, sovereigns registered a strong price rally over the year 2025 and early-2026 amid rising hopes of debt restructuring, hitting a current level of 28.50c per US dollar, the highest since Lebanon's sovereign default on March 9, 2020.

In details, the Beirut Stock Exchange plunged into the red (-23.4%) in 2025, following a strong price rally of 37.8% on average over the 2021-2024 period, mainly as some market players sought to cash in their gains following a remarkable year-to-date climb in the "fresh-to-domestic" US dollar ratio. A closer look at individual stocks shows that heavyweight Solidere "A" and "B" share prices shed 30.0% and 30.8% respectively in 2025, reaching US$ 84.00 and US$ 82.70 respectively at year-end. Yet, they remain way above levels observed on October 17, 2019, when they traded at US$ 5.45 and US$ 5.55 respectively, which denotes a price surge of more than 15-fold since the onset of the crisis. Amongst banking shares, Byblos Bank's "listed" shares topped the losers' list in 2025, registering large price contractions of 49.6% to reach US$ 0.59 at end-2025. BOB's "listed" shares shed 40.0% to US$ 9.00. Concomitantly, BOB preferred shares "H", "J" and "K" recorded price falls of 40% each to close at US$ 15.00 each. Bank Audi's "listed" share price fell by 23.0% to US$ 1.91. In contrast, BEMO's "listed" share price surged by 25.0% to US$ 1.50, followed by Bank Audi's GDRs with +23.4% to US$ 2.90 and BLOM's GDRs with +11.2% to US$ 5.75. As to industrials, Ciments Blancs Nominal's share price shed 10.2% to US$ 37.40. Holcim Liban's share price rose by 2.7% to US$ 72.00.

FINANCIAL SECTOR (NON BANKS)

	2019	2020	2021	2022	2023	2024	2025
Beirut Stock Exchange							
Market capitalization (In millions of US$)	7,540	7,176	10,625	14,578	20,597	25,693	19,687
Total trading volume (In millions of US$)	197	233	354	440	581	525	321
Annualized trading volume/Market capitalization	2.6%	3.2%	3.3%	3.0%	2.8%	2.0%	1.6%
Price index	69.7	63.5	94.0	129.0	182.3	227.4	174.2
% change in index	-16.9%	-8.9%	48.1%	37.2%	41.3%	24.7%	-23.4%
Lebanese Eurobonds							
Total volume (In millions of US$)	28,314	31,314	31,314	31,314	31,314	31,314	31,314
End-of-period average bond price (cents per US dollar)	50.23	13.44	10.25	5.75	6.00	12.75	23.10

CAPITAL MARKETS PERFORMANCE



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Along with deep equity price falls, the Beirut Stock Exchange was marked by relatively reduced price volatility over the year 2025. In fact, the price volatility, measured by the ratio of the standard deviation of prices to the mean of prices, reached 4.2% in 2025 compared to a higher price volatility of 10.3% in 2024.

As to trading volumes, the BSE total turnover contracted from US$ 525.4 million in 2024 to US$ 320.8 million in 2025, down by 38.9%. Solidere shares remained the major player, capturing 69.5% of total activity, followed by the banking shares with 25.4% and the industrial shares with 5.1%. The market capitalization on Lebanon's equity market contracted by 23.4% over a 12-month period, moving from US$ 25,693 million at end-December 2024 to US$ 19,687 million at end-December 2025. Accordingly, the BSE total turnover ratio, measured by the annualized trading value to market capitalization, reached 1.6% in 2025, down from 2.0% in 2024.

At the level of the Eurobond market, prices of Lebanese sovereigns rallied in 2025, as traders reacted favorably to key domestic political breakthroughs, starting with Presidential elections, to the formation of a cabinet of qualified experts and to the cabinet's historic August 5 decision on State monopoly over arms. Lebanon's bond price rally was also fueled by continuous efforts to advance the reform agenda and meet necessary requirements to reach a final agreement with the IMF, in addition to bullish recommendations from international investment banks.

In details, Goldman Sachs expected in a report issued late-September 2025 a recovery value of 28 cents per US dollar in base scenario, which assumes a debt restructuring taking place in the fourth quarter of 2027 with total assumed government's additional liabilities of US$ 18 billion; 40c in the upside scenario, assuming the restructuring happening at the end of 2026 and the government's additional liabilities amounting to US$ 13 billion, US$ 5 billion less than in the base case; and 17c in downside scenario assuming the restructuring takes place at the end of 2028 (a year later than baseline), and the state's additional liabilities amounting to US$ 31 billion.

That being said, prices of Lebanese Eurobonds reached 23.10c at end-December 2025, compared to 12.75c at end-December 2024 and 6c late September 2024. Sovereigns extended their price rally early-2026, hitting 28.50c by the time of writing this report, which is their highest level since Lebanon defaulted on its debt on March 9, 2020. This was mainly amplified by a massive "risk-on" wave in the distressed debt market triggered by the historic developments in Venezuela. In fact, after securing substantial profits from the Venezuelan surge, major vulture funds began redirecting their liquidity towards the next promising distressed assets, specifically Lebanon. This followed the Lebanese cabinet's approval for the "Financial Gap Law", which signaled continuous efforts to advance the reform agenda and meet the prerequisites for a final IMF agreement. Within this context, it is worth mentioning that the "Financial Gap Law", which was subject to significant domestic bickering, has been welcomed by the US, France and Saudi Arabia. This fueled speculation regarding its potential ratification in the Parliament.

Accordingly, Lebanese Eurobond prices more than quadrupled since late-September 2024 till early-2026, amid rising hopes of debt restructuring.

CONCLUSION: THE 2026 OUTLOOK AHEAD

Following the political breakthrough of the year 2025 that had so far favorable economic spillovers, what are the prospects for the year 2026 on the back of persisting security challenges, financial imbalances and uncertain reform process?

We have actually adopted three scenarios for 2026: The positive scenario with a probability of realization of 45%, the medium scenario with a probability of realization of 35% and the negative scenario with a probability of realization of 20%.

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The positive scenario rests on the persistence of security stability throughout 2026, supported by a widespread reconstruction effort, significant foreign inflows, and the ratification of a Gap Law. It also assumes that an IMF deal is reached, collectively driving a strong recovery trajectory.

The medium scenario rests on the assumption of security stability throughout 2026 but envisions only a limited reconstruction effort and continued domestic political bickering. This assumes no significant reforms and no IMF deal, leading to a modest recovery pace.

The negative scenario rests on a relative security drift, intense internal political bickering, and the absence of considerable foreign inflows. It assumes no reforms and no IMF deal, resulting in a broad economic slump.

In the event of the positive scenario materializing, economic conditions would prosper, carrying favorable monetary and financial implications. In fact, real GDP growth could hit 8%, the balance of payments might report a real surplus of above US$ 6 billion, inflation would be contained, BDL FX reserves would rise by no less than 40%, the fiscal balance would report a surplus of above 4% of GDP, eurobond prices could exceed the 30 cents threshold and fresh banking sector deposits would undergo a decent double-digit growth.

In the event of the medium scenario materializing, economic conditions would stall, with real GDP growth hovering around 3%, the balance of payments might report a tiny real surplus of US$ 1.5 billion, BDL FX reserves would slightly rise, the fiscal position would report a balance between spending and revenues, eurobond prices would hover around the 25 cents level and fresh banking sector deposits would undergo a negligible growth.

In the adverse war scenario, economic conditions would deteriorate noticeably, plunging real GDP growth into the red zone, notwithstanding a return to deficits in the balance of payments, to a fall in BDL FX reserves, to a negative fiscal position, all within the context of high inflation, while eurobond prices would fall below the 20 cents threshold and fresh banking sector deposits could undergo a net contraction.

Given the considerable discrepancies between the outcomes of the three scenarios, the Lebanese are today keeping their fingers crossed so that politicians bear witness of concessional constructive behavior that the country can productively build on, the policy makers embark on the hoped for firm reform path and the international community show readiness to provide the much needed support for domestic resurgence, revival and recovery at large.