

Business activity and new orders rise at fastest rates on record in September 2025



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The BLOM Lebanon PMI for September 2025 rose to 51.5 from August's 50.3, marking the fastest rate of improvement in private sector operating conditions since May 2013 and a second consecutive month in expansionary territory. The rebound was driven by record gains in output and new orders, alongside relative exchange rate stability, though firms reported higher input costs and remained cautious about the outlook. Politically, the Cabinet's adoption of the "Homeland Shield" framework for Hezbollah's disarmament signaled intent to restore authority and attract investment, even as Israel's ongoing breaches of the ceasefire kept tensions high. Meanwhile, the IMF mission in late September acknowledged reform progress but called for deeper measures, leaving uncertainty over a final program. Ultimately, while September's PMI pointed to the strongest recovery in years, fragile stability and cautious expectations continue to cap private sector optimism.

A top macro indicator, Lebanon's annual inflation rate decreased to 14.17% in August 2025, from 14.27% annually in July 2025, according to the Central Administration of Statistics (CAS). The average decrease in inflation in last year-and-a-half resulted from the increase of dollarization rates by businesses and to the stability of the exchange rate especially since August 2023. Moreover, in August, tensions over the government's U.S.-backed disarmament plan targeting Hezbollah's weapons, along with protests and ongoing conflicts in the South, added to uncertainty. At the same time, disputes over private generator pricing and delays in banking reforms kept operating costs elevated, limiting the slowdown in inflation and contributing to the modest monthly high in the CPI. In details, it is worthwhile to note that Education (6.6% of CPI) increased by 30.60% YOY, Owner Occupied (13.6% of CPI) soared by 27.77% YOY, and Food and Non-alcoholic Beverages (20% of CPI) rose by 23.55% YOY during the same period. The high "New Rent" increased yearly by 28.83% as uncertainty persisted, with Israel repeatedly breaching the November 27 ceasefire agreement. Many households rushed to secure housing, and in response, some tenants prepaid leases for several years, driving overall rent prices higher. On a monthly basis, Consumer Price Index (Inflation) increased between July 2025 and August 2025 by 0.56%.

The cumulative activity at Rafic Hariri International Airport rose by 7.06% year-on-year (YoY) to 4,723,827 travelers in August 2025. This increase was driven by a 12.08% cumulative YoY increase in arrivals, which totaled 2,470,401; similarly, a 2.14% rise in departures which reached 2,251,667. The passengers increase was largely attributed to sustained flows of expatriates and tourists returning for the summer period, alongside pre-booked travel that maintained steady airport activity through August. Notably, this growth comes despite ongoing Israeli strikes on Lebanon, which now is mostly limited to specific areas like the South and Beqaa regions. On a monthly basis, airport passengers' activity rose by 17.13% in August to 929,241, reflecting strong travel activity. However, arrivals declined by 16.57% from July, settling at 395,985, though they still posted a sharp 60.74% increase year-on-year. Transit passengers also fell by 21.84% month-on-month to just 383. By contrast, departures surged by 67.45% to 532,873, a trend that likely reflects the end of the summer season as tourists and expatriates began returning to their countries of residence.

In addition, according to Lebanon's consolidated commercial banks' balance sheet, total assets declined by 1.83% on year over year (YoY) basis to stand at \$102.7B by July 2025. On the assets side, currency and deposits with Central Bank represented a high figure of 76.94% of total assets; they dropped annually by 3.43% to settle at \$78.99B in July 2025. Deposits with the central bank (BDL) represented 99.89% of total reserves, and decreased by 3.41% YoY, to reach \$78.9B in July 2025. Furthermore, vault cash in Lebanese pound declined by 16.25% on a yearly basis to stand at \$88.98M by the same period. Claims on resident customers, constituting 4.31% of total assets, shrank by 21.78% to stand at \$4.42B in July 2025. Moreover, resident securities portfolio, representing 5.14% of total assets, increased by 6.16% in July 2025 to stand at \$5.28B. More specifically, the Eurobond holding recorded an increase of 0.42% since July 2024, to reach \$2.21B (net of provisions) in July 2025. Additionally, claims on non-resident financial sector rose by 20.18% YoY to stand at \$5.34B by July 2025. On the liabilities side, resident customers' deposits were the main account, representing 64.77% of total liabilities; they dropped by 3.31% since July 2024 to reach \$66.5B by the month of July 2025. In more details, deposits in foreign currencies (being 98.74% of resident customers' deposits) declined by 3.61% YoY to reach \$65.65B by July 2025, additionally deposits in LBP (1.26% of resident customers' deposits) increased by 28.56% YoY to stand at \$838.86M by July 2025. This reveals that a slightly higher proportion of deposits are now held in LBP, as the dollarization ratio for private sector deposits decreased from 99.22% in July 2024 to 98.97% in July 2025. As for non-resident customers' deposits, grasping 20.75% of total liabilities, they recorded a rise of 1.29% and stood at \$21.3B in July 2025. In details, the deposits in LBP rose by 32.00% to reach \$41.37M and deposits in foreign currencies increased by 1.24% to reach \$21.3B over the same period. In addition, non-resident financial sector liabilities representing 2.31% of total liabilities and decreased by 11.48% YoY to reach \$2.4B in July 2025. Lastly, the capital accounts stood at \$4.78B, higher by 38.61% than July 2024, noting that only about 10% of those are in LBP.

Furthermore, according to BDL's latest monetary report, the BOP recorded a cumulative surplus of \$8,920.3M up to July 2025, far above than the surplus over the same period last year of \$3,835.7M. Based on the BDL Central Council's Decision Number 37/20/24 dated 13/09/2024, BDL's foreign assets starting January 2024 include the Monetary

Gold, the Non-Resident Foreign Securities held by BDL, and the Foreign Currencies & Deposits with Correspondent Banks & International Organization; while excluding the Lebanese Government's Sovereign Bonds and the BDL loans in FX to Resident Banks and Financial Institutions. **The significant increase in the change of BDL NFA is mainly explained by the increase in the value of the Monetary Gold.** Accordingly, cumulative Net Foreign Assets (NFAs) of BDL rose by \$7,695.2M while the cumulative NFAs of commercial banks increased by \$1,225.1M by July 2025. On a monthly basis, NFAs of BDL rose by \$339.4M while the NFAs of commercial banks increased by \$85.4M in July 2025. For a more meaningful analysis, we examine the NFAs of commercial banks for the month of July 2025. On the liabilities side, "Non-resident financial sector liabilities" decreased by \$105.10M to reach \$2.4B; in addition, "Non-resident customers' deposits" fell by \$52.14M to reach \$21.3B. Meanwhile, on the asset side, "claims on non-resident financial sector" increased by \$32.1M to reach \$5.36B for the same period, similarly "other foreign assets" decreased by \$47.35M to stand at \$2.64B while "Non-resident securities portfolio" rose by \$4.2M recording \$1.22B.

Also, as per BDL's balance sheet, the Central Bank's total assets decreased by 0.26% Year-on-Year (YoY), reaching \$94.6B by mid-September 2025. Furthermore, the gold account, representing 35.53% of BDL's total assets, increased by 41.74% yearly to reach \$33.6B by mid-September 2025. Regarding foreign assets item, recently BDL amended it and replaced it by foreign reserve assets item to include only non-resident and liquid foreign assets. Thus, other resident and / or illiquid assets were transferred to securities portfolio or loans to local financial sector. In more details, Lebanese Government Eurobonds with a nominal value of \$4.85B were transferred to securities portfolio; whereas \$298.8M was transferred to loans to financial sector. Therefore, and in order to calculate the YoY change of foreign reserve assets, we deducted the Lebanese Eurobonds from foreign assets as of August 15th, 2024 in addition to the loans to local financial sector. **As such, BDL foreign reserve assets, consisting of 12.51% of total assets (after transferring the Eurobonds to securities portfolio and the other resident and / or illiquid assets to loans to financial sector) rose by 11.19% YoY and stood at \$11.83B by mid-September 2025. Additionally, foreign reserve assets increased by \$160.6M in the first two weeks of September 2025.** On the liabilities front, financial sector deposits, representing 89.29% of BDL's total

liabilities, decreased by 2.91% annually and reached \$84.43B by mid-September 2025 compared to last year, of which more than 90% are denominated in dollars. Moreover, public sector deposits, representing 8.46% of BDL's total liabilities, rose by 38.50% yearly and reached \$8.0B by mid-September 2025. Lastly, currency in circulation outside of BDL, consisting of 0.88% of BDL's total liabilities, rose by 29.92% annually to reach \$832.53M by mid-September 2025.

More so, Lebanon saw a cumulative 30.88% year-on-year (YoY) drop in construction permits to 5,511 by August 2025. This decline reflects the persistence of Lebanon's broader political and economic instability, which continued to weigh heavily on investor and household confidence. Heightened political tensions surrounding the government's disarmament plan for Hezbollah, the subsequent cabinet rift, and deadly security incidents that further undermined sentiment. In addition, the continued fallout of the Israel-Lebanon war left many hesitant to initiate new construction projects. Despite the drop in the number of permits, the Cumulative Construction Area Authorized by Permits (CAP) rose by 13.22% to 4,948,472 square meters (sqm) by August 2025, likely reflecting a shift toward larger group projects rather than smaller, individual ones. Moreover, construction activity declined across all governorates compared to the previous year, with the steepest fall in Beirut (-82.52%) followed by Bekaa (-50.86%) and Mt. Lebanon (-34.91%).

Additionally, According to market sources, cumulative Lebanese car market expanded by 27.28% year-over-year (YoY) by July 2025, reaching 6,761 cars. On a monthly basis, 1,636 cars were sold in July 2025. Furthermore, the leading sellers of vehicles in Lebanon were Toyota, Kia, and Nissan with number of vehicles sold in July 2025 alone totaled 314, 210, and 112 respectively. It is interesting to note that in July 2025, the share of non-gasoline cars and SUV (Hybrid, Plug-in Hybrid and Fully Electric cars) recorded a total of 330 automobiles. Lebanon's car market has faced significant fluctuations in recent years. Sales of new cars are much lower now compared to 2019, when cars were still being purchased through checks. Currently, the demand for new vehicles is restricted by the limited financing options, exacerbated by the lower purchasing power of the people. **However, there has been**

some improvement in the past year, and recent numbers up to July 2025 show more car registrations (6,761). Despite this increase, the number of cars sold is still much lower than the sales figures from 2019. This shows that while the market is indeed recovering, it still faces big challenges and is far from returning to its pre-crisis levels.

Apart from that, based on the data published by the Association of Lebanese Banks' (ABL), the total number of cleared checks in the Lebanese financial system decreased remarkably by 46.80% year over year (YoY) to 73,551 checks by August 2025. Similarly, the cumulative value of cleared checks in local currency decreased by 27.54% YoY to LBP 39.64B by August 2025. Likewise, the cumulative value of cleared checks in foreign currency dropped by 49.05% year-over-year (YoY) to reach \$484M by August 2025. Moreover, the volumes of cleared checks in Lebanese Pounds and foreign currencies witnessed substantial yearly drop of 44.26% and 71.80% respectively to settle at 69,959 and 3,592 checks, by August 2025. Accordingly, the dollarization rate of checks in terms of volume fell from 9.21% in August 2024 to 4.88% in August 2025. Notably, the number of returned checks was dropped substantially by 47.87% YoY to stand at 404 checks in August 2025. Moreover, the value of returned checks in local currency decreased by 35.21% YOY to record LBP 265B, however, the value of returned checks in foreign currency increased significantly by 124.14% YOY to record \$88.47M in August 2025.

Banque du Liban (BDL) recently issued Circular 165, which permits depositors to make payments by check starting June 1st, 2023, as long as their accounts are in either fresh US dollars or Lebanese lira. To support this initiative, BDL has introduced a new clearing system, distinct from the one dedicated to pre-crisis deposits. This circular serves a dual purpose: it encourages customers to open new accounts in both Lebanese pounds and US dollars, while also aiming to decrease the country's dependence on cash and stimulate economic recovery. As such, in August 2025, the cumulative number of checks issued from fresh accounts reached 53,142, of which 39,702 checks are in USD currency amounting \$538.6M and 13,440 checks are in LBP currency amounting LBP 22,986B. On a monthly basis, the number of cleared checks in August 2025 was 9,285 checks.

On a separate note, On September 10th, 2025, the Central Bank issued intermediate circulars 742/13749 and 743/13750 to modify basic circulars 159/13353 and 109/9668 respectively. Circular 742 requires banks to ensure LBP bankers or certified checks are issued only for legitimate purposes and mandates the phrase “Only Payable for the First Beneficiary” be printed on them. Circular 743 stipulates that proceeds from LBP card payments through local POS machines face no restrictions or commissions and can be withdrawn in cash. Both circulars took effect immediately upon publication in the official gazette.

Moreover, Bank Audi published its non-audited Q2 2025 results on 19 September, noting progress towards IMF engagement and the Bank Restructuring Law enacted in August. The Bank continues to support reforms, allocate surpluses to provisions as a precaution, and shift its retail model toward a cost-effective digital platform while focusing branches on high-net-worth and corporate clients. It stressed that figures are regulatory disclosures only. Q2 2025 results showed net profits of \$63.69 million, assets at \$14.76 billion (-11.43%), deposits at \$12.73 billion (+2.50%), loans at \$0.966 billion (+0.37%), and equity at \$1.05 billion (+9.67%).

Meanwhile, on 29 September 2025, BLOM Bank published its non-audited H1 2025 results, noting compliance with BDL circulars and the difficulty of estimating crisis impacts. The Bank reported net losses of \$114.84 million, versus \$548.14 million profit in H1 2024, mainly due to FX liquidation losses. Assets stood at \$17.93 billion (-0.53%), deposits at \$16.14 billion (+0.69%), loans at \$1.02 billion (+6.71%), and equity at \$1.17 billion (-8.76%)..

On the fiscal side, according to MoF figures, Lebanon recorded a fiscal surplus of \$36.12M in 2024 after four years of deficits, despite the war late that year. Revenues totaled \$3,890.87M versus \$3,854.75M in expenditures, with a primary surplus of \$428.23M excluding debt service. Tax revenues made up 82.88% of total, led by VAT at \$1,342.87M, while non-tax revenues reached \$585.45M, including \$221.71M from telecom. Debt

servicing costs stood at \$392.11M, split between \$202.78M in principal repayment and \$189.33M in interest payments.

In parallel, on September 3, 2025, Economy Minister Amer Al Bisat reaffirmed depositor protection, ruled out haircuts, and highlighted ongoing IMF talks on a \$3.5 billion package. He announced governance reforms, a 2026 budget with Lebanon 2035 roadmap, and a November investment conference, while defending fuel hikes and pledging tax, customs, and cash-reduction reforms. He also stressed accountability for the \$20+ billion subsidy losses through judicial auditing.

At the regional level, Goldman Sachs' September 2025 CEEMEA report highlights rising trade frictions and fiscal pressures across MENA. It projects modest Lebanese growth (2.3% in 2025, 3.9% in 2026) but persistent double-digit inflation, stressing reforms like Bank Secrecy and Restructuring Laws as steps toward IMF support. Yet unresolved banking losses, Hezbollah disarmament, and \$15 billion in reconstruction needs leave Lebanon's recovery fragile compared to GCC resilience and Egypt's IMF-backed easing.

Building on this, an IMF mission to Lebanon from September 22 to 25 ended without a deal, citing delays in finalizing the financial gap law and banking restructuring. The IMF urged deeper reforms in banking, tax policy, fiscal strategy, and structural growth measures, while recognizing progress such as a fiscal surplus, reserve buildup, and passage of the Bank Restructuring Law. Disputes over the \$16.5 billion state debt to BDL and loss distribution remain major obstacles ahead of the October 2025 meetings.

From a market perspective, J.P. Morgan's September 2025 note on Lebanese Eurobonds argued "there is value in the curve" as reforms advance toward an IMF deal in 2026. It estimated banking sector losses at \$50-55 billion, with a likely depositor bail-in under the pending gap law, and projected a 65% haircut on Eurobonds. Under restructuring terms, bonds could recover around 27-30, with current valuations near 24 seen as attractive for Q4 positioning.

On the policy front, a September 2025 Union of Arab Bank (UAB) report highlighted Public-private partnerships (PPPs) as key tools to mobilize private capital, boost efficiency, and ease fiscal pressures. Lebanon's case shows asset values of \$11.7-21.5 billion, with real estate and telecom as main contributors, but also underscores that privatization and PPPs alone cannot solve structural weaknesses. Instead, PPPs should be embedded in broader reforms to support resilience, growth, and long-term stability.

Furthermore, on September 26, 2025, debate over the government's \$16.5 billion debt to BDL focused on a proposed \$8.7 billion repayment compromise. Repayment is seen as crucial to enforce fiscal discipline, avoid moral hazard, and safeguard depositors, since BDL's funds ultimately belong to them. With about \$8 billion in public deposits already at BDL, repayment is considered both feasible and necessary to restore confidence.

Finally, on October 2, 2025, BDL confirmed it had followed a quasi-currency-board exchange rate regime for two years as a stop-gap during the crisis. Under this system, domestic currency issuance was tied to foreign reserves, which far exceeded currency in circulation and M2, creating a large reserve buffer. BDL accumulated \$1.91 billion in reserves but limited monetary expansion, effectively adopting a **restrictive currency-board** approach that stabilized the exchange rate but constrained liquidity, raised interbank rates above 100%, and deepened recessionary pressures. Once the crisis ends, BDL plans to shift to a flexible exchange regime with inflation targeting.

In conclusion, the BLOM Lebanon PMI rose to 51.5 in September, recording the fastest improvement in private sector conditions since 2013. The surge in output and new orders pointed to a broad-based revival in demand, with firms expanding inventories and stabilizing employment, though capacity pressures mounted. Amid political developments, the government's disarmament framework conveyed intent to reinforce state authority and attract investor interest, but uncertainty over its implementation and continued security tensions weigh heavily on confidence. At the same time, the sharp acceleration in input costs to a two-and-a-half year high underscores how inflation threatens to erode competitiveness and blunt growth prospects. **Despite this rebound, Lebanon's recovery remains fragile, with inflation, political rifts, and stalled reforms overshadowing recent gains; yet this fragility should serve as a reminder that only decisive reforms and collective resolve can turn momentum into a durable path forward.**

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