

## June's PMI is in Expansion Territory for First Time since February



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**The BLOM Lebanon PMI rose to 50.3 in June, from 49.7 in May, returning to the expansion territory for the first time in four months.** Growth was driven by new orders, where the rate of increase reached a four-month high, with output growth also rising to a four-month high to meet rising demand. New orders were likely supported by the ceasefire renewal in early June and the establishment of a "pilot zone", even if imperfect. In details, new domestic orders led this growth, probably due to the partial return of internally displaced persons, who resumed normal consumption and home repairs, alongside a shift toward local products as new taxes on imported goods that generate waste after use made local products more attractive to consumers. Meanwhile, new export orders remained in contraction, but their rate of decline slowed probably due to the resumption of Lebanese export access to Saudi Arabia. Notably, on June 29, after data collection ended, the United Arab Emirates has lifted its travel ban on Lebanon, allowing Emirati citizens to visit the country. This move is expected to lift new export orders in July off the contraction zone as it includes both the manufacturing and services sectors.

Moving to economic indicators, according to the Central Administration of Statistics (CAS), [Lebanon's annual inflation rate dropped to 19.04% YoY in May 2026](#), down from 20.02% YoY in April 2026. This decline in inflation reflects easing price pressures in key categories such as food and energy related costs, alongside weaker consumer demand amid the economic uncertainty stemming from the renewed Israel-Hezbollah conflict. Nevertheless, inflation remains elevated as ongoing security concerns continue to weigh on economic activity. On a monthly basis, inflation rose by 0.48%.

Based on market sources, [cumulative Lebanese car market increased by 21.07% YoY by May 2026, recording 4,965 cars](#). On a monthly basis, car sales increased by 33.52% to 972 vehicles in May 2026 compared to April 2026, likely reflecting a gradual improvement in consumer demand and market activity despite the challenging economic and security environment. The leading sellers of vehicles in Lebanon were Toyota, Nissan, and MG with number of vehicles sold in May 2026 alone totaled 306, 138, and 57 respectively.

As per the Lebanese Customs Administration, [Lebanon's cumulative trade deficit widened by 19.03% YoY, to reach \\$6.1B by April 2026](#). This change was driven by a cumulative 11.33% YoY (\$7,036 million) surge in imports by April 2026 and a 21.64% YoY (\$938 million) fall in exports during the same period. This widening can be largely attributed to the repercussions of the renewed escalation of the Israel-Hezbollah conflict, which erupted in late February 2026 and continued to weigh on economic activity throughout April despite a semi-ceasefire announced on April 17th. The ongoing security uncertainty and repeated breaches, particularly in southern Lebanon, continued to disrupt economic activity, hinder production, and weigh on export performance, contributing to the sharp decline in exports. Meanwhile, imports remained elevated as Lebanon continued to rely heavily on foreign goods to meet domestic demand, including reconstruction needs and the replenishment of supplies affected by the conflict, ultimately widening the country's trade deficit.

In addition, [cumulative container activity at the Port of Beirut rose by 24.34% YoY to 312,646 TEU by April 2026](#). Cumulative container activity, referring to cargo loaded onto or unloaded from ships at the port saw an increase of 20.91% YoY to 234,077 TEU. Similarly, cumulative transshipment activity, which involves cargo transferred from one ship to another at an intermediate port, increased by 35.82% YoY to 78,569 TEU.

Furthermore, [the cumulative activity at Rafic Hariri International Airport declined by 34.36% YoY to 1,582,472 travelers by May 2026](#), reflecting the impact of the renewed conflict between Israel and Hezbollah, which disrupted travel demand and airline activity despite the ceasefire announced in mid-April. Total arrivals reached 753,125, down by 40.30% year on year, while departures fell by 27.81% to 829,104. Meanwhile, transit passengers increased by 194.16% year on year to 1,662, albeit from a low base. On a monthly basis, airport activity rose by 124.45% to 339,772 travelers.

Apart from that, according to the General Directorate of Land Registry and Cadastre (LRC), [the cumulative number of real estate transactions reached 18,631, valued at \\$1,958.8M by May 2026](#). This valuation is calculated at the new official rate of USD/LBP 89,500, effective from February 1st, 2024.

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 38.88% YoY to 29,106 checks by May 2026](#). However, the cumulative value of cleared checks in local currency increased by 13.52%YoY to LBP 27,296B by May 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 50.00%YoY to \$176M by May 2026. Moreover, the volumes of cleared checks in Lebanese Pounds and foreign currencies witnessed substantial yearly drop of 37.94% and 56.86% respectively to settle at 28,077 and 1,029 checks, by May 2026. Accordingly, the dollarization rate of checks in terms of volume fell from 5.01% in May 2025 to 3.54% in May 2026. By May 2026, the cumulative number of checks issued from fresh accounts reached 65,806, of which 47,864 checks were in USD currency, amounting to \$605M; and 17,942 checks were in LBP currency amounting to LBP 27,077B. On a monthly basis, the number of cleared fresh checks in May 2026 was 12,645 checks.

Alongside that, according to Banque du Liban's (BDL) balance sheet, [the Central Bank's total assets decreased by 0.54% YoY, reaching \\$93.45B by mid-June 2026](#). Furthermore, the gold account, representing 42.80% of BDL's total assets, increased by 26.67% yearly to reach \$39.99B by mid-June 2026. In addition, BDL foreign reserve assets rose by 2.94% YoY and stood at \$11.63B by mid-June 2026, while foreign reserve assets increased by \$184.71M in the first two weeks of June 2026. On the liabilities front, financial sector deposits, representing 86.45% of BDL's total liabilities, decreased by 4.63% annually and reached \$80.8B by mid-June 2026 compared to last year, of which more than 90% are denominated in dollars. Moreover, public sector deposits, representing 10.66% of BDL's total liabilities, surged by 38.26% yearly and reached \$9.96B by mid-June 2026. Lastly, currency in circulation outside of BDL, consisting of 0.68% of BDL's total liabilities, fell by 27.19% annually to reach \$637.7M by mid-June 2026.

According to BDL's latest monetary report, [the Balance of Payments \(BoP\) recorded a cumulative surplus of \\$2,482.9M up to April 2026](#), far below the surplus over the same period last year of \$7,842.5M. Cumulative Net Foreign Assets (NFAs) of BDL rose by \$1,873.3M while the cumulative NFAs of commercial banks increased by \$609.7M by April 2026. On a monthly basis, NFAs of BDL rose by \$482.2M while the NFAs of commercial banks increased by \$334.3M in April 2026.

In Parallel, according to Lebanon's consolidated commercial banks' balance sheet, [total assets declined by 1.89% YoY to stand at \\$100.72B in April 2026](#). On the assets side, currency and deposits with Central Bank represented a high figure of 75.49% of total assets; they dropped annually by 4.33% to settle at \$76.04B in April 2026. Deposits with BDL represented 99.91% of total reserves, and decreased by 4.31% YoY, to reach \$75.97B in April 2026. Furthermore, vault cash in Lebanese pound decreased by 18.88% on a yearly basis to stand at \$64.97M by the same period. On the liabilities side, resident customers' deposits were the main account, representing 63.61% of total liabilities; they dropped by 4.55% since April 2025 to reach \$64.1B by the month of April 2026. In more details, deposits in foreign currencies (being 98.71% of resident customers' deposits) declined by 4.59% YoY to reach \$63.25B by April 2026, additionally deposits in LBP (1.29% of resident customers' deposits) decreased by 1.33% YoY to stand at \$825.83M by April 2026.

On a separate note, according to the Ministry of Finance (MoF) latest figures, [Lebanon recorded a fiscal surplus \(cash balance\) of LL 130,242B by December 2025](#), up from a surplus of LL 21,858B recorded by December 2024. In detail, total budget and treasury receipts reached LL 554,351B by December 2025, while total budget and treasury payments stood at LL 424,109B. It is worth noting that the primary balance, which excludes interest payments, posted a surplus of LL 157,428B by December 2025. The strong fiscal outcome came during a year marked by improving economic conditions following the cessation of hostilities between Israel and Hezbollah in late November 2024 and the election of a President in January 2025, which helped restore confidence and support a gradual recovery in economic activity with a GDP growth rate of 3.8%.

Moreover, [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% YoY surge in expenditure, led by doubled personnel costs and a rise in Budget advances, Capital Expenditures and Treasury expenditures.

Alongside this, on June 4<sup>th</sup>, 2026, [BDL released announcement #980](#). This announcement urges banks and financial institutions in addition to the institutions that issued bank cards related to currency conversion at point-of-sales (POS) to amend their card management and authorization systems to accept currency conversion at POS by June 15<sup>th</sup>, 2026.

Also, on June 4<sup>th</sup>, 2026, [BDL issued intermediate circulars 768 and 769](#), extending measures for the gradual repayment of foreign currency deposits. Circular 768 prolongs the provisions of basic circular 158 for one year, keeping the monthly withdrawal limits unchanged (\$800 cash and \$200 POS), with a maximum eligible amount of \$54,200. It also allows banks to use the mandated 3% foreign liquidity under circular 154, provided it is replenished by end-2027. Circular 769 extends basic circular 166 for another year, maintaining monthly withdrawals of \$400 cash and \$100 POS, while raising the maximum eligible amount to \$15,600. Importantly, it revises eligibility criteria for account holders with Sayrafa transactions, excluding only those above \$100,000 who failed to pay related taxes. Both circulars take effect on July 1, 2026, for one year, subject to renewal or amendment.

[Bank Audi reported strong audited results for 2025](#), with profits rising sharply to \$82.73 million from just \$19 thousand in 2024. Assets reached \$15.12 billion, down by 9.71% from 2024. Deposits totaled \$12.89 billion, higher by 3.85%. Loans to customers increased to \$1.14 billion, up by 18.47%. And total equity stood at \$1.16 billion, higher by 11.54%. The bank highlighted its role in supporting recovery through new lending to 4,700 clients, expanding digital services to nearly 200,000 users, and reinforcing resilience ahead of sector restructuring. For Q1 2026, profits reached \$19.39 million compared to zero a year earlier. Assets reached \$14.78 billion, down by 2.26% from end 2025. Deposits totaled \$12.62 billion, lower by 2.10%. Loans to customers stood at \$1.09 billion, down by 4.07%. And total equity stood at \$1.15 billion, down by 0.69%. Bank Audi emphasized continued cautious lending, expansion of its digital platforms, and conservative liquidity management, underscoring its commitment to supporting the economy while preserving financial strength.

[BLOM Bank released its audited 2025 results](#), showing a net loss of \$205.75 million, compared to a profit of \$489.76 million in 2024, mainly due to losses from liquidating excess FX positions at the exchange rate of 15,000 LBP per USD, in accordance with BDL intermediate circular 733 issued on 27/3/2025. As to assets, they stood at \$18.06 billion, less by 1.41% from end 2024; deposits reached \$16.11 billion, up by 0.47%; loans reached \$1.09 billion, higher by 13.94%; and shareholders' equity was \$1.41 billion, down by 10.16%. As for Q1 2026, BLOM had net profit of 53.87 million in Q1 2026 compared to net losses of \$59.74 in Q1 2025. Assets stood at \$17.95 billion, up by 0.28% from Q1 2025; deposits reached \$15.92 billion, down by 0.76%; loans reached \$1.12 billion, higher by 12.81%; and shareholders' equity was \$1.46 billion, up by 21.19%.

That said, [\*Lebanon's Systemic Banking Crisis: Lessons from Five Decades of Global Crises\*](#) draws on the IMF working paper (WP/26/94) titled, "Systemic Banking Crisis Database: 1970 – 2025". The authors Messrs. Luc Laeven and Fabian Valencia showed that the Lebanese crisis shares several characteristics with past systemic bank crises but differs in three critical aspects, being: the magnitude of losses compared to Gross Domestic Product (GDP), length of the crisis with no solution, and the absence of a restructuring framework or plan. Also, the Lebanese financial crisis originated at the BDL rather than at the commercial banks.

In a related development, in [\*The Relationship Between Lebanon PMI's Output Prices Subindex and the CPI – A Quantitative Study\*](#), we examined how Lebanon's PMI output prices subindex relates to the Consumer Price Index (CPI) between 2013 and 2026. Initial regression showed output prices had only a weak explanatory power for CPI changes, largely distorted by the 2019 banking crisis. Introducing a dummy variable for the exchange rate regime (VLU) significantly improved the model, raising  $R^2$  from 2.35% to 51.6% and confirming output prices as a meaningful predictor when crisis effects are accounted for. Adding lagged CPI further strengthened the model, eliminating serial autocorrelation and raising  $R^2$  to 55.6%. Results highlight that output prices act as a leading indicator of inflation, though CPI variability is also driven by factors outside PMI coverage, such as energy, agriculture, money supply, local supply shocks caused by war destructions, and national panic/uncertainty. Overall, the findings validate output prices as a useful forecasting tool for consumer price trends in Lebanon. A 1% change in output prices is associated with about a 0.27% change in CPI (lagged one month), holding other factors constant.

In [\*The Reopening of René Mouawad's Airport: Preliminary Estimate of its Economic Impact\*](#), we analyze the potential economic impact of the reopening of René Mouawad Airport in Qlayaat. The airport, set to handle 114,000 passengers in its first year and 600,000 by its fourth, is expected to boost employment, attract diaspora and tourists, and stimulate regional development in north Lebanon. Estimates suggest it could support nearly 1,970 jobs and contribute around 1.7% to Lebanon's GDP, while easing pressure on Beirut's Rafic Hariri International Airport. However, challenges remain, particularly the need for government investment in surrounding infrastructure amid Lebanon's financial and security struggles. Ultimately, the airport's success depends on effective collaboration, marketing, and reforms to transform it into a vital hub for trade, tourism, and exports.

The report [The Gold Volatility Index – An Overlooked Indicator](#) highlights the role of the Gold Volatility Index (GVZ) as a valuable but often overlooked measure of market uncertainty in gold. Unlike historical volatility, GVZ captures implied volatility from options trading, reflecting expectations of future price swings. It tends to spike during periods of geopolitical risk or monetary policy shifts, as seen in the 2008 financial crisis, the post-pandemic tightening cycle, and the 2025–2026 gold rally, where GVZ levels signaled hesitation and corrections despite bullish fundamentals. While GVZ is not a directional tool, it provides insight into investor sentiment and risk perception, complementing price analysis. Its limitations include reliance on short-term horizons and sensitivity to options market dynamics, meaning it should be used alongside broader indicators. Overall, GVZ offers a deeper perspective on gold's risk environment and helps investors anticipate volatility beyond raw price movements.

The paper [Turning Gold into Growth: Analysis and Critique](#) reviews Dr. Saade Chami's proposal for managing Lebanon's gold reserves through a National Gold Trust Fund (NGTF) rather than using them directly to repay depositors. Drawing on international lessons, it warns against monetizing gold as a quick fix, stressing that reserves should be safeguarded within a credible institutional framework to support long-term stability. The NGTF would invest part of the gold in diversified assets, generating steady returns to finance priority infrastructure projects such as electricity and roads, which could raise GDP growth by 1.5–2% annually during peak years and strengthen fiscal revenues. While the approach could help create conditions for deposit recovery, the critique notes that growth alone cannot resolve the banking crisis without comprehensive restructuring, and cautions that the estimated GDP multiplier of 0.5 is modest. It also emphasizes prioritizing depositors over Eurobond holders and suggests scaling road investment while expanding reforms in internet and education.

By contrast, the report [To Use or Not to Use the Gold? That is the Question: Reflections on the Lebanese Crisis](#) explores whether Lebanon should use its central bank's gold reserves to resolve the banking crisis and repay depositors. The report critiques the infrastructure option as inefficient and prone to governance risks, arguing instead for using gold to restore depositor confidence and bank stability. It proposes liquidating around \$6 billion to cover small deposits and using the remaining \$35 billion as collateral for asset-backed securities to repay larger accounts over time. This approach is seen as fairer, faster, and politically more feasible, while also avoiding corruption risks. However, the paper stresses that such a plan requires prior enactment of financial gap and bank restructuring laws, alongside political stability and economic reforms, before gold can be credibly mobilized.

The report [Assessing the Physical Damage to Lebanon's Building-Level Environment from the 2026 Conflict](#) drawing on the UNDP and CNRS-L's 2026 building-level damage assessments show that the conflict caused severe destruction across Lebanon, with Mount Lebanon and South Lebanon bearing the greatest burden. In Beirut and Mount Lebanon, about 146 buildings were destroyed, 264 partially damaged buildings, and 54 targeted apartments, affecting more than 7,659 housing units, of which approximately 92% were located in Baabda District. In South Lebanon, the scale was far larger: more than 11,000 buildings destroyed, 2,200 partially damaged, and 9,300 with minor damage, producing over 3.1 million cubic meters of debris and USD 1.38 billion in estimated costs. These findings highlight both the localized devastation in Beirut's southern suburbs and the widespread destruction in the south, providing a baseline for recovery and reconstruction planning.

**In conclusion, the BLOM Lebanon PMI crossed to the expansion territory for the first time since February as both new orders and output grew.** Input costs continued to climb amid the regional conflict and inflationary pressures, though at a slower pace, while output prices accelerated sharply to a 39-month high, signaling stronger inflationary trend in June. On June 29, after data collection ended, the Cabinet suspended customs duties on selected imports, that could negatively affect the environment, pending a tariff review, meaning any impact will only appear in July's PMI if revisions are enacted.

Looking ahead, the future output index remained in contraction, though at a softer rate, reflecting persistent uncertainty tied to war and geopolitical risks. Lebanon's June 26, 2026 deal with Israel, also signed after data collection ended, stirred short-term volatility but raised hopes of eventual stability. Yet the decisive test lies not in the agreement itself, but in whether regional power dynamics—Tehran's directives to Hezbollah, Washington's guarantees, Israel's expectations of what it can win, and the durability of U.S.–Iran understandings—hold long enough to prevent renewed escalation. Until that is resolved, Lebanon's recovery will remain fragile, with stability the ultimate prerequisite for sustained growth.

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