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Contact Information

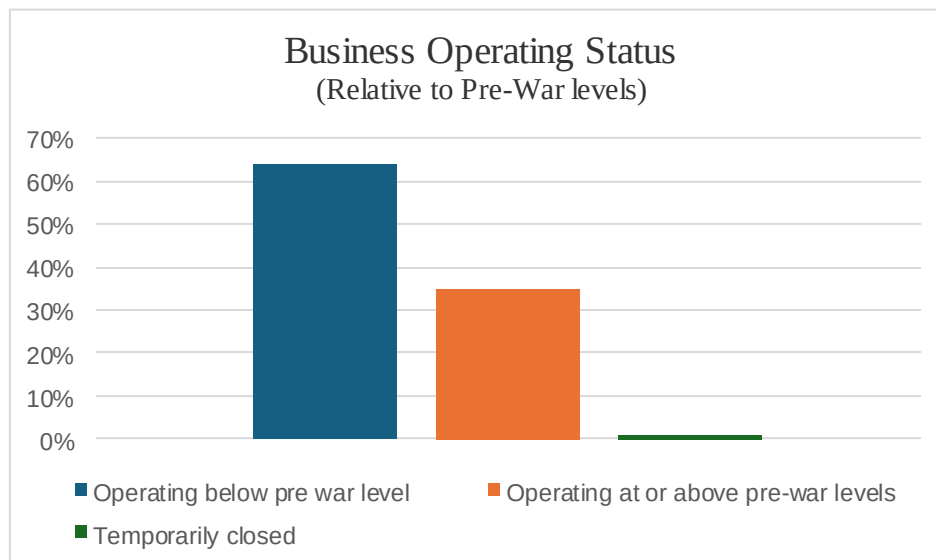
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Lebanon's Opportunity, "The War Impact & Business Forecast (July 2026)," examines the operational and market disruptions caused by the renewed conflict on businesses in the first half of 2026, while also assessing expectations for the remainder of the year, under the assumption that the ceasefire remains intact.

Source: War Impact & Business Forecast- July 2026.

Findings indicate that the impact of conflict created a broad economic shock that primarily affected business activity rather than widespread physical destruction. More than 60% of firms reported continued operations below normal capacity, as decreasing consumer demand, rising operating costs, supply chain disruptions and limited cash flow all contributed to a reduction in commercial activity. These factors resulted in weaker economic activity across nearly all sectors.



In Figure 1 above, Operating status of surveyed businesses relative to pre-war levels, nearly two-thirds of firms reported operating below their pre-war capacity, while only 35% had returned to or exceeded pre-war activity levels. Just 1% of businesses reported being temporarily closed.

The survey also highlights significant differences in business confidence across different sectors. Assuming the ceasefire holds, recovery expectations are strongest in the service sector with firms anticipating an improvement in revenue growth and increasing business activity in the second half of 2026. On the other hand, retail and manufacturing businesses remain cautious with expectations of stable sales rather than possible growth. This suggests that economic recovery is more likely to be uneven, with some sectors benefitting more than others, depending on the pace of demand recovery and restoring consumer confidence.

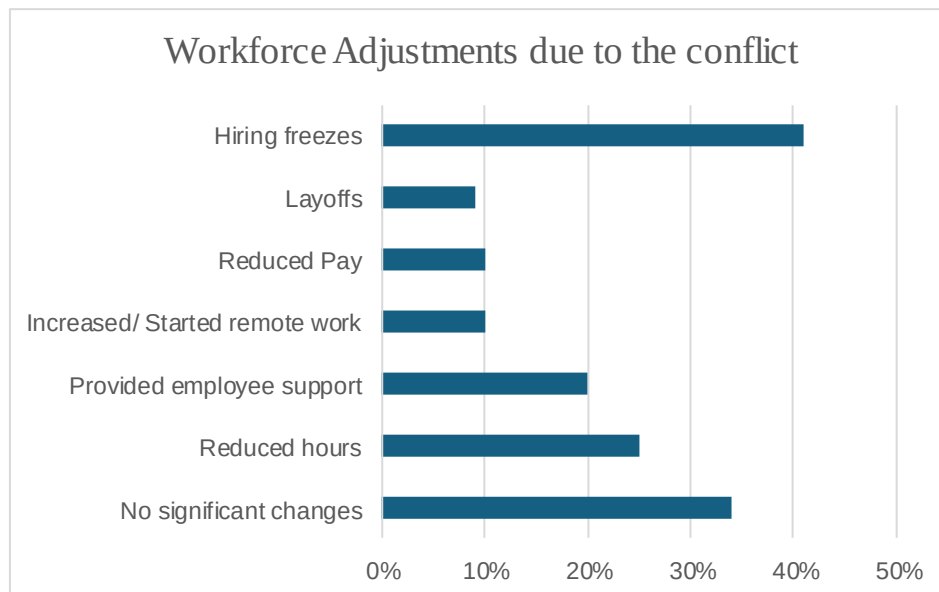
A decline in revenue performance was the clearest indicator of the severity of the crisis. A larger share of surveyed firms reported lower revenues during the first semester of 2026 compared with both halves of 2025, demonstrating that firms experienced a persistent decline in performance rather than a short term reduced activity. The conflict resulted in a systemic impact on economic activity, reducing businesses' ability to generate income across industries.

The impact of the conflict varied across economic sectors. Service firms showed greater operational resilience as a larger proportion maintained relatively stable revenues and continued operations during the conflict. While the trade and manufacturing sectors were vulnerable to falling revenues, supply chain disruptions and a huge increase in production costs, made these sectors heavily affected.

Moving forward, the overall business outlook remains cautiously optimistic but highly dependent on continued political stability. About half of surveyed firms expect revenue to increase during the coming semester of 2026, while almost all predict that they will at least maintain business stability. A very small portion foresees a further decline in sales. Projected recovery remains fragile and conditional upon the ceasefire holding.

Moreover, expectations continue to differ across sectors. The service sector remains the most optimistic anticipating strong recovery and a faster expansion pace. However, the smaller share of service businesses that still expect a decline anticipate a further reduction in sales. Trade firms' expectations present a more balanced perspective of having stable performance, with only a few expecting an additional decrease in sales. Manufacturing firms remain the most cautious, expecting their sales to remain unchanged; this suggests that manufacturers believe the sector has reached its lowest point and does not anticipate recovery in the near future.

Despite signs of stabilization, firms continue to rely on operational adjustments to maintain business activity during the ongoing effects of the conflict.



In Figure 2 above, Workforce adjustments adopted by businesses in response to the conflict, hiring freezes and reduced working hours were the most common workforce measures, while layoffs and pay reductions were implemented by a relatively small share of firms.

To maintain business stability many firms relied on workforce adjustments rather than widespread layoffs. They implemented less disruptive measures, reducing working hours or hiring freezes while only a limited number of firms reported delayed or missed salary payments, indicating employers prioritized preserving payroll obligations, suggesting employee retention is crucial to sustaining operation amidst the crisis while attempting to reduce operating costs.

Furthermore, firms adopted financial and operational measures to manage the impact of the conflict. Many increased prices to offset the rising costs and reduced production. From a financial perspective, business owners relied on personal savings and delayed payments to ease cash flow pressures. This reflects firms' continued efforts to maintain operations while adapting to conflict.

Lastly, an important finding from this survey is that most businesses aimed to adapt to adjustments during conflict so to keep operations running instead of suspending their activities. With firms' reliance on operational and financial adjustments, this could suggest they view this setback as temporary while waiting for market conditions to improve within the near future.

Overall, the findings suggest that restoring business activity remains the main challenge moving forward. While firms have demonstrated some resilience through operational and financial adjustments, the survey indicates economic recovery would be gradual and uneven across sectors. Sustained political stability, with continued economic support is essential for firms to restore normal levels of activity and rebuild consumer confidence.

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