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The BLOM Lebanon PMI dropped to 50.1 in August, from 50.7 in July 2026, marking a third consecutive month of expansion; however, at a slower pace than July. The weak growth was attributed to progress in stocks of purchases along with a marginal decline in output and employment. In August, new export order contracted at a slower pace than July while new orders contracted after two months of expansion due to a poor tourism season and decline in exports because of regional security concerns and uncertainty. Also, higher input prices were transferred to end-users leading to a drop in local consumption.

That said, **as per Central Administration of Statistics (CAS), Lebanon's annual inflation rate dropped to 15.69% in July 2026, down from 17.25% in June 2026.** This slight decline in inflation reflects easing price pressures in key sectors 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. In particular, "Recreation, amusement and culture" (2.4% of the CPI) increased by 43.2% Year-Over-Year (YoY), "Education" (6.6% of CPI) rose by 35.72% YOY, "Old Rent" (0.36% of CPI) saw a 30.55% YOY increase. As for "Food and non-alcoholic beverages" (20% of CPI) rose by 14.49% YOY, revealing continued price pressures in essential consumer goods. However, on monthly basis, Consumer Price Index (Inflation) decreased marginally by 0.03% between June 2026 and July 2026.

According to Lebanon's consolidated commercial banks' balance sheet, total assets declined by 2.91% on year over year (YoY) basis to stand at \$100.5B in June 2026. On the assets side, currency and deposits with Central Bank represented a high figure of 75.24% of total assets; they dropped annually by 4.48% to settle at \$75.6B in June 2026. Deposits with the central bank (BDL) represented 99.9% of total reserves, and decreased by 4.46% YoY, to reach \$75.6B in June 2026. Claims on resident customers, constituting 4.12% of total assets, shrank by 7.12% YoY to stand at \$4.1B in June 2026. Moreover, resident securities portfolio, representing 4.73% of total assets, decreased by 18.26% in June 2026 to stand at \$4.75B. More specifically, the Eurobond holding recorded a decrease of 8.54%, to reach \$2.05B (net of provisions) in June 2026. Additionally, claims on non-resident financial sector rose by 6.27% YoY to stand at \$5.7B in June 2026. On the liabilities side, resident customers' deposits were the main account, representing 63.4% of total liabilities; they dropped by 4.56% since June 2025 to reach \$63.7B by the month of June 2026. In more details, deposits in foreign currencies (being 98.68% of resident customers' deposits) declined by 4.69% YoY to reach \$62.9B by June 2026, additionally deposits in LBP (1.32% of resident customers' deposits) increased by 6.28% YoY to stand at \$838.3M by June 2026. As for non-resident customers' deposits, grasping 21.13% of total liabilities, they recorded a drop of 0.54% and stood at \$21.2B in June 2026. In details, the deposits in LBP fell by 2.55% to reach \$43.9M and deposits in foreign currencies decreased by 0.53% to reach \$21.2B over the same period. In addition, non-resident financial sector liabilities representing 2.25% of total liabilities decreased by 8.77% YoY to reach \$2.3B in June 2026. Lastly, the capital accounts stood at \$5.05B, lower by 3.52% than June 2025, noting that only about 10% of those are in LBP.

As per latest BDL's monetary report, the Balance of Payments (BoP) as change in net foreign assets of the banking system recorded a cumulative deficit of \$2,855.8M up to June 2026, far below the surplus over the same period last year of \$8,495.5M. Cumulative Net Foreign Assets (NFAs) of BDL fell by \$3,654.7M while the cumulative NFAs of commercial banks increased by \$798.9M by June 2026. On a monthly basis, NFAs of BDL fell by \$4,558.3M while the NFAs of commercial banks increased by \$188.3M in June 2026. For a more meaningful analysis, we examine the NFAs of commercial banks for the month of June 2026. On the liabilities side, "Non-resident financial sector liabilities" increased by \$14.87M to reach \$2.3B; in addition, "Non-resident customers' deposits" fell by

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\$38.86M to reach \$21.24B. Meanwhile, on the asset side, “claims on non-resident financial sector” increased by \$151.1M to reach \$5.7B for the same period; while, “other foreign assets” fell by \$13.26M to stand at \$2.85B; however, “Non-resident securities portfolio” rose by \$52.8M recording \$1.6B.

Alongside that, **according to Banque du Liban’s (BDL) balance sheet, the Central Bank’s total assets decreased by 1.14% Year-on-Year (YoY), reaching \$93.32B by mid-August 2026.** The gold account, representing 42.95% of BDL’s total assets, increased by 29.42% yearly to reach \$40.1B by mid-August 2026. **In addition, BDL foreign reserve assets, consisting of 12.45% of total assets fell by 0.64% YoY and stood at \$11.66B by mid-August 2026. Moreover, foreign reserve assets increased by \$84.2M in the first two weeks of August 2026.** On the liabilities front, financial sector deposits, representing 86.05% of BDL’s total liabilities, decreased by 4.98% annually and reached \$80.3B by mid-August 2026 compared to last year, of which more than 90% are denominated in dollars. Moreover, public sector deposits, representing 11.02% of BDL’s total liabilities, surged by 31.15% yearly and reached \$10.3B by mid-August 2026. Lastly, currency in circulation outside of BDL, consisting of 0.67% of BDL’s total liabilities, fell by 24.43% annually to reach \$628.3M by mid-August 2026.

Additionally, **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 35.36% year over year (YoY) to 42,264 checks by July 2026,** emphasizing the persistent contraction in traditional banking transactions. However, the cumulative value of cleared checks in local currency increased by 7.31% YoY to LBP 37,157B by July 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 38.08% YoY to \$265M by July 2026. Moreover, the volumes of cleared checks in Lebanese Pounds and foreign currencies witnessed substantial yearly drop of 34.76% and 47.09% respectively to settle at 40,590 and 1,674 checks, by July 2026. Accordingly, the dollarization rate of checks in terms of volume fell from 4.84% in July 2025 to 3.96% in July 2026. As for fresh checks, the cumulative number of checks issued from fresh accounts reached 104,438, of which 76,180 checks were in USD currency, amounting to \$960.7M; and

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28,258 checks were in LBP currency amounting to LBP 41,719B. On a monthly basis, the number of cleared fresh checks in July 2026 was 19,566 checks.

Based on market sources, cumulative Lebanese car market increased by 23.71% year-over-year (YoY) by July 2026, recording 8,364 cars. On a monthly basis, car sales increased by 22.16% to 1,869 vehicles in July 2026 compared to June 2026, likely reflecting a gradual improvement in consumer demand and market activity despite the challenging economic and security environment. Leading sellers of vehicles in Lebanon were Toyota, Kia, and Hyundai with number of vehicles sold in July 2026 alone totalled 351, 236, and 171 respectively. It is interesting to note that in July 2026, the share of non-gasoline cars and SUV (Hybrid, Plug-in Hybrid and Fully Electric cars) recorded a total of 396 automobiles. Despite this increase, the number of cars sold is still, as mentioned, 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.

Port of Beirut data reveal that Cumulative container activity at the Port of Beirut rose by 20.58% year-over-year (YoY) to 398,011 TEU by May 2026. Cumulative container activity, referring to cargo loaded onto or unloaded from ships at the port saw an increase of 12.80% YoY to 293,657 TEU. Similarly, cumulative transshipment activity, which involves cargo transferred from one ship to another at an intermediate port, increased by 49.58% YoY to 104,354 TEU. The continued rise in container activity by May 2026 reflects sustained import demand and the Port of Beirut's key role as Lebanon's main trade and transshipment hub. The relative easing of security tensions following the mid-April ceasefire likely supported smoother cargo handling and shipping activity. On a monthly basis the total activity increased by 8.53% to 85,365 TEU compared to April 2026. This increase points to a pickup in shipping activity during May, as higher cargo volumes moved through the port following the slight slowdown recorded in April.

As per the Lebanese Customs Administration, Lebanon's cumulative trade deficit increased by 10% year-over-year (YoY), to reach \$8.65B by June 2026. This change was driven by a cumulative 5.6% YoY (\$539 million) increase in imports by June 2026 and a 14.15% YoY (\$247 million) decline in exports during the same period. The widening of Lebanon's trade deficit by June 2026 can be largely attributed to the repercussions of the

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renewed escalation of the Israeli-Hezbollah conflict, which continued to and repeated weigh on business activity, production, and trade flows. Ongoing security uncertainty and repeated ceasefire breaches continued to disrupt economic activity and hinder export-oriented sectors, contributing to the decline in cumulative exports. Meanwhile, cumulative imports remained resilient, reflecting Lebanon's continued reliance on imported goods to satisfy domestic demand and replace supplies disrupted by the conflict. On a monthly basis, imports increased by 20.15% in June, reaching \$1.7B, while exports declined by 19.1% to \$250M.

In a separate note, we examined the relationship between real exchange rate and Lebanon's imports and exports, while also looking at the Lebanese PMI and global output as proxies for local and global economic conditions. **All things considered, the results did not show a statistically significant relationship between the real exchange rate and either imports or exports.** Our findings showed that the real exchange rate did not have a statistically significant effect on either Lebanon's exports or imports during August of 2019 till December of 2025, contrary to expectations especially given the large depreciation of the Lebanese pound during the economic crisis.

Ordinarily, depreciation would be foreseen to make exports more competitive and imports more expensive. However, our results did not show a significant relationship between the real exchange rate and either trade variables. In the case of exports especially, higher production costs, difficulties obtaining imported inputs, and a limited production capacity could have decreased the capability of Lebanese businesses to raise exports even when the exchange rate became more favorable. Lebanon's exports may have been affected by other factors, such as production limitations, funding obstacles, changes in exports markets, and the overall economic crisis. The import results are particularly noteworthy because Lebanon is highly dependent on imported goods. The devaluation of the Lebanese pound did not lead to the anticipated significant reduction in imports in the model. One possible explanation is that most of Lebanon's imports are essential goods that cannot be easily replaced by domestic production, such as pharmaceuticals and energy sources such as fuel and gas. Therefore, even when imports become more expensive because of exchange rate movements, demand for them may remain relatively high. Another reason is that local production dependence on imported raw materials limits the decline in domestic product prices. This could reduce the influence that the real exchange rate would normally have on import demand.

The results showed that Lebanon's **best lever to increase competitiveness is to improve productivity and fundamentals**, including good governance. These would make domestic goods and services viable substitutes to imports and would turn our exports more attractive in global markets. **In terms of policy implications, though the choice of exchange rate regime should be a priority, perhaps even more important is reforms to the real economy and business climate, as well as securing reliable trade routes and agreements.** Most of all, an environment of political stability, sovereignty, and security should be the first order of business.

Furthermore, **the cumulative activity at Rafic Hariri International Airport declined by 27.63% year on year to 2,745,958 travelers by July 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 1,444,285, down by 30.38% year on year, while departures fell by 24.32% to 1,300,826. Meanwhile, transit passengers increased by 64.68% year on year to 2,266, albeit from a low base. Airport activity contracted in July 2026, with total passengers falling by 8.99% year on year to 721,992 travelers. Total arrivals, departures and transit declined by 7.92%, 10.57% and 26.53% respectively reaching 437,057, 284,575 and 360 travelers. On a monthly basis, airport activity rebounded, with total passengers increasing by 63.53% compared to June 2026. The improvement was driven by the gradual resumption of flight operations and improved travel conditions following the easing of hostilities, as well as the peak of the summer season which boosted demand and activity. Consequently, arrivals rose by 72.00%, departures increased by 52.06%, and transit passengers grew by 47.54%.

Apart from that, **according to the General Directorate of Land Registry and Cadastre (LRC), the cumulative number of real estate (RE) transactions reached 28,938, valued at \$3,206.12M by July 2026.** Real estate transactions reached 5,308 deals in July 2026, with a total value of \$628.33M. This marks a 14.29% annual decrease, while recording a 6.18% increase on a monthly basis. Beirut captured the largest share of transaction value at 28.65% (\$180M), followed by Metn with 20.02% (\$125.82M), then Baabda with 15.24% (\$95.75M). The annual decline in real estate transactions in July 2026 reflects the adverse impact of the renewed Israel-Hezbollah conflict, which heightened uncertainty, weakened investor confidence, and dampened real estate demand. Nevertheless, the slight monthly increase

indicates a partial recovery in market activity as conditions gradually stabilized following the initial shock.

On another note, Lebanon Opportunities' article titled **"The War Impact & Business Forecast (July 2026),"** examined the operational and market distractions triggered by the renewed war on businesses in the first six months of 2026, while also assessing expectations for the remainder of the year, under the assumption that the ceasefire remains intact. **Findings revealed that 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. Moreover, 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.** Additionally, 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.

Central Bank (BDL) issued basic circular 174 related to building a depositors' central system. A "Depositors' Central Office" shall be established within the Banking Directorate of the Central Bank of Lebanon. This office shall manage the central database of depositors and deposits and assign a unique number to each depositor, which shall be used by all banks operating in Lebanon. **The purpose of this circular might be preparation for a future deposit recovery law issuance, where the deposits of each depositor could be aggregated in one account, as proposed in the issued deposit recovery law.**

Also, BDL proposed a recapitalization and deposit repayment proposal based on articles published in (leaked to!) the media. This proposal provides a more detailed framework for simultaneously recapitalizing banks and restructuring depositor claims, but its feasibility remains dependent on several unresolved issues. **Most importantly, these include the legal treatment of the \$15.5 billion in excluded deposits and the \$7 billion plus bail-in, recognition or rejection of BDL's more than \$25 billion claim against the State, and the treatment of mandatory reserves – specifically whether they constitute part of BDL's**

contribution to repayment or remain funds belonging to banks and indirectly to depositors. Until these issues are resolved among BDL, the Government and the IMF, the proposed capital requirements, repayment schedules and allocation of the ultimate banking-sector burden should be viewed as preliminary rather than final.

As important, but not to be discouraging, the Lebanese economic and financial crisis needs a multi-pillar framework to be solved. **Six pillars should be worked on contemporarily: banking crisis resolution, sovereign debt and fiscal reform, monetary and exchange rate regime reform, reforming state-owned enterprises, developing economic model, and finally enhancing governance and rule of law.**

In conclusion, the BLOM Lebanon PMI remained above the no-change threshold of 50, marking a third consecutive month of expansion; however, on a marginal basis in August. After two consecutive months of increased local consumption and output, private sector businesses increased purchases of stocks to replenish its inventory led primarily to a marginal expansion in PMI index. Local consumption this month contracted as year-over-year inflation remained in two-digit area where it recorded 15.69% in July 2026 and confirmed by increase in output prices in August that recorded 54.7 (above 50 no-change threshold).

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