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Lebanon's financial risk remains extremely high, according to the "EIU Financial Risk Report: Lebanon (September 2026)", which provides the basis for this analysis.

The high risk reflects persistent vulnerabilities in its monetary and banking systems and the unsustainable state of its public finances. Despite efforts to restore financial stability, the country continues to face significant challenges associated with currency stability, banking-sector recovery, and fiscal sustainability. These risks are closely interconnected, as weaknesses in public finances and the banking system continue to constrain the country's capacity to achieve a financial recovery. Examining these risk indices provide a clearer understanding of the scale of Lebanon's financial vulnerabilities and the obstacles in its path.

Overall Assessment

The country's unresolved financial crisis continues to be shaped by the legacy of sovereign default, substantial banking sector losses, and a high public debt burden.

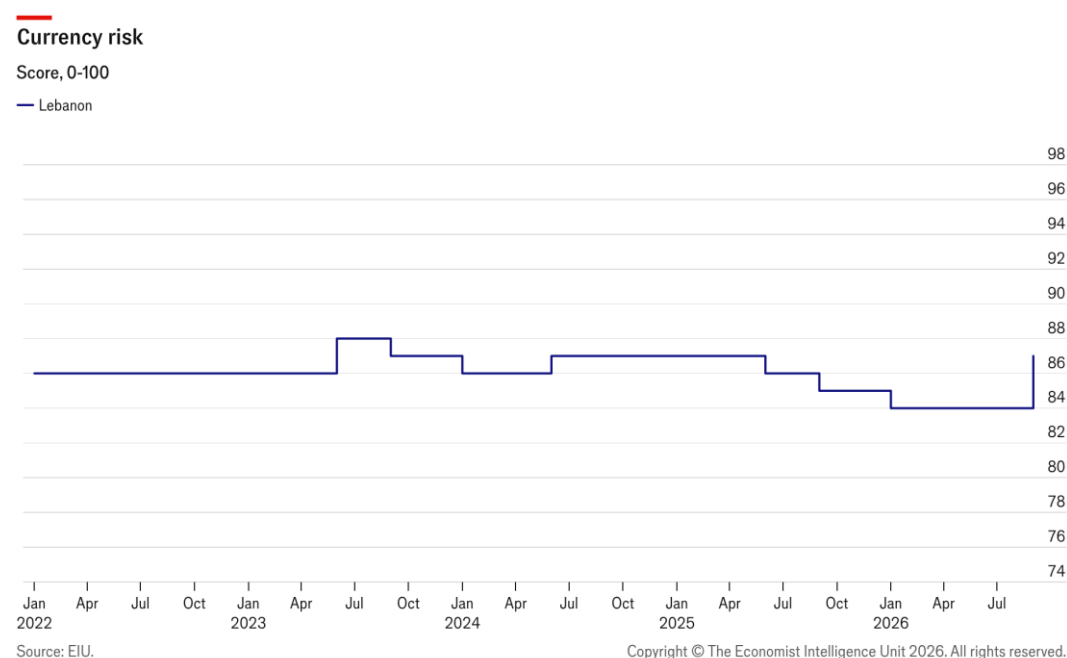
The overall financial risk is classified as extremely high, it remains unsolved following the sovereign default of March 2020. The scale of accumulated financial losses and the states debt burden indicate that the crisis cannot be resolved through isolated monetary or fiscal measures. The government's limited fiscal capacity complicates efforts to address these losses, while the unresolved crisis continues to undermine consumer confidence.

Financial recovery depends on addressing currency, banking sector and fiscal vulnerabilities in a coordinated manner. The main challenge is establishing a credible framework for resolving accumulated losses and restoring stability.

Currency Risk

Lebanon's currency risk remains severe, reflecting persistent exchange rate distortions, the substantial depreciation of the Lebanese pound, and weakened foreign exchange position. Incomplete exchange rate unification, very high dollarization, and continued inflationary pressure further complicate the recovery of monetary stability.

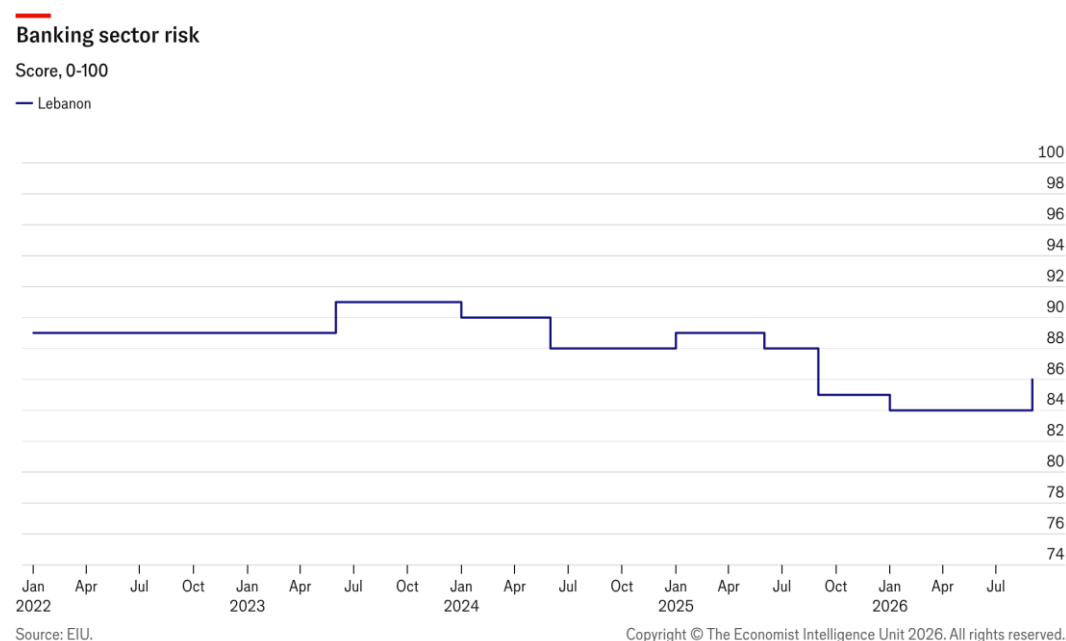
Figure 1. "Currency Risk"



The parallel market rate stands at approximately LBP 89,500 per US dollar, compared with the “official” nominal peg of LBP 15,000. This divergence reflects persistent distortions in the foreign-exchange market. The Lebanese pound has lost approximately 98% of its value, highlighting the depth of the currency crisis. Reserves declined by approximately 65% between 2019 and 2024, while readily available foreign exchange remains round one-quarter of its pre-crisis levels. Inflation is forecast at 14.8% in 2026, rising to 16% in 2027 before declining to 9.1% in 2030. Exchange rate unification remains incomplete, leaving the economy exposed to reform related uncertainty; additionally, very high dollarization is reducing demand for Lebanese pound and is complicating efforts to restore confidence in local currency. The projected current account deficit of 13.6% of GDP in 2030 indicates that foreign exchange requirements will remain significant, placing further importance on the availability of FX and credibility of the exchange rate framework.

Banking Sector Risk

Figure 2. "Banking Sector Risk"



Lebanon's banking sector remains in systemic distress, driven by massive unresolved losses, concentrated public-sector exposure, and incomplete restructuring. The sector is effectively insolvent reflecting systemic financial weakness. Banking sector risk remains extremely high, the combination of \$70-\$80 billion US dollars in unresolved losses, and banks holding approximately 40% of sovereign debt. Depositor access to foreign currency deposits remains severely restricted, whereas compensation arrangements remain unsolved.

Sovereign and Fiscal Risk

Sovereign and fiscal risk remain elevated, driven by a heavy debt burden, the unresolved sovereign default, restricted access to external financing, and outstanding debts restructuring needs. Lebanon's debt sustainability remains a major concern, with public debt reaching 155.6% of GDP highlighting the country's heavy debt burden. Although the public debt ratio is projected to fall below 150% of GDP by 2030, it would remain at a very high level. Similarly, the projected fiscal deficit of 1% of GDP in 2026 and an average of 2.2% over 2027-2030 indicate weak fiscal adjustments. Since the default, the suspension of most foreign-currency debt payments and limited access to external borrowing has significantly constrained the governments financing capacity. Without progress on debt restructuring and the settlement of accumulated payments, these issues will continue to weigh on Lebanon's fiscal position and undermine its ability to restore financial stability.

Conclusion

Lebanon's financial outlook remains highly fragile, as the country continues to face major challenges across its public finances, banking system, and currency. While some indicators point to gradual improvement, such as the projected decline in public debt relative to GDP and lower inflation by 2030, these developments are not enough to offset the scale of the existing crisis.

Moving forward the main barrier is turning ongoing reforms into concrete results. This requires a clear plan for debt restructuring, a fair approach to distributing banking sector losses, and measures that rebuild trust among depositors and investors. Without meaningful progress on these issues, Lebanon is likely to remain financially vulnerable, even if some economic indicators improve gradually over the coming years.

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