

October 13, 2026

Contact Information

Wissam Toubaily *

Research@blom.com.lb

Historical Overview

Lebanon is known among its resident citizens, diaspora, and even tourists who visit the country for its high cost of living. This is not only the case nowadays; it has been so for years and decades. People complain about the high cost of living in Lebanon compared to other countries, from real estate and tuition fees to food and energy prices, which have worsened recently due to the Iran war. So when did Lebanon become so expensive, and what are the underlying reasons behind its high cost of living ?

Looking back, Lebanon witnessed a period of brutal hyperinflation during the 1980s that destroyed the Lebanese currency. Later, in the 1990s, after the end of the war, things were brought under control, followed by a period of stability with the establishment of the 1,500 exchange rate system in December 1997. However, even though the government stabilized the currency, Lebanon started to become expensive as the government pursued reconstruction. With much of the country destroyed and its sectors largely damaged, Lebanon relied on imports. The fixed exchange rate made foreign goods look cheap; however, reliance on imports discouraged local production and left consumers exposed to global price shifts. Imported food, clothing, vehicles, and electronics became more expensive.

In addition, to fund reconstruction, the government relied on borrowing by offering high interest rates, making capital very expensive. This was coupled with a real estate building boom fueled by

capital inflows from the region and the diaspora. When this system collapsed in 2019, despite the financial crisis and the second collapse of the Lebanese pound, Lebanon experienced a short period of extreme affordability for holders of foreign currency. As the local currency sank, Lebanon became inexpensive and attractive to investment and tourism alike. However, this period ended shortly afterward with the dollarization of the economy and the introduction of the de facto quasi-currency board framework¹ by the Central Bank of Lebanon in July 2023.

Lebanon's High Cost of Living

The dollarization of the Lebanese economy did stabilize inflation growth in Lebanon, which peaked at 268.78% in April 2023, but at the same time, it locked prices at high levels. Prices for food, utilities, and services today often match or rival those in major global cities. According to Numbeo's Mid-2026 Cost of Living Index² city rankings, shown in Figure 1 below, Beirut ranks fifth in the Middle East, rivaling wealthy Gulf cities such as Dubai, Doha, and Riyadh. This makes Beirut the fifth most expensive among the major cities listed in the region.

Figure 1: Cost of Living Index – Middle Eastern Cities

Rank	City	Cost of Living Index
1	Tel Aviv-Yafo, Israel	103.9
2	Jerusalem, Israel	91.7
3	Haifa, Israel	89.1
4	Limassol, Cyprus	63.3
5	Dubai, United Arab Emirates	62.5
6	Nicosia, Cyprus	57.7
7	Paphos, Cyprus	55.7
8	Abu Dhabi, United Arab Emirates	55.1
9	Beirut, Lebanon	54.6
10	Ras al-Khaimah, United Arab Emirates	54.4

Source: Numbeo, Cost of Living Index by City, Western Asia, Mid-Year 2026.

¹ A de facto quasi-currency board is a monetary arrangement in which a government legally commits to backing 100% of its local cash with a foreign "anchor" currency, such as the US dollar, at a fixed exchange rate. Its foreign assets must cover all domestic base money in circulation, and it cannot print money unless it has the foreign reserves to back it up.

² Numbeo is the world's largest crowdsourced global database of city and country metrics. It is globally recognized and frequently cited, but it is not an officially verified statistical source. The indices are used here not as official accredited figures, but to clarify the severe prices-and-income paradox in Lebanon. Numbeo uses New York City as its baseline of 100. For instance, a Cost of Living Index of 70 means a city is 30% cheaper to live in than New York City.

Drivers of High Prices

Heavy reliance on imports is one of the main factors driving up costs. Lebanon imports more than 80% of its food and consumer goods, including fuel and medicine, and obtaining the dollars needed for imports became very costly after the depreciation of the Lebanese pound. The removal of government import subsidies further worsened the situation by directly pushing up consumer prices. Moreover, the wars in Ukraine and Iran added further pressure, as rising global commodity prices, particularly for wheat and oil, along with higher freight and war-risk insurance, costs, pushed up local prices in an import-dependent country like Lebanon.

Besides, Lebanon's supply chain is monopolized by exclusive import cartels that control fuel, drugs, and consumer goods. They hold exclusive rights to import and distribute foreign brands, raising prices quickly and disproportionately during global crises while preventing them from falling when global conditions ease. This takes place in the absence of competition that would usually drive prices lower.

In addition, inflows and remittances from the Lebanese diaspora and tourists during summer and holidays drive up rents, real estate prices, and hospitality costs. This has given Beirut and its market prices a prominent rank among international metropolitan cities. Businesses set prices in a manner consistent with the spending power of wealthy Lebanese expatriates and local families receiving remittances, rather than local purchasing power.

Another factor, and perhaps the most important, is Lebanon's failing infrastructure, one of the main reasons for inflation. With the collapse of state-owned utilities such as electricity and water, families must pay twice: once for public services and a second time for private alternatives, such as neighborhood generators and truck-delivered water. This consumes household income and damages purchasing power. Businesses, meanwhile, are forced to reallocate part of their capital investment to their own generators, water supply, and security simply to maintain operations. These costs are passed directly on to consumers through the prices of locally produced items. Added to this is the lack of a public transit network, which raises the cost of transporting everyday goods and exposes it

to fluctuations in global oil prices, alongside damage to roads, water networks, and energy installations caused by the 2024-2026 military conflict.

The Purchasing Power Gap

While Beirut ranks fifth in the Middle East according to the previously mentioned Numbeo Cost of Living Index, Lebanon ranks 58th globally, with a score of 49.8. This means everyday expenses in Lebanon are roughly 50% lower than in New York City. Thus, although Lebanon has Gulf-level prices, it is not among the absolute most expensive countries globally. So why does it feel so expensive?

Numbeo's Cost of Living Index looks only at prices, not income. Lebanon feels exceptionally expensive relative to local incomes, and this is the real quandary. To illustrate this, we can look at another related index: Numbeo's Local Purchasing Power Index, which measures relative purchasing power by comparing local wages with local consumer prices. In the Middle East, Lebanon ranks 36th in Mid-2026, ahead of only Syria, as shown in Figure 2 below. This means that, relative to local consumer prices and living costs, the average net salary in Lebanon buys fewer goods and services than in any other country listed in the region except Syria. Globally, Lebanon ranks 9th, making it one of the countries with the lowest purchasing power in the world.

Figure 2: Local Purchasing Power Index – Middle Eastern Countries

Rank	City	Local Purchasing Power Index
1	Haifa, Israel	140.1
2	Doha, Qatar	120.1
3	Manama, Bahrain	119.3
4	Dubai, United Arab Emirates	113.7
5	Sharjah, United Arab Emirates	111.7
6	Jerusalem, Israel	107.8
7	Kuwait City, Kuwait	107.7
8	Al Khobar, Saudi Arabia	103.7
9	Jeddah (Jiddah), Saudi Arabia	101.7
10	Tel Aviv-Yafo, Israel	100.8
11	Riyadh, Saudi Arabia	97.7
12	Limassol, Cyprus	96.2
13	Ad Dammam, Saudi Arabia	96.1
14	Muscat, Oman	95
15	Abu Dhabi, United Arab Emirates	94.8
16	Larnaca, Cyprus	93.5
17	Ajman, United Arab Emirates	87
18	Nicosia, Cyprus	82.4
19	Paphos, Cyprus	79.4
20	Eskisehir, Turkey	77.3
21	Ras al-Khaimah, United Arab Emirates	76
22	Bursa, Turkey	71.9
23	Izmir, Turkey	68.4
24	Ankara, Turkey	67.5
25	Adana, Turkey	63.3
26	Mersin, Turkey	61.3
27	Antalya, Turkey	60.8
28	Istanbul, Turkey	60.7
29	Baghdad, Iraq	50
30	Amman, Jordan	46.3
31	Erbil (Irbil), Iraq	46
32	Batumi, Ajara, Georgia	46
33	Baku, Azerbaijan	44.6
34	Tbilisi, Georgia	42.9
35	Yerevan, Armenia	39.3
36	Beirut, Lebanon	32
37	Damascus, Syria	4.9

Source: Numbeo, Local Purchasing Power Index by Country, Western Asia, Mid-Year 2026.

Low Wages and Purchasing Power

While prices in Lebanon remain high, wages are still very low. Low wages do not make prices higher; rather, they reduce purchasing power, which in turn makes life in Lebanon unaffordable compared with peer countries. This is largely due to the collapse of the Lebanese pound, which devastated salaries paid in Lebanese lira. Effective August 1, 2025, Ministry of Labor Decree No. 699 raised the minimum monthly basic salary in Lebanon to LBP 28,000,000, equivalent to roughly USD 313 at an exchange rate of LBP 89,500 per dollar. The minimum salary today is a fraction of its pre-crisis value, while the average paid salary in Lebanon stands at roughly USD 550.

Salaries vary by sector. Professionals in software engineering, technology, NGOs, or remote roles for foreign clients can earn between USD 800 and USD 2,500 or more per month. Junior employees in the banking sector earn between USD 600 and USD 900, while mid-level managers make between USD 1,200 and USD 2,500. Hospitality and retail positions are at the lower end, earning closer to the minimum wage, at around USD 300 to USD 500. In contrast, a standard salary in Dubai, for example, comfortably ranges from USD 3,000 to USD 8,000, even though a kilo of fruit or rent in Beirut can cost the same as or more than in the UAE. Even in countries with very low wages, such as Bangladesh or Sudan, the local cost of living is also correspondingly low, unlike in Lebanon.

Local salaries in Lebanon have failed to keep up with inflation. Meanwhile, the lack of government support for unemployment and healthcare places an additional financial burden on Lebanese households, further weakening their purchasing power .

The Cost of Living Quandary

Lebanon sits near the top of the list of countries with a high cost of living and near the bottom when it comes to strong purchasing power, under which the vast majority of the local population is struggling.

Lebanese consumer behavior plays a minor role in the country's high prices. Show-off culture, ego and vanity spending, and a willingness to overpay are prominent features of this behavior, especially if it is coupled with the lavish spending of some expatriates. Monopoly pricing played a minor role too. But the main, fundamental cause of the purchasing power quandary is that incomes are

determined by poor local productivity engendered by the economic collapse and by high international import prices driven by severe foreign dependence.

*The author would like to thank Ms. Jana Boumatar for her helpful editorial comments.

For your Queries:

BLOM BANK s.a.l.

Research Department

Zaituna Bay

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

Research Department

Tel: +961 1 991 784

research@blom.com.lb

Disclaimer

This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.