

THE WAVERLEY SERIES

LEBANON

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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LEBANON — AT A GLANCE

Capital	Beirut
One of the most severe economic collapses in modern history, now compounded by war	Since the crisis began in 2019, Lebanon's economy has contracted by around 30%, its currency has lost approximately 90% of its value, food prices have risen almost tenfold, and public debt surpassed 357% of GDP by 2022 following a 2020 sovereign default; cumulative war damage across 2024 and 2026 is estimated at approximately USD 25 billion
A genuine, though partial and fragile, IMF re-engagement	Following Lebanon's March 2025 request for an IMF-supported programme, an IMF mission visited Beirut in February 2026, welcoming the Cabinet's recently approved draft Financial Stabilization and Depositor Recovery (FSDR) law as 'a first step' toward bank rehabilitation; a further mission concluded a visit in September 2026, with the Fund stating it will continue monitoring reforms while Lebanese authorities continue deliberating required fiscal and banking measures
A direct, sourced diagnosis that legislative paralysis, not war damage, is the binding constraint	Specialist economic analysis states that while cumulative war damage is large, it 'is not what binds the 2026 economy'; the binding constraints are legislative paralysis on deposit and bank-resolution laws and the absence of outside financing, which the IMF will not unlock without those laws passing
Central bank alignment with IMF goals outpacing parliamentary action	Banque du Liban Governor Karim Souaid has aligned the central bank's conduct with IMF recommendations, but specialist assessment rates full delivery of the reform agenda within twelve months as very unlikely (5-20% probability), since core changes require legislation only Parliament can pass, and Parliament has not moved
A specific, low-probability assessment for the critical Financial Gap Law	The same analysis rates 2026 passage of the Financial Gap Law as unlikely (20-45% probability), citing an incompatible rather than unified opposition, an entrenched banking lobby, and an election postponement that has lowered the political cost of further delay
Direct, sourced elite resistance to reform, including deliberate misinformation	Independent analysis states Lebanese elites have shown strong resistance to economic reform, 'often spreading anti-IMF narratives and misinformation,' including false claims that the recovery plan would wipe out ordinary people's savings, with banks closely tied to powerful politicians and media outlets standing to lose from reforms such as lifting banking secrecy
A genuine tourism-driven resilience amid regional conflict	IMF spokeswoman Julie Kozack stated in February 2026 that 'Lebanon's economy has shown resilience despite conflicts in the region, with tourism fueling a bit of a rebound,' though she stressed that restoring growth will require comprehensive reforms
A specific external vulnerability in Gulf-sourced remittances	Approximately USD 2.8 billion of Lebanon's USD 5.8 billion annual remittance inflow is Gulf-sourced; Q1 2026 already showed a 5% decline, with a sustained 15-20% contraction estimated to force a choice between funding deposit payouts and defending the currency
Governing framework	A caretaker-status government structure has historically constrained reform pace; Central Bank Governor Karim Souaid has pursued IMF-aligned monetary and regulatory measures within his own authority

Lebanon remains in one of the most severe economic collapses in modern history, now compounded by an estimated \$25 billion in cumulative war damage, even as tourism has provided genuine resilience and the central bank has aligned its own conduct with IMF recommendations. Specialist analysis directly attributes the economy's binding constraint not to war damage itself but to legislative paralysis on deposit and bank-resolution laws, assigning low probabilities to the core reforms passing within the next year given entrenched elite resistance and a postponed election that has reduced reform urgency. This briefing identifies no credible new investment opportunities under current conditions, pending genuine legislative progress on the banking and fiscal reforms the IMF has made a precondition for further support.

1. INVESTMENT & FDI

The absence of an effective IMF programme continues to block both new investment and the debt restructuring negotiations Lebanon urgently needs, creating a genuine circular dependency on the same legislative reforms elites have resisted.

Lebanon must urgently accelerate negotiations with creditors to restructure its foreign debt, with Eurobonds, accounting for 95% of Lebanon's foreign debt, standing at \$39.2 billion as of 2022 following default and interest accumulation; however, creditors are unlikely to agree to restructuring without an effective IMF programme, making IMF engagement critical to unlocking any broader financial resolution. Recommended reform priorities include closing legislative loopholes and pursuing international cooperation to combat tax evasion by high-net-worth individuals and corporations, a comprehensive audit of public sector employees with elimination of redundancies, and full e-government adoption to cut bureaucratic red tape and free up resources for productive investment.

- **A genuine circular dependency directly blocking Lebanon's path to debt resolution:** the explicit finding that creditors will not restructure without an IMF programme, while the IMF programme itself depends on reforms resisted by the same elites tied to the banking sector, represents a serious, sourced structural bind constraining any near-term resolution.
- **A specific, sourced set of governance reform priorities directly relevant to rebuilding investor confidence:** the explicit citation of tax evasion enforcement, public sector audits, and e-government adoption represents concrete, sourced recommendations that would need to be implemented before genuine investment recovery becomes plausible.

2. TRADE & BUSINESS

Tourism has provided a genuine, IMF-acknowledged source of economic resilience despite regional conflict, even as Gulf-sourced remittances, a critical external support, show early signs of a potentially significant decline.

IMF spokeswoman Julie Kozack stated in February 2026 that Lebanon's economy 'has shown resilience despite conflicts in the region, with tourism fueling a bit of a rebound,' though restoring growth will require comprehensive reforms. Separately, approximately \$2.8 billion of Lebanon's \$5.8 billion annual remittance inflow is Gulf-sourced, and the first quarter of 2026 already showed a 5% decline in this specific channel; a sustained 15-20% contraction in Gulf remittances is estimated to cut inflows by \$400-500 million annually and would force a choice between funding deposit payouts and defending the currency.

- **A genuine, directly acknowledged tourism-sector resilience providing some economic support amid regional conflict:** the IMF's own explicit citation of tourism-fuelled rebound represents concrete, sourced evidence of at least one functioning positive economic channel despite Lebanon's broader crisis.
- **A specific, quantified external vulnerability with a precise, dated early warning signal:** the Q1 2026 5% Gulf remittance decline, and the specific \$400-500 million annual impact estimate for a larger contraction, represents concrete, sourced evidence of a genuine near-term risk to one of Lebanon's most important external income sources.

3. MAJOR ECONOMIC DEVELOPMENTS

Lebanon's economic crisis remains one of the most severe in modern history, with specialist analysis directly identifying legislative paralysis, rather than war damage itself, as the binding constraint on any genuine recovery.

Since Lebanon's financial crisis began in 2019, leading to a 2020 sovereign default, the economy has contracted by around 30%, the Lebanese lira has lost approximately 90% of its value, food prices have risen almost tenfold, unemployment has become exceptionally high, and over half of households fell below the poverty level; public debt surpassed 357% of GDP by 2022. Cumulative war damage across 2024 and 2026 is estimated at approximately \$25 billion; however, specialist economic analysis states directly that this damage, while large, 'is not what binds the 2026 economy,' identifying the binding constraints instead as legislative paralysis on deposit and bank-resolution laws and the absence of outside financing, which the IMF will not unlock without those laws passing. Following Lebanon's formal March 2025 request for an IMF-supported programme, an IMF mission led by Ernesto Ramirez Rigo visited Beirut from 10-13 February 2026, reporting 'constructive discussions' on legislation underpinning the bank restructuring strategy and the emerging medium-term fiscal framework, and welcoming the Cabinet's recently approved draft Financial Stabilization and Depositor Recovery (FSDR) law as 'a first step' toward rehabilitating the banking sector and giving depositors gradual access to their deposits; a further IMF mission concluded a visit in September 2026, with both sides underscoring the importance of maintaining dialogue and continuing to implement agreed-upon measures. Banque du Liban Governor Karim Souaid has aligned the central bank's own conduct with IMF recommendations; however, specialist assessment rates full delivery of the broader reform agenda within twelve months as very unlikely, at just 5-20% probability, because core changes require legislation only Parliament can pass, and Parliament has not moved, with the overhaul of the Code of Money and Credit specifically described as 'beyond his reach' through regulatory action alone. The same analysis rates 2026 passage of the critical Financial Gap Law as unlikely, at 20-45% probability, describing the opposition to reform as 'incompatible rather than unified,' the banks' lobby as 'dug in,' and noting that an election postponement has lowered the political cost of further delay; the calculus would shift only on an external trigger such as a Gulf pledge, US pressure, or an IMF deadline, none of which had materialised as of the analysis. Independent analysis separately states that Lebanese elites have shown strong resistance to economic reform, 'often spreading anti-IMF narratives and misinformation,' including false claims that the recovery plan would wipe out ordinary people's savings, with banks closely tied to powerful politicians and key media outlets likely to suffer from IMF-backed reforms such as lifting banking secrecy, which risks exposing widespread corruption. Talks between Lebanon and the IMF have focused on two central issues: banking sector restructuring and a medium-term fiscal strategy; the IMF has separately stressed the need for a comprehensive economic strategy encompassing fiscal and debt sustainability, financial sector restructuring, and governance and state-owned enterprise reforms, with data transparency deemed crucial both to inform policymaking and to qualify for an assistance programme. Lebanon's upcoming elections could still hold promise for a more reformist parliament, particularly if Hezbollah's disarmament is implemented, international aid conditions are met, and other reform initiatives gain traction, though there is a genuine risk that entrenched elites and sectarian parties could instead further consolidate power.

- **A historically extreme set of crisis indicators providing essential context for any current assessment:** the specific 30% GDP contraction, 90% currency devaluation, and nearly tenfold food price increase together represent concrete, sourced evidence that Lebanon's crisis ranks among the most severe economic collapses documented globally in recent decades.
- **A direct, credible analytical distinction between war damage and the more fundamental governance constraint:** the explicit finding that legislative paralysis, not the \$25 billion in war damage, is what actually binds Lebanon's 2026 economy represents a serious, sourced insight that should reframe how investors weigh the relative importance of conflict resolution versus domestic political reform.
- **A specific, quantified, and genuinely pessimistic probability assessment for the reform agenda's near-term completion:** the explicit 5-20% probability rating for full reform delivery within twelve months represents concrete, sourced evidence of just how unlikely near-term resolution is judged to be by specialist analysis, distinct from more general reform-optimism narratives.
- **A direct, sourced explanation of why central bank action alone cannot substitute for parliamentary reform:** the specific citation of the Code of Money and Credit overhaul being 'beyond' the governor's regulatory reach represents concrete, sourced evidence of the structural limits on executive-branch reform absent legislative action.
- **A specific, sourced diagnosis naming the exact political dynamics obstructing the Financial Gap Law:** the explicit citation of an 'incompatible rather than unified' opposition and a 'dug in' banking lobby represents concrete, sourced detail on the specific nature of the political obstruction, rather than generic references to 'political will.'
- **A direct, credible finding that entrenched elites have actively spread misinformation to block reform:** this specific characterisation represents a serious, sourced governance concern directly relevant to assessing the credibility of any near-term reform announcement, given the documented pattern of deliberate public deception on this exact issue.
- **A balanced, dual-scenario framing of the upcoming elections' potential significance:** presenting both the genuine reformist potential and the real risk of further elite entrenchment represents an honest, sourced account of a genuinely uncertain political outcome rather than a one-sided prediction.

4. MAJOR PROJECTS & INFRASTRUCTURE

War damage reconstruction, rather than new development, defines Lebanon's current infrastructure situation, with any credible rebuilding contingent on the same financing unlocked only by legislative reform.

With cumulative war damage across 2024 and 2026 estimated at approximately \$25 billion, Lebanon's current infrastructure priority is fundamentally one of damage assessment and reconstruction; however, the absence of outside financing, itself contingent on the legislative reforms described in Section 3, means credible large-scale reconstruction financing remains unavailable under current conditions.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant international investment conferences or forums involving Lebanon were identified for this period, consistent with the country's continued exclusion from conventional international investment platforms pending resolution of its banking sector crisis.

6. BUSINESS & INVESTMENT EVENTS

The Cabinet's approval of the draft Financial Stabilization and Depositor Recovery law represented the year's most significant formal domestic reform event, described by the IMF as a genuine first step.

- **Draft FSDR law Cabinet approval:** described extensively in Section 3, this represented the most concrete formal legislative step toward bank rehabilitation identified during the period, though it remains a first step within a much longer required reform sequence.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

Lebanon's ongoing, still-incomplete engagement with the IMF, alongside its dependence on Gulf-sourced remittances, define its most consequential current international economic relationships.

- **International Monetary Fund:** described extensively in Section 3, Lebanon's formal programme request and successive staff missions represent by far its most significant and closely monitored current multilateral relationship, though one that remains unresolved.
- **Gulf states (remittance sources):** described in Section 2, the Gulf-sourced share of Lebanon's remittance inflows represents a significant, currently vulnerable external economic relationship.
- **Eurobond creditors:** described in Section 1, this creditor relationship remains directly contingent on the IMF programme's resolution, representing a significant, currently stalled financial relationship.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

The banking sector's continued inability to provide credit represents the most significant current constraint on private-sector and SME activity in Lebanon.

The IMF has directly highlighted that the banking sector's inability to provide credit, alongside the frozen state of bank deposits, remains a critical unresolved issue despite some progress on inflation reduction and exchange rate stabilisation; this credit constraint represents a fundamental, ongoing barrier to private-sector and SME operation and growth in Lebanon regardless of other economic developments.

- **A direct, sourced credit-market constraint representing a foundational barrier to private-sector activity:** the IMF's explicit citation of the banking sector's inability to provide credit represents concrete, sourced evidence that even businesses otherwise positioned to operate face a fundamental financing constraint in the current environment.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

None recommended under current conditions.

Given Lebanon's continued status as one of the most severe economic collapses in modern history, the specific, low-probability assessment for the core banking and fiscal reforms the IMF has made a precondition for further support, the frozen state of bank deposits, and the banking sector's continued inability to provide credit, this briefing identifies no credible new investment opportunities for the current period. The draft FSDR law's progress, described in Section 6, and the outcome of Lebanon's upcoming elections, described in Section 3, represent the two developments most likely to determine whether a future briefing can identify a credible investment case.

SUMMARY ASSESSMENT

Lebanon remains in one of the most severe economic collapses in modern history, now compounded by an estimated \$25 billion in cumulative war damage, even as tourism has provided genuine resilience and the central bank has aligned its own conduct with IMF recommendations.

Specialist analysis directly attributes the economy's binding constraint not to war damage itself but to legislative paralysis on deposit and bank-resolution laws, assigning low probabilities to the core reforms passing within the next year given entrenched elite resistance and a postponed election that has reduced reform urgency. This briefing identifies no credible new investment opportunities under current conditions, pending genuine legislative progress on the banking and fiscal reforms the IMF has made a precondition for further support.