

# **The 2026 war**

## **Economic and social impact**

# **Renewed war introduces a second shock**

**First Month Report**  
March 2026

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## Table of Content

---

<b>Introduction .....</b>	<b>4</b>
<b>Social impact: Key Figures .....</b>	<b>6</b>
<b>Three-phase crisis: 2024 Shock? 2025 Fragile recovery? 2026 Renewed collapse .....</b>	<b>7</b>
<b>Impact on GDP, fiscal, monetary and current account .....</b>	<b>10</b>
<b>Impact on the private sector .....</b>	<b>12</b>
<b>Appendix A: Sectoral analysis with industry leaders .....</b>	<b>19</b>
<b>Appendix B: Methodology of calculating GDP losses .....</b>	<b>40</b>

## Introduction

Lebanon now faces the risk of transitioning from a cycle of conflict and recovery to a state of prolonged crisis. The repeated disruption of economic activity, combined with ongoing humanitarian pressures, is pushing the country toward a model increasingly defined by aid dependency, informal labor, and outward migration. The implications are long-term. Without sustained stability, reconstruction efforts cannot take hold. Without reconstruction, economic recovery remains out of reach. And without recovery, the social fabric continues to fray under the weight of repeated displacement and declining living standards.

The escalation of 2026 has done more than reignite conflict: it has exposed the fragility of the recovery and underscored the cumulative impact of successive shocks. What began in 2024 as a devastating war has evolved into a multi-phase crisis, where each stage reinforces the damage of the previous one. The brief stabilization of 2025 now appears as an interlude rather than a turning point.

Lebanon is no longer confronting a single episode of destruction, but an unfolding trajectory of repeated shocks and interrupted recoveries, a pattern that, if sustained, risks defining the country's economic and social landscape for years to come.

Between 2024 and 2026, Lebanon has undergone a compound war shock unfolding in three distinct phases:

- **2024:** Large-scale destruction and humanitarian collapse
- **2025:** Partial stabilization with limited recovery
- **2026:** Renewed escalation reversing gains



People in collective shelters

**136,201**



Families in collective shelters

**35,419**



Shelters opened

**669**



Meal (Hot and cold)

**2,924,413**



Martyrs

**1,268**



Injuries

**3,750**

# Key figures

## 2024

### Systemic Shock

► **Social Impact**

- **Displacement**  
~1.2 million people
- **Deaths**  
4,000+
- **Housing destruction**  
Tens of thousands of units damaged or destroyed
- **Infrastructure**
  - › Roads, bridges, and utilities heavily hit
  - › Health and education systems disrupted

This phase represents a **nationwide humanitarian emergency, overwhelming state capacity.**

► **Economic Impact**

- **GDP**  
-6.6% to -7.1% contraction
- **Total losses**  
~\$8.5 billion
- **Employment**  
~166,000 jobs lost
- **Sector impact**
  - › Tourism collapsed
  - › Agriculture heavily damaged
  - › Trade sharply reduced

The war compounded the **post-2019 financial collapse**, deepening recession.

## 2025

### Fragile Stabilization

► **Social Impact**

- **Displacement**  
Partial returns, but many remain displaced
- **Deaths**  
~330 during the year
- **Living conditions**
  - › Damaged housing still widespread
  - › Slow reconstruction
- **Public services**
  - › Gradual but incomplete restoration

Shift from acute crisis to **chronic humanitarian stress.**

► **Economic Impact**

- **GDP**  
+5 percent (technical rebound, not full recovery)
- **Cumulative war cost**  
~\$14 billion
  - › \$6.8B damage
  - › \$7.2B economic losses
- **Reconstruction needs**  
~\$11 billion

Growth reflects low **base effects**, with some structural improvement.

## 2026

### Renewed Escalation

► **Social Impact**

- **Displacement**  
800,000 – 1,000,000 (second major wave)
- **Deaths**  
1,250+ (as of this writing)
- **Injuries: 3,500+** (as of this writing)
- **Children**
  - › 370,000 displaced
  - › Major disruption to education (150,000+ out of school)
- **Infrastructure**
  - › Bridges destroyed leading to regional isolation
  - › Hospitals and water systems damaged

Faster displacement and **repeat humanitarian collapse.**

► **Economic Impact**

- **Daily losses**  
\$60–80 million during escalation
- **GDP outlook**  
Recovery derailed and contraction risk returns
- **Business impact**
  - › Shutdowns across sectors
  - › Tourism collapses again
  - › Trade disrupted

The economy enters a **double-dip crisis.**

Sources: UNICEF Lebanon (27 March 2026); Lebanon Ministry of Public Health daily reports (late March 2026), and InfoPro Economic Loss Model in the appendix.

## Comparative Overview



	2024	2025	2026
	Shock	Stabilization	Re-escalation
<b>Displacement</b>	~1.2M	Partial return	~1.0M
<b>Deaths</b>	4,000+	~330	1,250+
<b>GDP</b>	-6.6% to -7.1%	+5% *	At risk again
<b>Economic losses</b>	\$8.5B	\$14B cumulative	\$60-80M/day
<b>Infrastructure</b>	Massive destruction	Partial repair	Re-destruction

(\*) InfoPro estimation. World Bank forecast is 3.5%

The cumulative effect is not linear. The 2026 escalation has amplified prior damage, pushing Lebanon into a prolonged humanitarian and economic crisis. The fragile recovery has been abruptly overturned. The renewed escalation in 2026 is not merely a continuation of previous hostilities; it is a second systemic shock, striking a country already weakened by war, economic collapse, and institutional fragility.

Within one month, the impact has been severe. An estimated one million people have been displaced, representing close to a fifth of the population. **Over 1,250 people have been killed** in a short span, with thousands more injured. Critical infrastructure such as bridges, water systems, and healthcare facilities has again come under strain or direct damage, while more than 150,000 students have been forced out of school.

Unlike the initial shock of 2024, the current escalation is unfolding on top of accumulated damage. Entire communities that had only partially recovered are once again uprooted. Households that had exhausted savings are now left with even fewer coping mechanisms. The speed of displacement has been particularly striking, suggesting both heightened vulnerability and reduced resilience across the population.

Economically, the consequences are immediate and severe. Based on the smooth hybrid model summarized in the Appendix, **the country is estimated to be losing roughly \$60-80 million per day** during active hostilities. Businesses have shut down across multiple sectors, tourism has collapsed once more, and trade flows are again disrupted. The modest recovery trajectory observed in 2025 has effectively been halted, with the economy now at risk of slipping back into contraction.

### **A Recovery That Never Consolidated**

The renewed crisis comes just as Lebanon was attempting to stabilize after the devastation of 2024. In 2025, the country experienced what appeared to be a cautious rebound. Economic activity showed modest growth, supported largely by base effects rather than structural improvement. Some displaced populations returned, and limited reconstruction efforts began to take shape.

This recovery was fragile from the outset. Large segments of the population remained displaced or lived in damaged housing. Public services were only partially restored, and infrastructure repairs lagged behind needs. The financial system remained impaired, and investment flows were minimal. By the end of 2025, the total cost of the war, combining physical destruction and economic losses, had already reached an estimated \$14 billion, with reconstruction needs put at around \$11 billion. Even under stable conditions, recovery would have required sustained external support and time. The renewed escalation has effectively reset the recovery process, pushing the country back into crisis before it had the chance to rebuild.

## **The 2024 Shock: Foundations of Collapse**

In 2024, over one million people were displaced, and more than 4,000 people were killed, alongside widespread destruction of housing, infrastructure, and productive assets. Entire regions, including the South, the Bekaa, and parts of Beirut's southern suburbs, were heavily affected.

The economic consequences were immediate. Output contracted sharply, with GDP falling by over seven percent. Key sectors such as tourism, agriculture, and trade were severely disrupted, while tens of thousands of jobs were lost. The initial cost of the war was estimated at \$8.5 billion, a figure that would later rise significantly as damage assessments expanded. Crucially, this shock did not occur in isolation. It struck an economy already in deep crisis following the financial collapse of 2019, amplifying existing vulnerabilities and accelerating the erosion of state capacity.

## **A Compounding Crisis**

What distinguishes the current phase is the cumulative nature of the damage. The 2026 escalation is not starting from a baseline of stability, but from a position of profound weakness shaped by the events of the previous two years. Infrastructure that had only been partially repaired is being damaged again. Households that had begun to recover are facing renewed displacement. Businesses that reopened in 2025 are once again closing their doors. Each successive shock is eroding resilience further, making recovery more difficult and more costly. This compounding effect is evident across both social and economic indicators. Displacement is occurring more rapidly, reflecting reduced coping capacity. Economic losses are escalating quickly, as productive systems fail to regain stability between shocks.

## Impact on GDP, fiscal, monetary and current account



The Institute of International Finance (IIF) projects that real GDP will contract by between 12-16 percent, depending on how long the conflict persists. It said in a report that the ongoing war represents a severe negative shock to an already fragile economy, which has been undergoing deep adjustment since the 2019 financial crisis. According to IIF, the transmission of this shock is intensifying structural weaknesses in a system constrained by limited policy capacity, largely due to political and institutional factors.

**Sources of resilience.** Despite these severe challenges, IIF identifies limited sources of resilience. Remittances from the Diaspora continue to provide a critical external buffer, while parts of the private sector have shown an ability to adapt to repeated shocks. On this basis, the institute expects that reconstruction efforts and a gradual normalization of activity could support a partial recovery in 2027 and 2028. The strength and pace of this recovery will depend heavily on the duration of the conflict and the availability of international financial support.

**Fiscal situation.** IIF notes that measurable progress has been made in restoring discipline during 2024-2025, supported by improved revenue collection and expenditure compression. However, the anticipated economic contraction is expected to significantly weaken revenues, particularly from value-added tax, customs duties, and service-related activities. Expenditure pressures are rising due to increased social needs, displacement, and reconstruction demands. As a result, the modest primary surpluses recorded in recent years are expected to revert to deficits.

**Meeting financing needs.** IIF expects that the government will likely rely on a combination of drawing down foreign currency reserves held by the Central Bank, estimated at around \$11.7 billion, alongside grants and concessional external financing. Maintaining exchange rate stability is viewed as a key policy priority, given that any renewed depreciation of the lira would exacerbate inflation and erode real incomes, a fundamental trade-off between short-term stability and medium-term sustainability.

**Current account.** A deficit is projected to widen from 14 percent of GDP in 2025 to approximately 17 percent in 2026. This deterioration is driven in part by higher global oil and gas prices, which are increasing the import bill in a country where petroleum products account for about a quarter of total imports. Conflict-related disruptions are expected to significantly reduce exports of goods and services, further weakening the external balance. Net capital inflows are unlikely to be sufficient to finance the widening deficit, raising the prospect of additional reserve depletion. External financing will continue to depend heavily on remittances, humanitarian aid, and concessional support from international partners.

## Impact on the private sector

The renewed conflict has generated widespread disruptions across the country's economic and social landscape. Building on previous crises, including the 2024 escalation, the current conflict has intensified pressure on critical sectors such as hospitality, retail, industry, agriculture, and food supply. A series of interviews with sector representatives (See Appendix A for detailed interview reports), including hotel operators, business leaders, industrialists, farmers, and food syndicates provides insight into the multidimensional impact of the war on the economic fabric and food security.

The 2026 war has imposed profound and multidimensional challenges on the national economy. Hospitality, retail, and luxury industries have suffered the sharpest immediate declines, while industrial and agricultural sectors face ongoing operational and logistical challenges compounded by rising costs. Livestock markets show contraction due to price sensitivity, whereas the poultry sector demonstrates resilience and surplus production, underscoring the potential to maintain domestic food security.

Across all sectors, organizations, business owners, and associations are responding with adaptive strategies, emphasizing workforce retention, market continuity, and supply chain resilience. The agricultural and industrial sectors in particular demonstrate a long-term focus, prioritizing survival, market presence, and national duty over immediate profitability. Continued conflict threatens to exacerbate these pressures, particularly in terms of exports, fuel availability, and workforce stability. Targeted interventions such as reopening transit routes for agricultural exports, ensuring fuel supply, and stabilizing cost structures would be critical to sustaining production and mitigating economic losses. While there is significant uncertainty, the resilience observed across multiple sectors offers a foundation for post-conflict recovery and the preservation of essential domestic supply chains.



## Hospitality Sector

The hospitality sector has been among the hardest hit. Hotels across the country, particularly in the South and Mount Lebanon, have experienced dramatic declines in occupancy. Initially, foreign visitors fled while refugees were lodged at some facilities, leading to a significant, immediate drop in occupancy. Once refugees relocated to apartments or collective shelters, occupancy levels further collapsed, reaching a near-total shutdown for many establishments. Southern hotels, representing roughly ten percent of the national hotel stock, remain closed, while seasonal hotels in Mount Lebanon, accounting for approximately 20 percent of the region's hotels, have suspended operations pending the start of the tourist season.

Operational adaptations have been necessary to cope with the reduced business. Many hotels have cut electricity usage, suspended hot water services, and implemented other cost-saving measures. While permanent staff largely continues to work, daily workers have ceased operations entirely. Salaries are planned to be reduced progressively, starting with 75 percent next month and potentially declining to 50 percent and 25 percent if the conflict persists, highlighting the sector's financial vulnerability.

Overall, the hospitality industry faces both a demand shock, driven by decreased tourism and local travel, and a supply shock in terms of labor and operating resources, signaling a sector in deep distress.

## Retail Sector

The retail sector has also suffered substantial declines in activity, though impacts vary across regions and consumer segments. Beirut has experienced sharp drops in demand, with overall retail activity falling between 60 percent and 80 percent, while areas in Metn and Kesrouan report more moderate reductions of 40 percent to 50 percent. These declines represent a significant intensification compared to the 2024 conflict, when reductions in these areas were approximately 20 percent to 30 percent.

Retail establishments are confronting dual pressures: decreased consumer demand, particularly for non-essential and non-food items, and rising operational costs, driven by fuel price spikes and increased costs of raw materials. As a result, some businesses have begun layoffs



and have initiated salary reductions of 30 percent to 50 percent, with further reductions likely if the conflict continues. Retailers are thus navigating a precarious balance between sustaining operations and managing labor costs in the face of declining revenues.



### **Industrial Sector**

The industrial sector is experiencing a multi-layered impact from the war. Overall production and sales have declined, with sector-specific effects ranging from minimal disruptions to reductions of 40 percent to 50 percent, particularly affecting luxury goods and non-essential consumer products. While essential goods maintain some demand, luxury and non-essential items have been severely impacted, as households rely on existing inventories rather than purchasing new products.

Exports are significantly constrained, particularly to Gulf markets. The closure of key shipping routes and limited availability of air transport have disrupted delivery schedules, forcing companies to explore alternative, higher-cost logistics options. Sea and land transport remain possible, but costs have risen two- to threefold, further straining profitability.

The industrial sector faces additional cost pressures due to fuel price volatility and increased electricity expenditures. While raw materials have remained relatively stable for existing contracts, new orders are subject to rising costs linked to global oil and transport prices. Despite these challenges, industrialists have largely avoided layoffs thus far, prioritizing the retention of trained staff. However, salary reductions and workforce adjustments may become unavoidable if disruptions persist although manufacturers often do their best to maintain salary levels.

Industrial associations are actively assisting members through problem-solving, coordination of fuel supplies, and, in some cases, relocation of production facilities to safer areas. Maintaining market presence remains a critical strategy, as leaving key markets could result in permanent losses for industrial exports. Manufacturers will try to increase their local market share as substitute for imports especially given that consumer demand for locally-made products usually increases in the times of calamities and crises.

There is no reason for panicking over shortages as long as the ports are operating and there is a sufficient stock of raw materials to ensure supply.



## Agricultural Sector

The Ministry of Agriculture (MoA) assessed the damage caused by the ongoing war on the agricultural sector, raising concerns about food security and the continuity of production.

Throughout March 2026, 46,479 hectares (ha) of agricultural land have been damaged, equivalent to 22 percent of the country's total cultivated area. Most of it (44,297 ha) is in the South and Nabatieh governorates, and 2,181 ha are affected in other areas.

Crop / Category	Damaged (ha)
Field crops (medium to large plots)	15,413
Olive groves	15,348
Citrus orchards	5,770
Field crops (small-scale / terraced)	4,636
Banana plantations	1,634
Other fruit trees	1,436
Protected agriculture (greenhouses)	532
Vineyards	68

The ministry reports that 77 percent of farmers in the southern areas have been displaced. This mass displacement has led to the widespread abandonment of agricultural infrastructure and facilities.

Facility / Sector	Abandonment Rate (%)
Carob presses	100
Collection centers	91
Olive presses	87
Greenhouses	86
Packing and cooling centers	79
Crop-processing facilities	84
Farms	77
Agricultural lands	76
Animal-processing facilities	71
Fisheries	64

The ministry indicates that most collection centers are currently inaccessible, so are packing and cooling centers and crop-processing facilities. Greenhouses, crops, farms, and olive presses are also largely unreachable, further paralyzing production and distribution systems across affected regions.

In terms of severity, the damage varies across crop types. Half the fruit trees and smallholder crops are among the hardest hit, as well as olive trees and greenhouse agriculture. Medium- to large-scale farms show a 30 percent moderate damage. Citrus and banana crops appear relatively less affected, though still significantly impacted.

The agricultural sector faces some of the most acute challenges, particularly in regions affected by active conflict. Farmers in the South and other war-impacted areas have been unable to access their lands due to security restrictions, displacement, or destruction of infrastructure. Southern Lebanon is the primary source of early seasonal fruits such as apricots, plums, and peaches. Agricultural activity, including plowing, harvesting, and irrigation, has been disrupted, and the threat of diesel shortages adds to the operational difficulties. Fuel costs, currently exceeding \$25 per 20-liter jerrycan, represent a significant burden for farmers, raising the risk of production declines or abandonment of farmland.

Despite these challenges, significant agricultural activity continues in less affected areas, particularly in the Bekaa and northern coastal regions. Local farmers continue to supply domestic markets, with the potential to meet current consumption needs without reliance on imports. For example, crops such as fava beans, peas, and lettuce continue to be harvested in El Qaa (Northern Bekaa) in large quantities, maintaining a baseline of national food security.

Exports remain a critical concern for the agricultural sector. Land and sea routes to Gulf markets are largely blocked, restricting the ability to reach traditional export destinations. Farmers and agricultural associations have called for urgent government action and regional cooperation to reopen transit routes, which would allow exports to resume and mitigate the economic impact on the sector.

Sector representatives emphasize the importance of perseverance and national duty over immediate profit. Agricultural production is viewed as essential for feeding the population, stabilizing markets, and maintaining

long-term sustainability. While damage assessment remains fluid due to ongoing conflict, the resilience of farmers and the continuity of production in less affected regions provide some reassurance regarding domestic food supply.



### **Livestock and Meat Sector**

The livestock and meat sector has experienced both a decline in demand and significant price shifts. Consumption of live cattle has dropped sharply, with daily slaughter rates falling from 500 to approximately 200 heads. The decline in consumption is concentrated in the South, the Southern Suburbs, and the Bekaa, largely due to higher prices and reduced purchasing power.

Meat prices have increased considerably, influenced by global inflation and rising costs of European and Brazilian meat. The market has shifted from a historical 80/20 ratio of European to Brazilian meat toward the reverse, with Brazilian meat now accounting for 80 percent of consumption. Despite these changes, sufficient quantities of cattle remain in the market to maintain supply for one to two months at current slaughtering rates, providing a temporary buffer against shortages.

### **Poultry Sector**



The poultry sector has demonstrated relative stability and resilience during the conflict. The shortfall in production, resulting from the closure of some farms in the affected areas, does not exceed five million birds, while expected total production for this year ranges between 115 and 120 million birds which is significantly above the estimated national consumption need of approximately 100 million birds. Therefore, even accounting for closures of some farms in conflict-affected areas, the sector maintains a substantial surplus.

Chicken prices have declined by 20-25 percent following Eid al-Fitr, making poultry an affordable protein source. The sector benefits from concentrated production in the North and Mount Lebanon, areas less affected by conflict, and the continued operation of major ports ensures uninterrupted supply chains. Diesel availability and the fact that most poultry companies have fuel stocks that ensure a three-to-four-week supply and feed reserves with about a two-month supply, enables them to continue operating in the event of any supply disruption.

Diesel availability and the fact that most poultry companies have fuel stocks that ensure a three-to-four-week supply and feed reserves with about a two-month supply, enable them to continue operating in the event of any supply disruption.

The Lebanese Poultry Syndicate has emphasized the sufficiency of domestic production and called for consumer confidence, highlighting that there is no need for stockpiling.

### **Sectoral Comparison and Key Trends**

Several common trends emerge across sectors:

- 1) **Demand Shocks:** Both hospitality and retail sectors face steep declines in activity due to consumer flight, fear, and economic uncertainty. Industrial and luxury goods markets are similarly affected, with households relying on existing inventories rather than new purchases.
- 2) **Cost Pressures:** Fuel, electricity, and transport cost increases are pervasive across industrial, agricultural, and hospitality sectors, amplifying operational challenges. Global commodity prices further affect industrial and livestock production costs.
- 3) **Workforce and Salary Adjustments:** While hospitality and retail sectors are reducing salaries and laying off workers, industrial and agricultural sectors have largely maintained employment to preserve skilled labor and ensure continuity of operations.
- 4) **Supply Chain Disruptions:** Exports are the most affected, particularly to Gulf markets. Industrial and agricultural sectors face blocked sea and land routes, necessitating higher-cost alternative logistics or temporary halts in shipments.
- 5) **Domestic Food Security:** Despite the conflict, the country maintains a baseline of domestic food production. Poultry, staple crops, and livestock continue to provide adequate supply, mitigating immediate risk of shortages. Agriculture and poultry sectors are prioritized for continuity, both for national consumption and potential post-conflict recovery.
- 6) **Adaptation Strategies:** Businesses and associations are implementing various mitigation measures: cost reduction, fuel stockpiling, factory relocation, market presence maintenance, and coordination with associations to optimize operations under uncertainty.

## Appendix A

### Interview reports with private sector leaders

- 20 ▶ **Mohamed Choucair**  
Chairman of the Federation of Chambers of Commerce, Industry and Agriculture
- 22 ▶ **Selim Zeenni**  
Chairman of the Association of Industrialists
- 26 ▶ **Pierre Achkar**  
Chairman of the Association of Tourism Syndicates
- 28 ▶ **Nabil Fahed**  
Chairman of the Association of Supermarket Owners
- 31 ▶ **Maroun Chammas**  
Chairman of the Association of Oil Importing Companies and Berytech
- 33 ▶ **Ibrahim Tarshishi**  
Chairman of the Bekaa Farmers Association
- 35 ▶ **Majid Eid**  
Secretary General of the Syndicate of Butchers and Live Meat Traders
- 37 ▶ **William Boutros**  
Chairman of the Lebanese Poultry Syndicate
- 39 ▶ **Ramez Bou Nader**  
Chairman of the Syndicate of Food Industries

## Mohamed Choucair

Chairman of the Federation of Chambers of  
Commerce, Industry and Agriculture



A broad-based contraction in economic activity with varying degrees of impact by sector and region

### **Hospitality: most severely affected**

The hospitality sector continues to bear the brunt of the crisis, with activity and occupancy rates declining by an estimated 90 percent to 95 percent. This confirms a near-total collapse in tourism and related services, aligning with trends observed across the sector.

### **Retail: widespread decline in demand**

Retail activity has deteriorated sharply across all regions, with the current downturn described as more severe than during the 2024 Lebanon war.

- In Beirut, retail revenues have dropped by approximately 60 percent to 80 percent
- In Metn District and Kesrouan District, the decline is relatively less severe but still substantial, ranging between 40 percent and 50 percent

This compares unfavorably to the 2024 conflict period, when declines in these regions were limited to around 20 percent to 30 percent, indicating a deeper and more generalized demand shock in the current crisis.

### **Consumer behavior and spending patterns**

The downturn in retail is primarily driven by a sharp contraction in consumer demand. Heightened uncertainty and fear have led households to significantly reduce discretionary spending, particularly on non-essential and non-food items.

This behavioral shift has amplified the revenue losses faced by businesses, especially in sectors dependent on consumer confidence and non-core consumption.

### **Rising costs and operational pressures**

In parallel with declining revenues, businesses are facing escalating operational costs. Key drivers include:

- Rising fuel prices, affecting transportation, energy, and logistics
- Increased costs of raw materials

These pressures are compressing margins and compounding the financial strain on enterprises already experiencing reduced turnover.

### **Employment and wage adjustments**

Labor market impacts are beginning to emerge, though still at an early stage:

- A limited but growing number of businesses have initiated layoffs
- A significant proportion of establishments have already reduced salaries by 30 percent to 50 percent

Wage reductions are likely to deepen further if the conflict persists, reflecting the limited capacity of businesses to absorb ongoing losses.

### **Statement by the Economic Associations**

The Economic Associations issued a statement outlining the demands of the private sector after a decline in business activity recorded during the past period ranged between 60 and 70 percent, which could plunge the country back into a spiral of economic collapse.

Based on this, the economic bodies called on the government, ministries, and relevant institutions to implement a package of measures they deemed essential to strengthen the resilience of businesses and enable them to fulfill their obligations to their employees. These measures should include the following:

- Extend legal deadlines for all types of tax declarations for a period of no less than three months from the current expiry date
- Extend work permits and residency permits for a period of no less than three months
- Suspend the three percent import duty
- Reduce municipal fees for commercial establishments
- Call on landlords to reduce commercial rents, in solidarity with private business owners following the significant decline in their business
- Expedite the release of goods from ports and the airport
- Accelerate the provision of Internet service via Starlink

## Selim Zeenni

Chairman of the Association of Industrialists



Declining sales, severe export constraints, and mounting cost pressures, alongside efforts to maintain production continuity

### Contraction in sales and demand shifts

Industrial activity has declined across most segments, although the magnitude varies by product category. Estimates suggest reductions ranging from minimal impact in essential goods to declines of 40 percent to 50 percent in more affected segments.

The downturn is most pronounced in:

- **Luxury and non-essential goods**, where demand has dropped sharply
- **Standard consumer goods**, which have been less affected but still show noticeable declines

This reflects a broader shift in consumer behavior, with households prioritizing basic necessities and relying on existing inventories rather than making new purchases. While this suppresses short-term demand, it is expected to normalize once household stocks are depleted.

### Export disruptions and market access constraints

Exports have been significantly affected, particularly to Gulf markets, which constitute a major outlet for Lebanese industrial production.

Key constraints include:

- Disruption of maritime routes linked to regional tensions around the Strait of Hormuz
- Inability to access key Gulf markets such as the United Arab Emirates, Kuwait, Qatar, Bahrain, and Oman
- Continued restrictions on transit through Saudi Arabia

As a result, many export orders have been effectively lost rather than postponed, given the inability to deliver within supply chain timelines.

Alternative logistics solutions combining sea and land transport are being explored but come at a significantly higher cost, estimated at two to three times normal shipping expenses. Air freight remains limited to high-value goods that can absorb such costs and is further constrained by limited cargo capacity.

Despite these challenges, industrialists are prioritizing maintaining their presence in export markets, even at a loss, to preserve long-term market share.

### **Supply chain and import dynamics**

On the import side, supply chains have remained relatively intact, with no major disruptions reported apart from indirect effects related to regional maritime tensions. However, future pressures are expected as higher transport and energy costs begin to feed into raw material prices. Many industrial inputs, particularly those linked to oil derivatives, are expected to become more expensive, with suppliers already signaling price increases for new orders.

### **Rising costs and fuel dependency**

Fuel costs have had an immediate and significant impact on industrial production. The Lebanese industrial sector is highly dependent on energy—particularly diesel—for:

- Power generation
- Manufacturing processes
- Transportation and logistics

This dependency amplifies the effect of rising global energy prices, leading to direct and continuous increases in production costs. The impact is compounded by structural inefficiencies, including the need for self-generated electricity.

### **Profitability pressures and survival mode**

Industrial firms are currently operating under severe financial strain. The sector is no longer in a profit-making phase but has shifted into “survival mode,” with companies absorbing losses to maintain operations and market presence. This reflects a strategic choice to endure short-term financial losses in order to safeguard long-term continuity.

### **Employment and wage outlook**

While layoffs have not yet become widespread, they are considered likely if current conditions persist. The industrial sector is relatively more resistant to layoffs compared to others, due to:

- The long-term investment in skilled labor
- Low workforce turnover

Layoffs and salary adjustments remain probable under prolonged crisis conditions. Maintaining employment and wages has so far been a priority, consistent with the sector's response during previous crises.

### **Adaptive measures and sector response**

Industrialists are actively implementing measures to mitigate the impact of the crisis:

- Exploring alternative logistics routes to sustain exports
- Supporting factories in addressing operational challenges
- Facilitating relocation of facilities from high-risk areas to safer zones to ensure continuity of production

At the sector level, coordination efforts are ongoing to maintain supply chains and address emerging constraints, particularly in fuel availability and logistics.

### **Domestic market and import substitution potential**

While demand for non-essential goods has declined sharply, there is potential for increased reliance on locally produced goods as imports become more constrained. However, this shift has not yet fully materialized, as consumer spending remains focused on essential items.

### **Inventory levels and market supply**

Despite current challenges, the supply of goods in the domestic market remains stable:

- Essential goods, including food, are estimated to have stock levels sufficient for approximately three to four months
- Strategic sectors such as pharmaceuticals may have up to six months of available inventory

As long as ports remain operational, supply levels are expected to be sustained, reducing the risk of immediate shortages and limiting the need for panic buying.

**Policy environment and structural constraints**

There is an absence of meaningful institutional support for the industrial sector. On the contrary, existing tax and fee structures have added to the burden on manufacturers, exacerbating the challenges posed by the crisis.

## Pierre Achkar

Chairman of the Association  
of Tourism Syndicates



**Severe contraction in the hospitality sector as a direct consequence of the ongoing conflict, with occupancy levels collapsing, widespread closures, and mounting pressure on employment and wages**

### **Sharp decline in occupancy rates**

The sector experienced an immediate shock during the first week of the conflict. The departure of foreign visitors, combined with the temporary arrival of displaced populations, resulted in a 60 percent drop in hotel occupancy compared to the same period in 2025.

This initial phase was short-lived. As displaced individuals transitioned to rented accommodations or collective shelters, hotel demand fell further. Occupancy rates subsequently declined by approximately 90 percent and have remained at this extremely low level, indicating a near standstill in tourism activity.

### **Widespread hotel closures**

Closures have been significant and geographically concentrated:

- Hotels located from Sidon toward the southern border are totally closed, accounting for roughly ten percent of the country's total hotel capacity
- In Mount Lebanon, approximately 20 percent of hotels, primarily seasonal establishments, remain closed as the tourism season has not yet commenced

These closures reflect both security concerns and the absence of demand.

### **Operational cost-cutting measures**

Hotels that remain open have implemented aggressive cost-reduction strategies to cope with the collapse in revenues. These measures include:

- Shutting down entire floors to reduce electricity consumption
- Suspending hot water services in certain areas
- Minimizing operational capacity to align with extremely low occupancy

Such actions underscore the severity of the downturn and the need to preserve liquidity in the absence of income.

### **Employment structure and workforce impact**

The hotel workforce is split evenly between permanent staff and daily workers, with markedly different impacts:

- **Permanent employees (50 percent):** The majority remain employed, with only 5 percent to 7 percent absent due to displacement
- **Daily workers (50 percent):** Employment has effectively ceased, with all daily workers no longer active

This reflects a partial preservation of core staff while flexible labor has been fully cut.

### **Salary outlook and escalating pressure**

While salaries have so far been maintained at full levels, the outlook is increasingly constrained. Hotels are preparing a phased reduction in wages:

- **Next month:** Salaries reduced to 75 percent
- **Following month:** Reduced to 50 percent
- **Third month:** Reduced to 25 percent

Beyond this point, no contingency plan has been identified, indicating a high level of uncertainty regarding the sector's ability to sustain employment if the crisis persists.

## Nabil Fahed

Chairman of the Association  
of Supermarket Owners



A geographically uneven impact, evolving price dynamics, and emerging cost pressures driven primarily by fuel

### **Geographic disparities in operations**

The impact of the war on supermarkets has been highly location-dependent. In conflict-affected areas, particularly in southern Lebanon, most large supermarkets have ceased operations due to mass displacement and the deterioration of security conditions. Only a limited number of small neighborhood mini-markets continue to operate, serving the remaining population.

Conversely, supermarkets in relatively safer regions have remained open and operational. These areas experienced a temporary surge in demand at the onset of the conflict, driven by both panic buying and the influx of displaced populations.

### **Demand trends and consumer behavior**

Sales activity in safe areas spiked sharply during the first week of the war, as consumers rushed to stockpile essential goods amid uncertainty. This surge moderated in the second week and subsequently returned to near-normal levels.

Despite the arrival of displaced populations, the overall sustained increase in demand has been limited. The long-term impact on consumption volumes has not been significant, with retail activity stabilizing relatively quickly after the initial shock.

### **Price developments and inflationary pressures**

At the time of the interview, supermarket prices had not yet experienced broad-based increases. However, early signs of inflation have begun to emerge, with some suppliers raising prices by approximately five percent to ten percent.

Price increases are not uniform across product categories but are instead driven by supplier-specific cost structures. Suppliers facing higher fuel costs or importing goods at elevated prices have started passing these increases down the supply chain.

Supermarkets themselves have generally refrained from adjusting prices independently, opting instead to follow supplier-led increases. In some cases, retailers have temporarily absorbed minor cost increases (estimated at two percent to four percent) to remain competitive, delaying price adjustments until market conditions stabilize.

### **Fuel costs as the primary inflation driver**

Fuel prices, particularly diesel, have emerged as the central factor influencing price dynamics across the sector. The reliance on diesel spans the entire supply chain:

- Manufacturing facilities depend on diesel for power generation
- Transportation of goods relies on fuel-intensive logistics
- Supermarkets themselves use diesel generators to maintain operations

This creates a cumulative inflationary effect, with cost increases compounding at each stage before reaching the consumer. While this impact was initially muted, it is now beginning to materialize more visibly in retail prices.

### **Diverging trends in food categories**

Price movements have varied significantly across food categories:

- **Meat prices** have risen sharply—by approximately 50 percent to 60 percent—but this increase predates the war. It is primarily attributed to heightened global demand, particularly from China, which drove up prices in key supplying regions such as Europe and Brazil.
- **Poultry and eggs**, on the other hand, have experienced price declines. This is due to strong domestic production combined with reduced export activity as a result of the war, leading to oversupply in the local market.

### **Competitive pressures and pricing behavior**

Strong competition within the retail sector has acted as a constraint on price increases. Supermarkets are cautious about adjusting prices independently, particularly in the absence of supplier-driven changes, to avoid losing customers. As a result, margins have come under short-term pressure, with retailers absorbing part of the cost increases before passing them on. This reflects a broader strategy of maintaining market share in a highly competitive and price-sensitive environment.

## Maroun Chammas

Chairman of the Association of Oil Importing Companies and Berytech



**A broad-based slowdown, mounting financial strain on companies, and significant disruptions to regional trade and operations**

### **Widespread business uncertainty and regional spillovers**

Lebanese companies are facing heightened uncertainty as the conflict extends beyond national borders to affect the broader Middle East, particularly Gulf markets. This regional dimension is intensifying concerns around business continuity, project delivery, and client solvency. A key issue highlighted is the growing strain on cash flows. Companies are increasingly encountering delays in payments from clients, raising concerns about their ability to sustain operations and meet financial obligations.

### **Operational slowdown and salary pressures**

Economic activity has slowed markedly across multiple sectors. Companies in advertising and services are among the most affected, experiencing a sharp decline in demand and project pipelines. If current conditions persist, firms are expected to face escalating financial pressure. Many companies may be unable to pay full salaries in the near term, with April identified as a critical threshold. While layoffs have not yet become widespread, partial salary payments and cost-cutting measures are already being considered or gradually implemented.

### **Shift in business practices and cost containment**

Companies have begun adapting their operations to the crisis environment. Business travel has largely ceased, both due to security concerns and as a cost-saving measure. Firms are increasingly relying on digital communication tools to maintain operations while reducing expenses. Across sectors, expense reduction has become a central strategy, reflecting the need to preserve liquidity amid declining revenues and delayed inflows.

### **Logistics disruptions and export constraints**

Although core service operations particularly in IT and related fields, have not faced direct supply chain disruptions, the broader trade environment has been significantly affected.

Export-oriented businesses are encountering multiple challenges:

- Some orders from regional markets have been canceled due to weakened demand
- Limited shipping availability has constrained traditional export routes, particularly to Gulf countries
- Companies are forced to rely on costly air freight as an alternative
- Administrative bottlenecks are delaying shipments, with containers stuck at ports due to slow government processing

These factors have combined to create a highly constrained export environment, undermining revenue streams for manufacturing and trade-oriented firms.

### **Petroleum sector: rising costs and shifting demand**

The petroleum sector remains operational, with supply chains still functioning despite some delays. Costs have increased sharply.

- The price of fuel oil has risen from approximately \$750 to \$1,250 per ton, reflecting higher global and regional premiums
- Gasoline prices have increased by around 30 percent to 35 percent, driven both by market dynamics and the introduction of new taxes

These increases have had a direct impact on consumption patterns:

- Gasoline demand has declined by approximately 25 percent, as higher prices and security concerns reduce mobility
- Diesel consumption has remained relatively stable, reflecting its continued use in essential services and power generation

Reduced evening activity and overall mobility have further contributed to the decline in gasoline usage.

### **Cost inflation across the economy**

Rising fuel costs are also feeding into broader production costs across sectors. As energy remains a critical input for transportation, manufacturing, and operations, the increase in fuel prices is exerting upward pressure on the cost structure of businesses. This dynamic reinforces the broader inflationary environment, compounding the financial challenges faced by companies already dealing with reduced revenues and delayed payments.

## Ibrahim Tarshishi

Chairman of the Bekaa Farmers Association



Profound challenges facing the agricultural sector during the ongoing war, with both physical and economic hardships. Resilience of farmers and the need for policy action to sustain domestic production and exports

### Immediate impact of the war on farming

The war is a continuation of the historical cycle of conflict, such as conflicts in 2000, 2006, and 2024. Key points include:

- **Displacement and restricted land access:** Farmers in conflict zones are often prevented from accessing their fields or orchards, resulting in halted production.
- **Operational challenges:** Plowing, harvesting, and tending crops are severely limited, particularly in areas like the South.
- **Energy costs as a critical burden:** Diesel prices have surged to \$26-27 per a 20-liter jerrycan, threatening farmers' capacity to work, even in areas not directly impacted by conflict. Tarshishi warns that high diesel costs could break the farmer's back, causing widespread distress across all agricultural regions.

Despite these obstacles, many farmers continue producing, particularly in parts of the Bekaa Valley and northern coastal areas, ensuring that domestic markets continue to be supplied with Lebanese produce.

### State support and institutional challenges

The agricultural sector is largely unsupported by the State, which is itself constrained by ongoing crises:

- The State cannot provide immediate compensation or significant relief
- Assistance to farmers from organizations or foreign countries is minimal, often limited to emotional support or rhetoric rather than practical aid
- Ongoing war—strikes, infrastructure damage, and blocked access make it impossible to accurately assess losses or damage in real time

Farmers are compelled to persist out of necessity, maintaining the “interconnected links” of agriculture where neglecting one day’s work can disrupt the entire production chain.

### **National duty and domestic production**

A sense of national responsibility over profit should prevail:

- Farmers are prioritizing feeding the population and supplying domestic markets, setting aside traditional calculations of gain or loss
- Local produce is abundant despite the war, with crops like fava beans, peas, and lettuce coming from the Al-Qaa region
- Restrict foreign imports to allow local goods to fill the markets, predicting that seasonal harvests and sufficient production will drive prices down and prevent shortages

### **Export constraints and regional access**

Exports are the sector’s most urgent need, but logistical and political barriers are severe:

- **Blocked routes:** Land routes to Gulf markets are restricted, and the sea route via the Strait of Hormuz remains inaccessible, preventing exports to the UAE, Qatar, Oman, and other Gulf states
- **Historical penalties:** Previous closures of land routes dating back to 2021, prevented agricultural goods and trucks from reaching Gulf markets, causing lasting economic harm
- **Call for political intervention:** Lebanese leadership, including the President, Prime Minister, and ministers, should endeavor to reopen land corridors for trucks transporting agricultural goods. He emphasizes that facilitating 50–100 trucks per day, carrying over 2,000 tons of produce, would provide critical relief for the sector

### **Outlook and resilience**

Despite the compounded crises of war, high energy costs, and blocked exports:

- Farmers remain committed to their land and production.
- Markets continue to be supplied with essential products, and certain regions are unaffected by conflict, allowing ongoing harvests
- The sector should be viewed as both a practical and ethical duty: maintaining food security while navigating extraordinary challenges

## Majid Eid

Secretary General of the Syndicate  
of Butchers and Live Meat Traders



The red meat sector is experiencing a sharp drop in consumption, driven by both economic pressures and regional instability

### Decline in slaughter rates and demand

- The daily slaughter rate has fallen from 500 head of cattle to roughly 200 head, reflecting a significant reduction in domestic demand
- The decline is most pronounced in the South, Southern Suburbs, and the Bekaa Valley, regions that have traditionally been strong meat-consuming markets
- The lower slaughter rate is helping maintain available supplies, ensuring that Lebanese markets have enough cattle for six weeks to two months if current consumption levels persist

### Price increases and market shifts

- Rising global prices have had a direct effect on meat consumption in Lebanon:
  - › European meat prices have increased by approximately 2.5 times
  - › Brazilian meat prices have doubled
- As a result, imported European meat has largely been replaced with live Brazilian cattle, leading to a reversal in consumption patterns: previously 80 percent European and 20 percent Brazilian meat, now 80 percent Brazilian and 20 percent European
- Current slaughtered meat prices are approximately \$18 per kilogram for European meat and \$15 per kilogram for Brazilian meat

### Regional and global influences

- Eid linked the rising prices to **pre-existing global inflation**, compounded by the ongoing war and regional instability, which has impacted the cost of most goods, particularly meat
- The Lebanese and other Mediterranean markets have largely halted imports of European due to high costs and replaced with Brazilian meat

## Outlook

- The decrease in consumption is **partially reassuring** in the sense that it helps prevent a shortage of meat in the local market despite high prices
- While economic and geopolitical pressures are suppressing demand, **supplies remain sufficient** to meet domestic needs in the near term, provided current slaughter rates continue

This situation reflects a combination of global price pressures, regional instability, and altered consumer behavior in Lebanon, reshaping both the composition of meat consumption and the dynamics of the domestic meat market.

## William Boutros

Chairman of the Lebanese Poultry Syndicate



Local poultry production is sufficient to meet all market needs, despite some disruptions in certain areas caused by the ongoing conflict

### Production and market overview

- Expected production for 2026 exceeds five million birds, even though some farms, particularly in the South, have closed or suspended operations
- Production is estimated at 115–120 million birds, compared to a national consumption need of roughly 100 million birds, resulting in a net surplus
- Poultry production remains concentrated in the North and Mount Lebanon, regions less affected by conflict, ensuring continuity of output

### Prices and consumption trends

- Chicken prices have decreased 20–25 percent after Eid al-Fitr, making them cheaper than some types of vegetables
- The relative increase in poultry consumption, partially due to a decline in red meat demand, has not strained the market
- Prices have remained stable throughout the year and even decreased recently, with no delays in meeting consumer demand

### Operational continuity

- The continued operation of Tripoli and Beirut ports ensures uninterrupted production and distribution
- Diesel availability is critical to operations, and most poultry companies have sufficient stock for three to four weeks of fuel while their feed stock lasts about two months, providing a buffer against potential supply delays
- The Syndicate has expressed solidarity with affected farmers in the South and support for maintaining production in challenging conditions

## **Outlook**

The poultry sector is currently operating at high efficiency, with production and market supply fully meeting domestic demand. There is no need for consumer concern or stockpiling, highlighting the resilience of the sector despite localized disruptions and ongoing regional instability. This positions poultry as a stable and affordable protein source in the food supply, even as other sectors face shortages and price pressures.

## Ramez Bou Nader

Chairman of the Syndicate of Food Industries



**Food manufacturers have maintained their production levels so far, continuing to meet domestic market demand and fulfill contracts with international suppliers**

Industrialists have intensified their efforts to navigate the current challenges, working diligently to prepare for, respond to, and mitigate the potential impacts of a prolonged crisis. Their ability to adapt during this sensitive period relies on the uninterrupted operation of maritime, land, and air transport facilities, which ensures the steady import of raw materials, fuel, and machinery, as well as the export of goods abroad. Throughout this process, manufacturers remain committed to strategic reserve plans to safeguard food security of the country.

A critical appeal is being made to Saudi Arabia to reopen its markets to Lebanese products or, at minimum, allow overland transit of goods to Gulf countries. Lebanese food exports represent roughly 50 percent of total production, with Gulf markets (particularly Saudi Arabia) absorbing 40 percent of these exports. This heavy reliance significantly affects business volume and leaves manufacturers struggling to identify alternative markets.

Lebanese products are renowned for their high quality. Manufacturers continuously improve standards by adopting modern international specifications, ensuring that goods remain competitive in both local and global markets. Beyond commercial success, manufacturers see their work as contributing to economic growth, reducing public debt, and creating employment opportunities.

The temporary rise in costs for insurance, shipping, fuel, and other essentials represents a challenge for producers and consumers alike, yet it is a necessary adjustment in the current context. Manufacturers recognize that overcoming this stage demands solidarity, cooperation, and responsible action, prioritizing the fulfillment of consumer needs over exploitation or profit-seeking.

## Appendix B

### InfoPro methodology for 2026 daily economic loss

The model estimates how economic losses build over time during conflict. Instead of assuming the economy loses the same amount every day, it assumes losses are highest at the beginning, then ease gradually as businesses, households, and institutions adapt.

#### What the model assumes

- There is a severe opening shock, when disruption is at its highest.
- There is a slower adjustment phase, when losses decline as firms and households adapt.
- There is a residual floor, meaning some level of disruption continues even after the initial shock fades.

This creates a smooth loss curve rather than a flat or step-change profile.

#### Reference base

- 2024 conflict duration: 439 days
- Total economic cost: \$14.0 billion
- Physical damage: \$6.8 billion
- Economic losses: \$7.2 billion
- 2024 GDP baseline: \$40.0 billion
- 2026 no-war GDP baseline used for scaling: \$50.6 billion

These values imply an average 2024 economic loss of about \$16.4 million per day. Scaled to the 2026 economy, the workbook gives a moderate daily loss rate of about \$20.75 million. It also includes a higher opening-shock rate of about \$113.04 million, based on an analyst assumption of \$4.2 billion in high-intensity losses over 47 days in 2024.

### Smooth hybrid formula

$$\text{daily\_loss}(\text{day}) = \text{rf} + (\text{moderate\_rate} - \text{rf}) * \text{EXP}(-\text{LN}(2) * (\text{day} - 1) / \text{HL}) + (\text{high\_rate} - \text{moderate\_rate}) * \text{EXP}(-\text{LN}(2) * (\text{day} - 1) / \text{HS})$$

In the current model, the floor multiplier is 10 percent of the moderate daily loss rate, the short half-life (HS) is 30 days, and the long half-life (HL) is 60 days. This gives a floor daily loss of about \$2.07 million. The modeled path starts near \$113 million on day 1 and declines to about \$63 million by day 30, which supports the report's narrative estimate of roughly \$60-80 million per day during active hostilities.

### Illustrative cumulative losses

- After 30 days: about \$2.56 billion
- After 90 days: about \$4.77 billion
- After 180 days: about \$5.77 billion
- After 365 days: about \$6.40 billion

### Interpretation and limitations

- This is a scenario tool, not a precise forecast of observed daily losses
- It is based on benchmark assessments and analyst assumptions, not on real-time transaction data
- The size and duration of the opening high-intensity phase depend on analyst judgment
- The floor multiplier and half-life values are scenario parameters, not directly estimated structural coefficients
- The model estimates economic flow losses only and should be presented separately from physical damage and reconstruction costs.

### References

- World Bank (2025) *Lebanon Rapid Damage and Needs Assessment (RDNA)*
- World Bank (2024) *Lebanon Interim Damage and Loss Assessment (DaLA)*
- Rose (2022) *on economic resilience and business interruption*
- McKinsey & Company *on business adaptation under extreme uncertainty.*