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LEADERSCLUB
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Survey Results

War Impact & Business Forecast

July 2026

This report analyzes expectations of **business growth during the second semester (July-December) of 2026**, assuming that the ceasefire is holding but no final resolution to the war. Following two earlier surveys, this survey brings the final tally of losses and challenges suffered by businesses outside the war-torn areas. It covers mostly Beirut and Mount Lebanon, and some areas not directly impacted by the war in Beirut and Mount Lebanon. Excluded are areas that needed to partially or totally evacuate such as the Southern suburbs of Beirut (Dahieh) and the South.

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Executive Summary

The survey points to a broad business shock driven primarily by operational and market disruptions rather than direct physical destruction. The dominant pattern among active firms is operation below normal capacity, as the conflict has weakened commercial activity through demand collapse, cost inflation, logistics constraints, and cash flow strain.

Assuming a ceasefire holds, the forward-looking outlook reveals a clear divergence in business confidence across key economic sectors. While the threat of further contraction has largely subsided, the anticipation of a recovery is heavily led by the service sector, where most businesses expect sales to rebound. In contrast, industrial and retail operators remain much more cautious, with the majority expecting their activities to merely stabilize. This uneven sentiment suggests that any impending recovery will not be felt equally across the economy.

Revenue losses represent the clearest indicator of distress. A clear majority of firms reported lower revenue in the first semester of 2026 compared to both the first and second semesters of 2025, with a severe average decline among affected businesses. This indicates that the shock represents a deep, systemic deterioration from previous performance levels. Sectorally, trade and manufacturing show widespread exposure to revenue declines, logistics bottlenecks, and cost pressures, while services show slightly more operational resilience but face the deepest average revenue drops when affected.

Overall Business Impact

Outlook

The forward-looking outlook for the second semester of 2026 is cautiously optimistic, assuming a ceasefire holds. About half of all surveyed firms expect their sales to increase, while almost all of the remaining firms expect sales to stabilize at their current levels. Only a tiny fraction of businesses anticipate a further decrease in sales.

Among the firms expecting growth, the average projected increase in production is moderate. The optimism is strongest in the service sector, while manufacturing firms expect a much more modest expansion. This suggests that while a recovery is possible, it will likely be uneven and highly dependent on sustained stability.

Sector expectations vary significantly under a potential ceasefire scenario. Service providers are the most optimistic, with a clear majority anticipating a sales recovery. This optimistic segment also expects the fastest rate of expansion compared to other industries. However, the very small portion of service firms that still foresee a contraction expect the drop to be relatively sharp.

In the trade sector, business sentiment is almost evenly split between those expecting sales to remain flat and those expecting an increase. Only a tiny fraction of trade enterprises anticipate a further decline, and those expecting a drop foresee a moderate contraction.

Manufacturing operators exhibit the highest level of caution. The dominant expectation among manufacturers is for sales to flatten and remain at their current levels. Even among those industrial firms that expect a positive turnaround, the projected pace of their expansion is the most modest across all sectors. On a positive note, no manufacturers expect a further drop in sales, indicating a stable but stagnant floor for the industrial sector.

Impact worse than in 2024

The conflict has produced a widespread contraction in business activity, characterized by a sharp drop in revenues. The depth of these declines suggests a systemic impact that goes far beyond temporary operational pauses. Most firms continue to operate, but they are doing so below normal pre-war levels.

The current conflict has also imposed a severe psychological and operational toll. A significant majority of firms rated the impact of the current war as more intense than the 2024 conflict, with a large portion describing it as much more intense. This points to high levels of cumulative operational pressure on businesses.

Direct physical damage to infrastructure, equipment, or inventory was not the primary channel of impact for most enterprises. Only a small minority of firms reported direct physical damage, access restrictions, or security concerns. Instead, the damage has been operational, felt through weaker market demand, cost increases, staff disruptions, and severe cash flow pressures.

Business Constraints and Cost Pressures

The most critical bottleneck facing firms is weak market demand, with lower sales cited as the most common business problem. Cost increases and cash flow or financing difficulties also represent major hurdles, creating a double squeeze that compresses margins and limits the ability of firms to maintain normal operations. Other key constraints include staff absences, transport and logistics disruptions, customs delays, and electricity or fuel shortages.

Firms have adopted various operational adaptations to navigate these pressures. To combat rising input costs, a majority of firms raised their prices. Many also reduced production or service delivery, altered transport routes, cut working hours, drew down existing inventories, and temporarily closed parts of their operations. A small minority resorted to relocating their operations or switching to alternative suppliers.

Financial adaptations were also widely utilized to maintain liquidity. Many owners relied on personal savings or delayed payments to suppliers. A smaller fraction postponed tax payments, borrowed from informal sources, or delayed rent, utilities, and loans. Nearly half of the surveyed firms managed to avoid these specific financial delaying tactics entirely.

Labor and Payroll Effects

The labor market impact of the conflict has been managed primarily through softer operational adjustments rather than widespread dismissals. Hiring freezes and reduced working hours were far more common than outright layoffs or furloughs. Some firms also initiated or expanded remote work and provided additional employee support such as financial assistance or counseling. A notable portion of businesses made no significant changes to their workforce at all.

This soft adjustment strategy is reflected in operational choices, where over a third of businesses reduced working hours or days. Crucially, only a small portion of firms delayed or missed salary payments, indicating that employers prioritized keeping their payroll obligations current to support their workforce during the crisis.

Sector Differences

Sector-specific data reveals distinct profiles of vulnerability and resilience across the economy.

- **Manufacturing:** This sector faced the most widespread revenue decline when compared to the first semester of the previous year, with almost all firms reporting lower sales. However, among those manufacturing firms that saw a drop, the average percentage decline was the lowest of all sectors. Manufacturers are also the most cautious about the future, with the majority expecting sales to stay flat in the coming semester even if a ceasefire holds.
- **Trade:** Trade firms experienced significant stress across multiple timeframes. Nearly three-quarters of trade businesses saw their revenues decline compared to both the previous semester and the previous year, highlighting their vulnerability to immediate drops in consumer demand and logistics bottlenecks. Looking ahead, about half of the trade sector expects sales to increase if a ceasefire holds, while the other half expects performance to remain unchanged.
- **Services:** This sector demonstrated slightly more revenue stability, with a larger portion reporting stable or increased revenues compared to the other sectors. However, service firms that did experience a revenue drop suffered the deepest average percentage decline. Despite this severe downside, the service sector is the most optimistic about a recovery, with a clear majority expecting sales to increase in the second semester of 2026.

Implications

Because physical destruction is not the dominant challenge, recovery efforts should focus primarily on operational support and liquidity facilitation rather than asset reconstruction. Assistance programs should target working capital, supplier obligations, and transport costs to help firms maintain operations.

The heavy reliance on personal savings and delayed supplier payments suggests that cash reserves are depleted, making rapid liquidity tools and flexible credit terms essential.

Sectoral assistance must be tailored to specific needs:

- **Manufacturing** firms require support to manage input costs and energy constraints.
- **Trade** firms need transport and logistics assistance to overcome border delays and supply chain disruptions.
- **Service** firms require measures that stabilize demand and support workforce retention to capitalize on their strong potential for recovery.

The primary objective of all support measures must be to prevent temporary operational disruptions from leading to a permanent loss of productive capacity.

What industry representatives are saying

The first half of 2026 has dealt a devastating blow to the economy, leaving key sectors reeling from the latest outbreak of war. A fragile ceasefire and major regional trade breakthroughs offer a glimmer of hope for the remaining six months of the year. Business leaders across commerce, tourism, agriculture, and industry warn that a return to normal will be an uphill battle, plagued by deep psychological scars, lost seasons, and structural damage.

First semester: Harsh contraction

The first six months of the year were characterized by a severe slump across all economic indicators, particularly following the escalation of hostilities in March.

According to **Marwan Barakat**, Group Chief Economist and Head of Research at Bank Audi, the economy has been under the adverse spillovers of war effects since the beginning of March. "While the year 2026 started with a buoyant macro performance, a trend reversal occurred after the second month. All indicators turned from a growth mode to contraction as a result of sluggish demand for goods and services," he said. Despite an inflationary price effect, imports declined by six percent in March and April relative to the same period last year, a sharp reversal from the first two months of the year which recorded an annual growth of 33 percent from the same period last year. Barakat said that the Balance of Payments (BoP) saw a deficit of $200 million in March and April as a result of the decline in all inflows to the country, especially remittances, FDI, touristic receipts, and exports. BoP had a surplus of $300 million in January and February.

Mohamed Choucair, Chairman of Economic Organizations, described the period—especially March and April—as very difficult and "truly lamentable across all sectors." He said that the nightlife sector completely died and a pervasive fear among people to spend gripped the nation.

The retail and manufacturing sectors felt this contraction acutely. According to **Nicolas Chammas**, Chairman of the Beirut Traders Association, overall retail activity declined by 30 percent to 40 percent compared to 2025, with durable goods crashing by an estimated 50 percent.

In the industrial sector, **Salim Zeenni**, Chairman of the Association of Industrialists, revealed a staggering sharp decline in the markets. He said: "the local market dropped by more than 60 percent" across the board, while exports were cut by about half due to regional bottlenecks like the Hormuz Strait and critical market closures.

No sector, however, experienced a more violent reversal of fortune than hospitality. Hotel occupancy rates plummeted to a dismal ten percent to 15 percent, according to **Pierre Achkar**, Chairman of the Federation of Tourism Syndicates. With hotels requiring a 40 percent to 50 percent occupancy rate just to break even, the sector faced ruin, particularly in the geography stretching from the airport to the southern border and across the Bekaa, where many establishments were destroyed or forced to shut down entirely.

Tony Ramy, Chairman of the Syndicate of Owners of Restaurants, Cafés, Night-Clubs, and Pastries, said that the year began with a "mind-blowing start," recording 25 percent growth in January and February. That momentum evaporated instantly. "The resumption of the war on March 2 abruptly reversed this positive trend," Ramy said, sending the restaurant sector into a sharp decline of more than 85 percent over the next four months.

In the fields, agriculture faced literal and financial scorching. **Ibrahim Tarshishi**, Chairman of the National Farmers' Union, reported massive physical destruction, fleeing labor, and isolated agricultural regions. Major distribution points like the Tyre (Sour) vegetable market were completely destroyed, while the country's largest market in the Southern Suburb (Dahiyeh) suffered constant operational instability due to evacuation warnings. Tarshishi said that farmers faced a devastating double blow: "Cost increased by more than 100 percent on fuel, seeds, and fertilizers, accompanied by a decrease in prices," forcing many to sell their crops at 50 percent of their production cost due to local market stagnation and a displaced population estimated in the hundreds of thousands.

Second semester: Slow recovery

Looking ahead to the next six months under the assumption that the ceasefire holds, business leaders express a mix of structural optimism and deep-seated caution.

Bank Audi forecasts real GDP to contract by five percent in the full-year 2026 if the ceasefire persists. Such a moderate contraction is tied to the short conflict period that will allow the economy to stabilize post-settlement and build on upcoming summer and holiday seasons. Imports will revolve around $20 billion and exports will come close to $3 billion, helped by the recent Saudi decision to remove the ban on Lebanese exports.

For tourism and hospitality, the immediate outlook remains grim despite the halt in fighting. **Pierre Achkar** said: “The summer season is practically lost,” pointing to the total cancellation of major festivals in Baalbek, the Cedars, and Beiteddine, alongside the fact that 50 percent of Diaspora expats from North America and Australia canceled their bookings months ago. **Tony Ramy** echoes this grim assessment, projecting a remaining 60 percent to 70 percent decline for the second half of the year. He cautions that the political status quo without a final peace agreement is “a state of clinical death... a cold war for us.” He said that occasional weekend crowds on a few streets should not be mistaken for a functioning tourist economy.

Nicolas Chammas expects the retail slump to ease only slightly to a 15 percent to 25 percent decline, as a tense political climate, diminished disposable incomes, and the ongoing displacement crisis mean “there is no momentum for a serious economic recovery.” However, there are profound reasons for hope in the trade and manufacturing sectors, driven primarily by major diplomatic breakthroughs as Saudi Arabia officially reopened its markets and land routes to Lebanese products after a five-year ban.

For agriculture, which relies entirely on exporting surplus crops like potatoes, apples, and bananas to survive, this is a monumental lifeline. **Ibrahim Tarshishi** called it "very good news," expressing hope that "maybe our Lord is compensating us a little, and the farmer will return to his normal life and his good days." **Mohamed Choucair** also emphasized that the Saudi opening, alongside recent positive travel decisions from the UAE, has provided a major morale boost that could help save thousands of seasonal businesses from total disaster by September.

In industry, **Salim Zeenni** believes that while "it won't be easy to pick up this time" because the damage from this war has accumulated on top of multiple consecutive past crises, a sustained truce will allow manufacturers to recover part of the losses. Zeenni forecasts that by the end of the year, a stable market could successfully narrow its cumulative losses from a 50 percent drop down to an overall 20 percent or 25 percent decline.

The consensus among business leaders is clear: a maintained ceasefire is a necessary baseline, but true economic revival hinges on internal political stability and permanent peace. Choucair said: "We hope that everyone wakes up and puts Lebanon first, and thinks about our interest, our state, and our country."

If the ceasefire holds, what is your sales outlook for the second semester (July-Dec) 2026?

Sales outlook by sector

	Will increase	Expected to increase by	Will stay the same	Will decrease
Manufacturing	38%	25%	62%	-
Trade	48%	30%	49%	3%
Services	58%	40%	37%	5%

Company's total revenue in first semester (Jan-June) 2026 compared with first semester (Jan-June) 2025

Revenues by sector

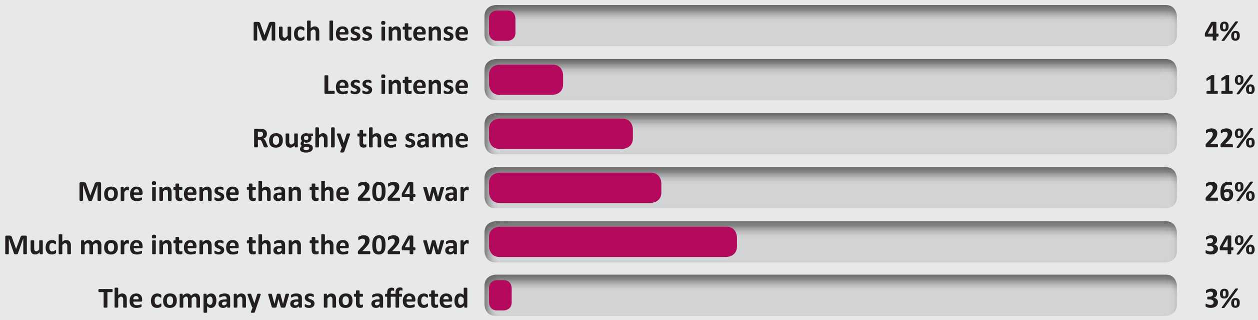
	Increased	Stayed the same	Decreased	
Manufacturing	-	14%	86%	(by 38% in revenues)
Trade	6%	22%	72%	(by 43% in revenues)
Services	14%	26%	60%	(by 54% in revenues)

Company's total revenue in first semester (Jan-June) 2026 compared with second semester (July-Dec) 2025

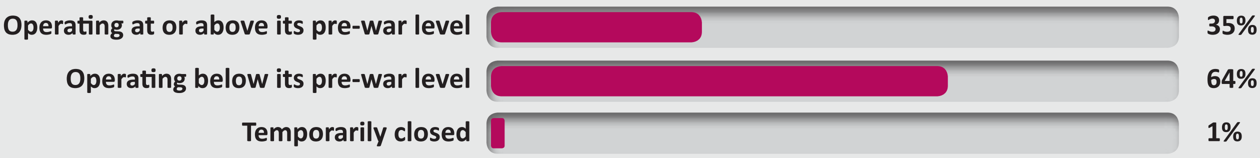
Revenues by sector

	Increased	Stayed the same	Decreased	
Manufacturing	-	29%	71%	(by 32% in revenues)
Trade	2%	23%	75%	(by 42% in revenues)
Services	11%	75%	64%	(by 47% in revenues)

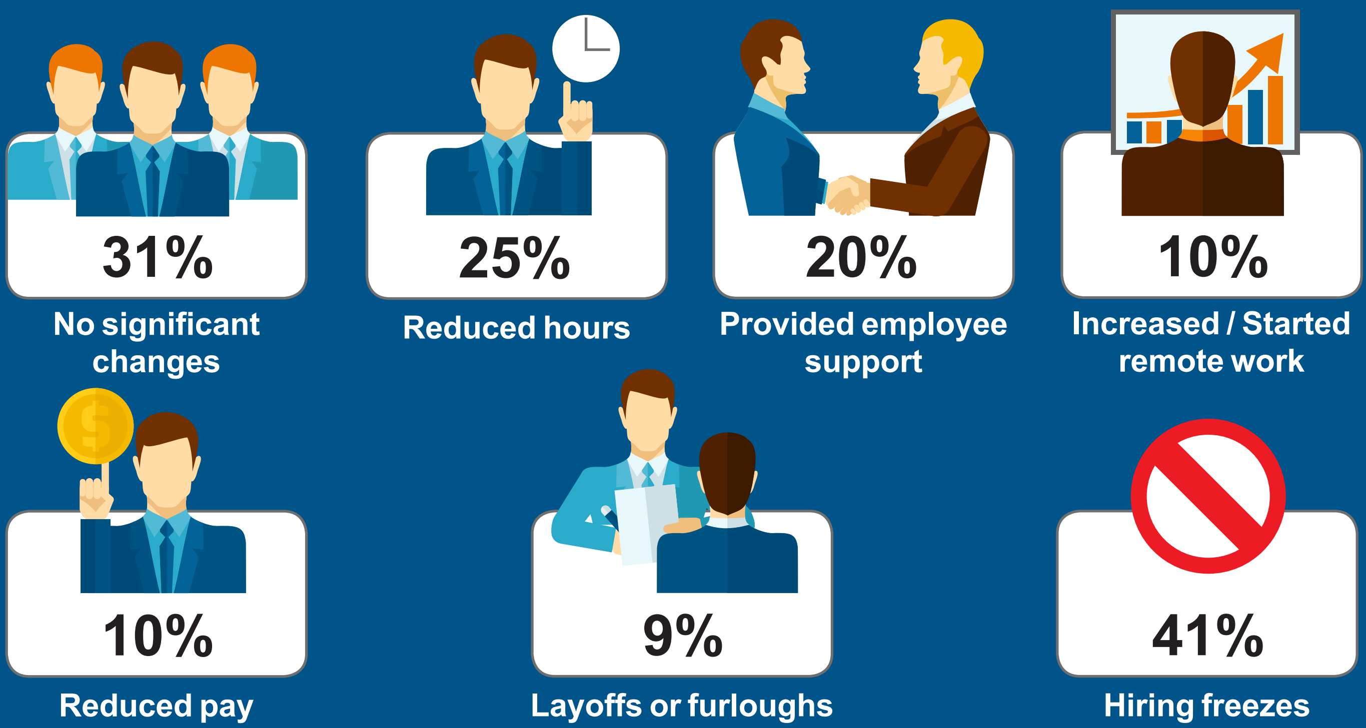
Compared to the 2024 war, how would you assess the impact of the current war on this company so far?



Compared with the last month before the outbreak of the current war, what is this company's current operating status overall?



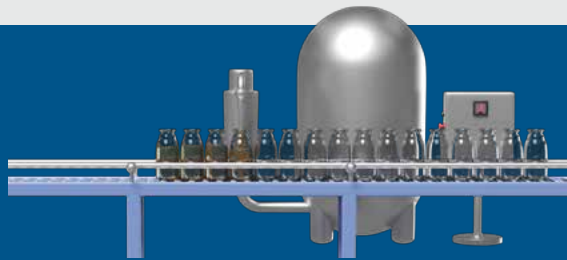
Workforce changes due to the conflict



What are the main business problems caused by the current conflict?

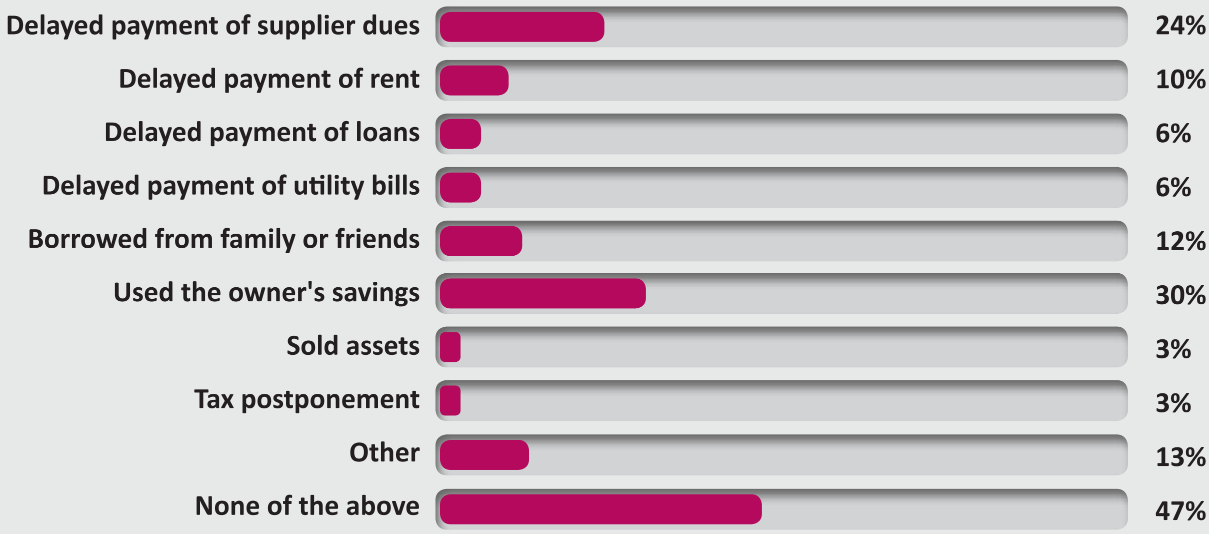
Lower demand or sales	72%
Transport or logistics disruption	31%
Input or raw material shortages	30%
Staff absence or inability to work	33%
Physical damage or security concerns	14%
Cash flow or financing problems	41%
Electricity, fuel, or internet disruption	22%
Cost increases / prices are unaffordable	55%
Delays in customs and border clearance	25%
No major conflict-related problem	2%

Since the start of the current war, has this company adopted any of the following operational adaptation measures?



Reduced production or service delivery	54%
Reduced working hours or days	38%
Temporarily closed part of the business	30%
Temporarily relocated operations	10%
Switched to alternative suppliers	18%
Changed transport or delivery routes	39%
Drew down existing inventories	33%
Changed products or services offered	9%
Increased prices	60%
Increased use of digital tools, online platforms, or remote coordination	10%
Invested in generators, fuel storage, or alternative energy sources	19%
Delayed or missed any salary payments to employees because of the conflict	13%

Since the start of the current war, has this company used any of the following financial adaptation measures?

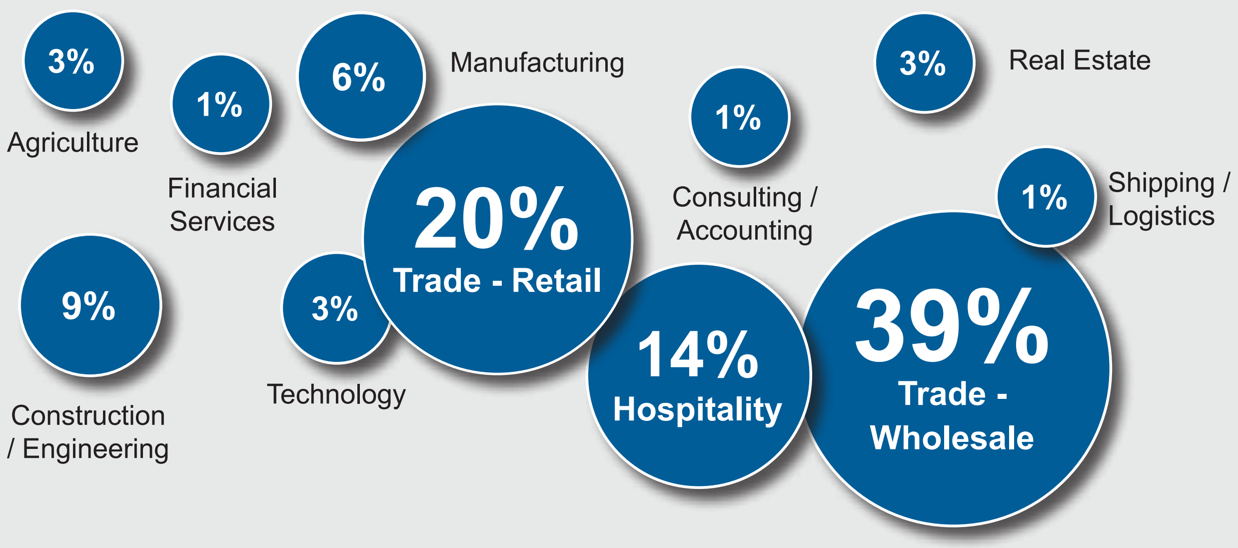


Methodology

The sample is composed of 250 businesses and companies that have agreed to respond to the survey by telephone, and/or by responding to an email and followed by on-the-phone support in responding. The survey was conducted during the period of July 2-10 2026. The sample is concentrated geographically in Mount Lebanon and Beirut (86%). Areas excluded from the survey are those directly impacted by the war, i.e. those that needed to partially or totally evacuate such as the Southern Suburbs of Beirut (Dahieh) and South or around the Litani. These areas suffered total loss, either physically damaged or total loss of business activity. They are currently being accounted for by the aerial and other surveys by various government ministries and agencies.

The analysis focuses on the overall results and uses the breakdowns by firm size and sector to identify where the shock appears to be concentrated. The results should be read as descriptive evidence from the surveyed firms. Differences by size and sector are treated as substantive differences rather than formal statistical significance tests.

What is your company's primary industry?



At the end of January 2026, how many employees did your company have?

48%	37%	11%	4%
1-9	10-49	50-249	250+

THANK YOU FOR YOUR PARTICIPATION

We are grateful to all the companies that have participated in the three war-impact surveys we have conducted since March 2026. Several companies requested not to be identified

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