

Business Impact of the 2026 Lebanon-Israel War

Analytical Report Based on Firm Survey Results

This report analyzes the results of a firm-level survey on the **impact of the 2026 Lebanon-Israel war on businesses** in areas not directly impacted by the war, i.e. those that needed to partially or totally evacuate such as the Southern suburbs of Beirut (Dahieh) or South of Litani.

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.

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Executive Summary

The survey points to a broad business shock driven less by direct physical destruction and more by a combination of demand collapse, operating-cost inflation, staff disruption, logistics constraints, and reduced business confidence. Most firms continued operating in some form, but the dominant pattern is operation below normal capacity. The war therefore appears to have weakened business activity through market and operational channels rather than through widespread asset damage alone.

Revenue losses are the clearest sign of distress. Around three quarters of firms reported lower revenue in March 2026, both relative to February 2026 and relative to March 2025, and the average decline among affected firms was severe. This indicates that the shock was not just a temporary month-to-month interruption: for many firms, March 2026 represented a sharp deterioration from both the immediate pre-war period and the previous year.

The most exposed firms are smaller companies and firms in trade and manufacturing. Smaller firms were more likely to report revenue declines, deeper average losses, cash-flow problems, salary pressure, reduced hours, and lower operating status. Large firms were not immune, but they were more likely to remain at or above pre-war operating levels and to expect stable or improving production over the next three months. Sectorally, trade firms appear especially exposed to demand, logistics, and cost pressures, while manufacturing firms face particularly strong input and energy-related pressures. Service firms show somewhat more resilience in operating status, but still face staff disruption and weak confidence.

The results should therefore be interpreted as a practical business pulse rather than a national accounts estimate. The value of the survey is strongest in identifying the mechanisms of business stress: where revenue is falling, how firms are adjusting operations and labor, what constraints are binding, and where the recovery outlook is weakest.

Overall Business Impact

The main finding is that the 2026 conflict produced a widespread contraction in business activity. Most firms reported lower revenue, and the depth of reported declines suggests that the impact went beyond short closures or temporary delays. Even though the average number of full closure days was limited, firms still reported operating below normal levels. This combination is important: companies may have remained formally open, but they were often functioning with weaker demand, disrupted staff availability, higher costs, and lower throughput.

The survey also shows that firms entered the 2026 shock with incomplete recovery from the 2024 war. Only a minority had fully recovered before the current escalation. Most were either partially recovered or still unrecovered. This matters because the current shock is being absorbed by firms with already weakened balance sheets, thinner working capital, and less capacity to withstand another disruption. The fact that many firms rated the current war as more intense than the 2024 war reinforces the sense of cumulative stress rather than a one-off interruption.

Direct physical damage was not the main channel of impact for most firms. The large majority reported no direct damage to buildings, equipment, inventory, or assets. However, this should not be read as limited economic harm. The dominant problems were lower demand, rising costs, staff disruption, logistics constraints, and cash-flow pressure. In other words, the war has affected the operating environment around firms as much as the physical assets of firms themselves.

Business Constraints and Cost Pressures

The strongest business constraint is market demand. Lower sales were the most commonly reported problem, followed closely by cost increases and staff-related disruption. These points to a dual pressure: firms are selling less while also facing higher costs to operate. That combination is particularly damaging because it squeezes margins from both sides and limits firms' ability to absorb shocks without cutting hours, delaying payments, or increasing prices.

Cost pressures are broad but not uniform. Fuel and energy costs, transport and logistics costs, and raw material costs all increased, with energy and logistics showing especially strong pressure. These cost channels explain why firms responded not only by reducing activity but also by increasing prices, changing delivery routes, drawing down inventories, and temporarily closing parts of the business. The response pattern is consistent with firms trying to preserve liquidity and continuity rather than pursue growth.

Labor and Payroll Effects

The labor impact appears to be managed mainly through softer adjustment margins rather than mass layoffs. Hiring freezes, reduced hours, and reduced production were more common than layoffs. This suggests that many firms are trying to retain workers while reducing the intensity or cost of operations. It also means that the labor-market impact may be partly hidden: workers can remain employed but face fewer hours, delayed activity, reduced pay, or higher uncertainty.

Salary payment disruption was less widespread than revenue disruption, which suggests that many firms prioritized keeping payroll obligations current. However, the subset that did reduce employment or pay reported large average reductions. These points to polarization: most firms avoided the most severe labor measures, but those that did adjust labor did so sharply.

Firm Size Differences

Firm size is one of the clearest sources of differentiation in the results. Small and medium-sized firms were more likely than large firms to report revenue declines and to describe their current operations as below pre-war levels. They also reported deeper average revenue losses, more reliance on reduced hours, and more pressure on cash flow. This is consistent with smaller firms having less liquidity, less operational redundancy, and fewer options to absorb temporary losses.

Large firms show greater resilience, but not immunity. They were more likely to report stable operations, more likely to expect production to improve or remain stable, and more likely to provide additional employee support. At the same time, large firms faced their own forms of disruption, especially temporary site closures and staff disruption. Their advantage appears to be capacity to manage the shock, rather than insulation from the shock.

The size breakdown also suggests different policy needs. Smaller firms need liquidity support, rent and supplier-payment relief, and demand recovery. Medium firms need working-capital and logistics support to prevent a prolonged operating slowdown. Larger firms may benefit more from measures that stabilize supply chains, staff mobility, and energy availability.

Sector Differences

Sector differences are also meaningful. Trade firms appear especially exposed to the immediate commercial shock: they show the highest share of revenue declines, strong logistics disruption, and significant cost and cash-flow pressure. This is expected in a conflict setting where consumer demand weakens, movement becomes harder, and inventories or deliveries are disrupted.

Manufacturing firms face a different but equally serious constraint profile. They report strong cost pressures, high input and transport constraints, and widespread reductions in hours or production. Their challenge is less about whether they can remain physically open and more about whether they can source inputs, manage energy and transport costs, and maintain production economically.

Service firms appear somewhat more resilient in current operating status, with a larger share operating at or above pre-war levels than trade or manufacturing. However, services still face substantial demand weakness and staff disruption. The sector also shows uncertainty in forward-looking employment expectations, which may reflect difficulty forecasting demand in a volatile environment.

Outlook

The outlook is cautious rather than uniformly pessimistic. A meaningful share of firms expect production to improve over the next three months, but a similar share expect further decline, and many expect employment to remain unchanged. This suggests that firms are waiting for stability before making labor or investment commitments. The expectation of stable employment is not necessarily a sign of strength. It may reflect a defensive posture in which firms avoid both hiring and deeper layoffs until conditions become clearer.

Investment intentions are weak. Even if conditions stabilize or improve, many firms are either unlikely to invest, have no plans, or do not know. This is a warning sign for recovery: firms may resume operations before they resume investment. Without confidence, access to finance, and predictable operating conditions, recovery could be shallow and focused on survival rather than expansion.

Implications

The survey suggests that business support should focus on liquidity, operating-cost relief, logistics continuity, and demand restoration. Because direct physical damage is not the dominant reported problem, a recovery response based only on asset repair would miss much of the actual burden on firms. Support measures should address working capital, supplier and rent obligations, fuel and transport costs, and the ability of firms to keep employees working.

Small firms should be prioritized for rapid liquidity and payment-relief instruments, given their deeper operating and cash-flow stress. Trade firms need help with demand, logistics, and inventory financing. Manufacturing firms need support around energy, transport, and input supply. Service firms need measures that stabilize demand and workforce availability. Across all categories, the central challenge is to prevent a temporary war shock from becoming a permanent loss of productive capacity.

Overall, the survey shows an economy where firms remain active but weakened. The business sector has not stopped functioning, but much of it is operating below capacity, facing severe revenue pressure, and delaying forward-looking decisions. The policy priority is therefore not only emergency relief, but also confidence and continuity: keeping firms liquid, operational, and able to retain workers until conditions improve.

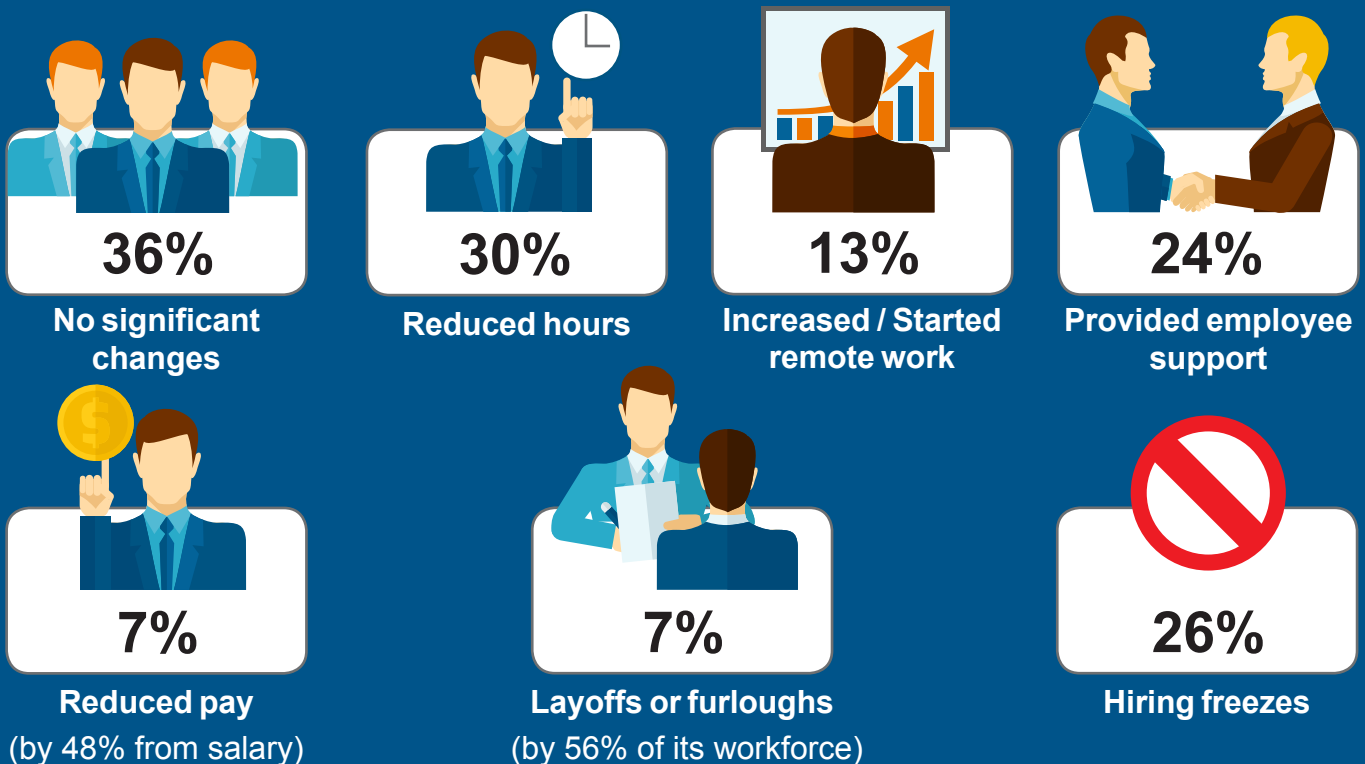
Company's total revenue in March 2026 compared with February 2026



Company's total revenue in March 2026 compared with March 2025



Workforce changes due to the conflict



During March 2026

Business was fully closed for

5 days



Workforce was directly affected by

13%

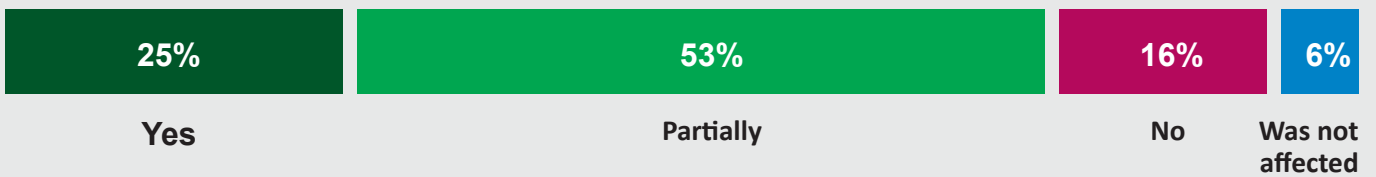


Companies that paid all salaries on time

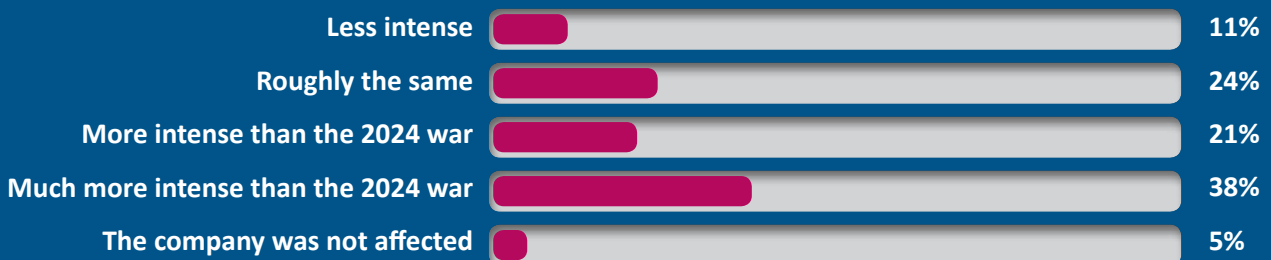
91%



Had the company recovered from the effects of the 2024 war



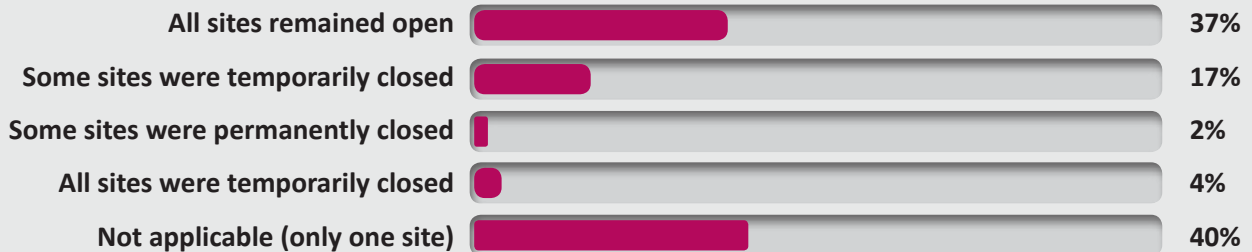
Compared to the 2024 war, how would you assess the impact of the current war on this company so far?



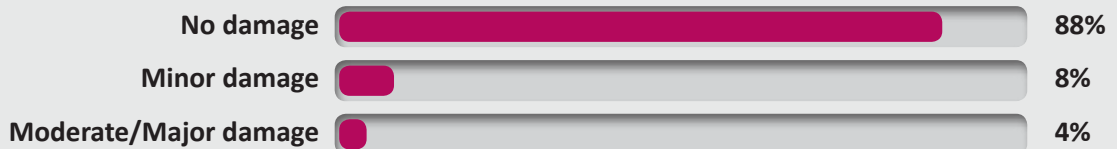
Compared with the last month before the outbreak of the current war, what is this company's current operating status overall?



What has been the operating status of this company's sites?



Has this company experienced any physical damage related to the conflict?



What are the main business problems caused by the conflict in March 2026?



Since the start of the conflict

Fuel/energy costs increased by

56%



Transport/logistics costs increased by

47%



Raw materials/inputs costs increased by

28%

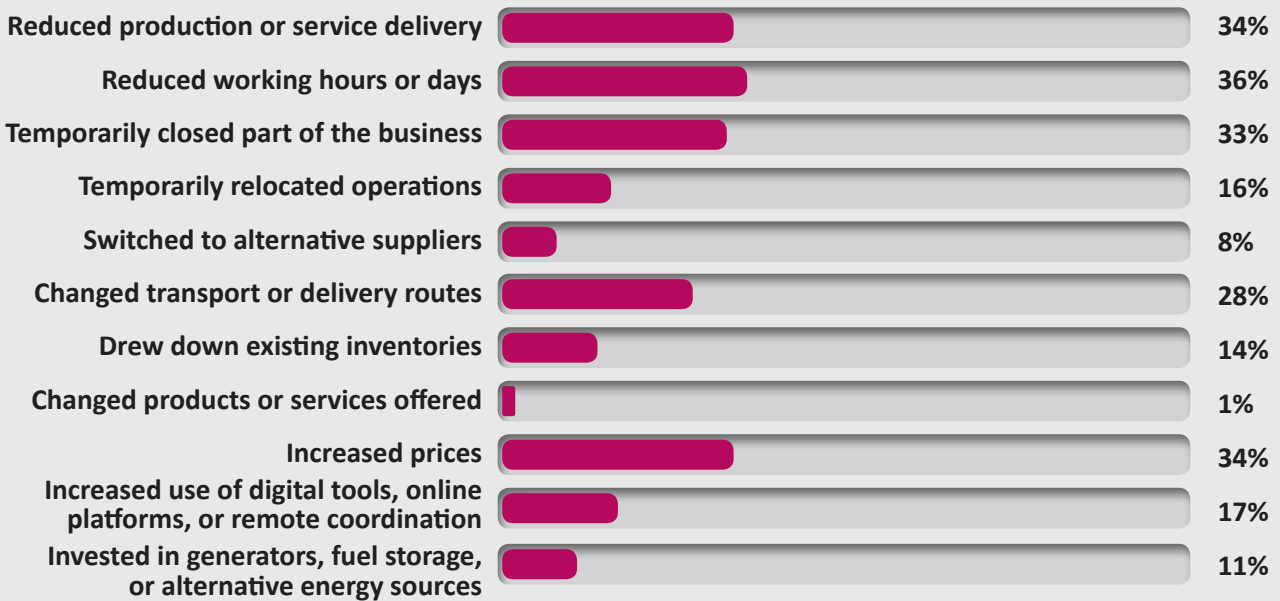
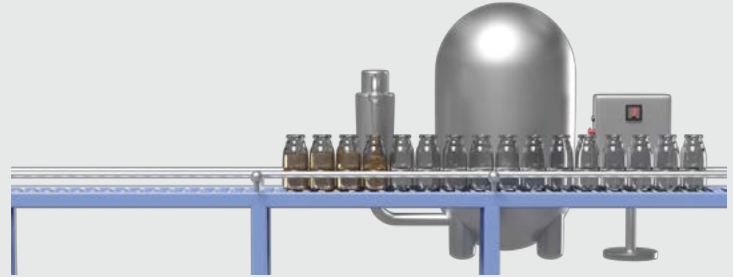


Other operating costs increased by

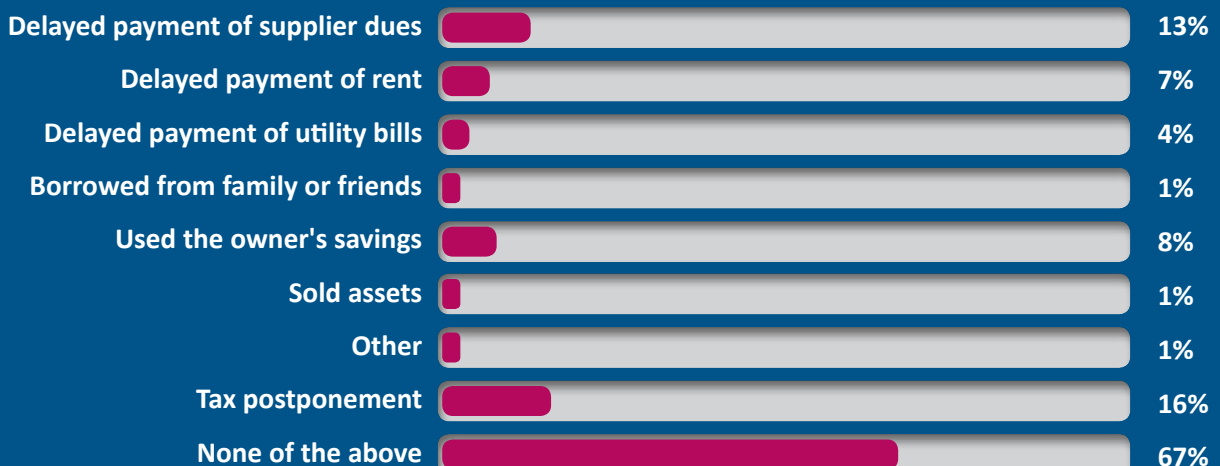
7%



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



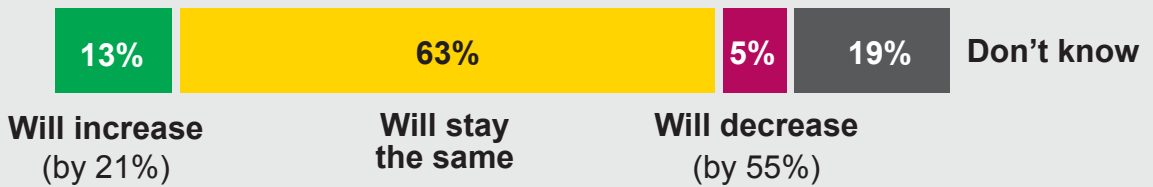
Since the start of the current war, has this company used any of the following financial adaptation measures?



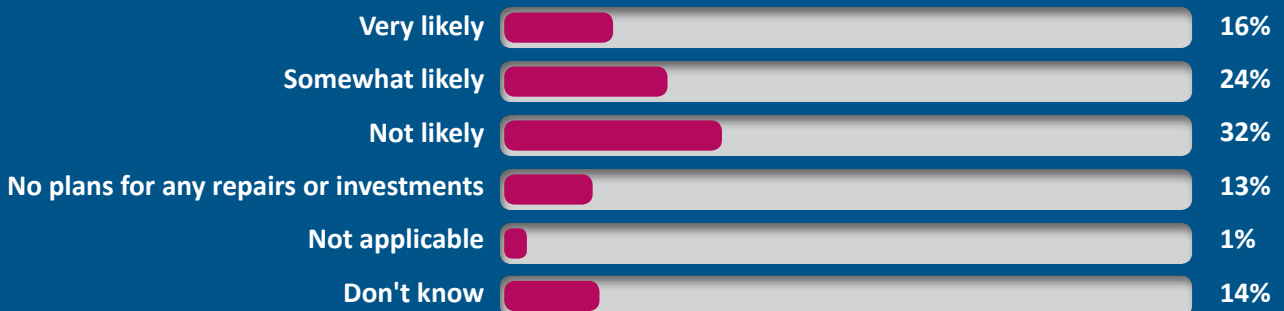
Production outlook for the next three months



Expected number of employees over the next three months



If conditions stabilize or improve, how likely is this company to carry out repairs or make new investments during the next six months?



Under current conditions, how long can your business continue operating?



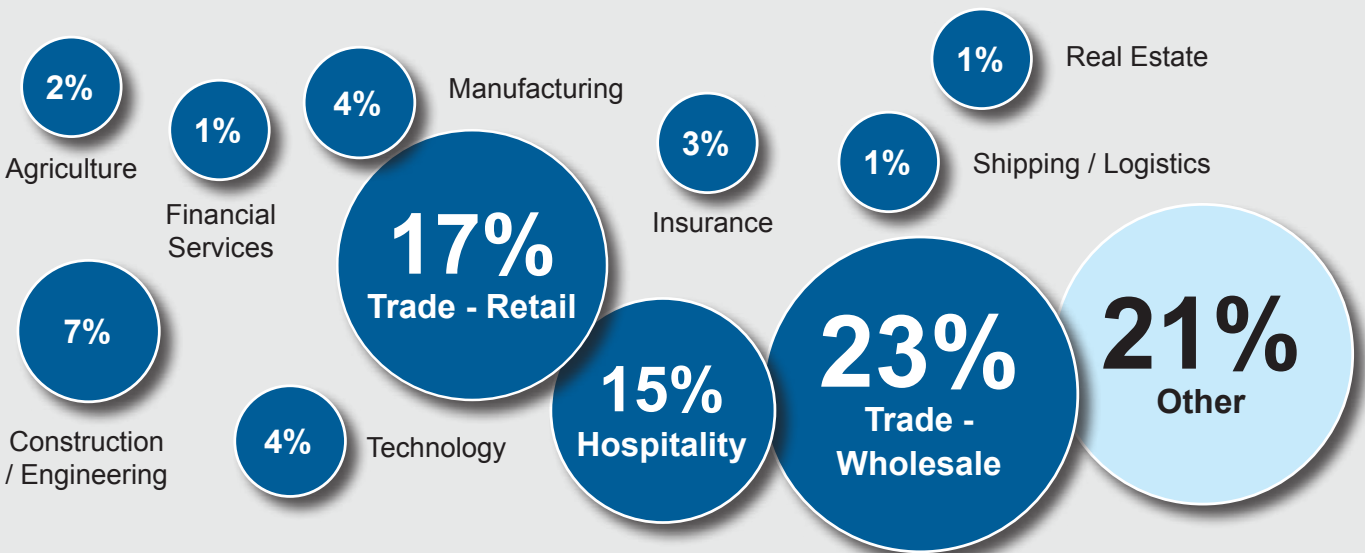
Methodology

The sample is composed of 196 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 March 25-April 24 2026.

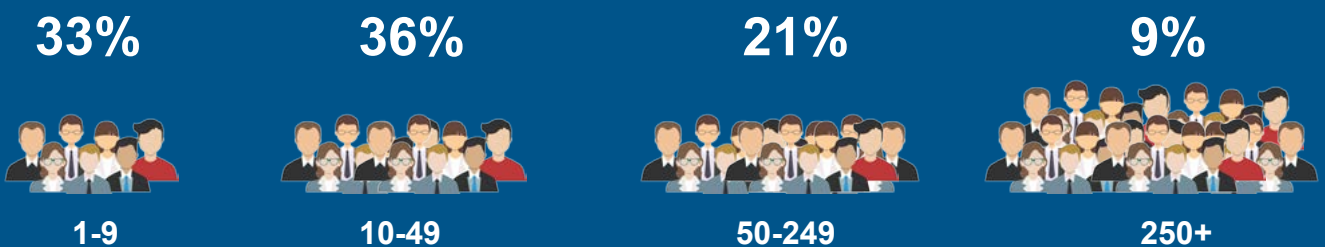
The sample is concentrated geographically in Mount Lebanon and Beirut (85%).

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.

What is your company's primary industry?



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



THANK YOU FOR YOUR PARTICIPATION

53 companies requested not to be identified

Participating members of LeadersClub

ADIR Insurance • Arope Insurance • Assiyana • Atria Solutions • Bank of Beirut • Banque Audi Bureau d'Etudes Rodolphe Mattar • Chateau Kefraya • Crowe • Deloitte • FDC • IFP Group • LIA Assurex Macsons • Medgulf Insurance • Phoenix Machinery • Photogravure Vartan • T. Gargour & Fils • TopCrete Widriss – Ets Wafic Idriss • Wooden Bakery • ZEAL

Other participating companies

3 CD Int'l • A.E.C. Fibres & Chemicals • Abdel-Ghani Achraf Dernayka • Abdelhadi Mhaissen Est. Abdelkader Moustafa Zaccour • Abdelrahman Dabbous & Sons • Achour Development • Acquisitions M. ADKom • ADS Est. • Afak Electronic Supplies • Aftim Establishment • Agronor • Agrotica • Ahmad Abla Co. Ahmad Hmeidani & Co. • Ahmad Israel & Fouad Metlej for Trade • Ahmad Shouaib for General Trade Aidco • Ajaltouni • AJR • Ak Group • Akar & Tabet • Akil Bros • Akram & Ali Riz • Al Amina Al Jazira Restaurant • Al Maaz Elevators & Electric Co. • Al Sakr Trading • Al Sindos for Trade & Investment Al Taghziah • Al-Antabli • Albert Abela Catering • Trade & Services • Alem Johnson Controls Lebanon Ltd. Al-Fays Restaurant • Al-Guthmi - Etoffes & Maison • Alliance Projects • Allied Trading Co. • Al Mourad Est. Alpha Co. • Always Foods Co. • American Marketing & Trading Group • Amin Developers Company Amin M. Atwi Est. • Ammar Brothers Trading Co. • Ammoun Trading Company • Ant Ventures Applied Machinery International • Ariss Lumière • Arli - G. Jarrache & Co. • Armada Hair Cosmetics Aschkar Real Estate & Tourism • ASCO • Assaf Ltd • Atalco • Audi Lumber Co. Trading & Manufacturing Automation & Controls • Ayanian Group • Azar Frères • Baby & Kid • Badr & Chehab Co. for Clothes Bakhos Trading & Marketing Co. • Bakri Bros Trade & Industry • Baroody Bros • Beam Developers Beam International • Bear Foot (Karim Knaider & Co) • Beauty Home • BEET General Contractors Beirut Golden Plaza • Beydoun Store • Bijouterie Farah • Boubouffe • Boujikian Bros. Co. Ltd • Boustany Sport Business Equipment Co. • Butec • Byblos Comfort Hotel • Byblos Food International • Byblos Records Camiceli • Caramel Suites • Carlos Abou-Jaoudé Est. • Carpet Plus • Chaddad Group • Charara Est. Chez Michel • Chidiac Motors • Chidiac Motors • Choucair Group Overseas • Choueiry Multi Packaging Clear Shield Glass Technology • CMM Supplies & Services • Colpogrosso Sport • Comptoir d'Orient Comptoir National pour le Commerce • Cryogenic Technology • Cynthia Jewelry • Dagher & Co. Daher Naim Commercial Est • Daher Trading Establishment • Debbane Saikali Group • EBCO Bitar Golden Food - Treegroup • JAT Jubaili Agrotec • Jubaili Bros • Mechel Group • Mediphar Laboratories Middle East Packing & Trading • Mindware • Patchi • Patisserie Douaihy • Rafic Bawab & Co. • Risetex Co Sa7se7 café • Saccal Sigma • SADCO • Saint Gobain Middle East • Soft Flow • Tania Travel • W. Salamoon & Sons