

LEBANON

WHAT HAPPENED IN APRIL?

The Central Bank temporarily halted its policy of subsidising grain imports by providing foreign exchange at discounted rates, triggering **bread shortages**. The International Monetary Fund (IMF) pledged support conditioned on reforms. Israel bombarded southern Lebanon after a rocket attack.

WHY DOES IT MATTER?

The financial crisis is increasingly affecting food security among the poor, which could fuel **food riots** in the near future. The IMF agreement offers an opportunity to alleviate suffering if the government can unlock funding by implementing a reform agenda.

MARCH TRENDS

The Ukrainian war exacerbated the economic crisis, as the Lebanese lira continued to depreciate amid **rising food and commodity prices**. Authorities charged Central Bank Governor Riad Salameh with illegal enrichment and money laundering, while candidates registered for the May election.

1 ↘ Central Bank triggered bread crisis

Amid rising global commodity prices, the Central Bank (BDL) stopped providing foreign exchange at highly subsidised rates to grain importers, prompting delays for grain deliveries and bread shortages nationwide.

The government on 12 April authorized the BDL to cover the cost of the exchange subsidy from the proceeds of the Special Drawing Rights that Lebanon had received from the IMF in September 2021, enabling the policy to continue. Meanwhile, the Lebanese lira declined in value, trading at around 25,000 to U.S. dollar by mid-April.

2 ↗ Government endorsed reform agenda in IMF

The IMF and the government on 7 April signed a “Staff Level Agreement”, whereby Lebanon will become eligible for a \$3 billion stabilisation program **once reform measures are implemented**, including restructuring the financial sector, reforming public enterprises, in particular in the energy sector, and uprooting corruption. Observers, however, expressed **doubt about the ruling elite’s commitment** to far-reaching reforms laid out in the agreement and suspect the government’s endorsement is an electoral ploy ahead of the 15 May parliamentary elections.

3 ↘ Israel shelled southern Lebanon after rocket

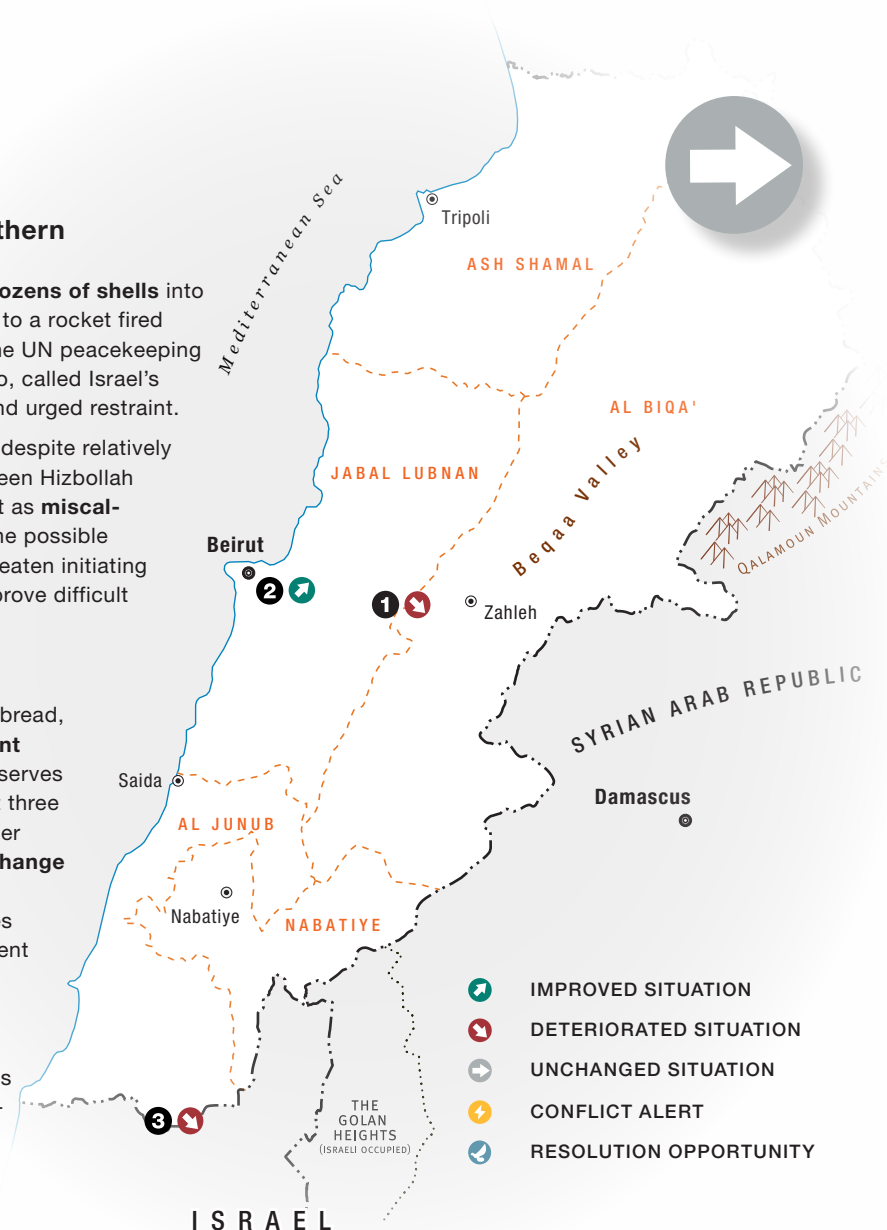
Israeli tanks on 25 April fired **dozens of shells** into southern Lebanon in response to a rocket fired from the region. The head of the UN peacekeeping mission (UNIFIL), Aroldo Lázaro, called Israel’s response “disproportionate” and urged restraint.

The exchange underlines that, despite relatively stable mutual deterrence between Hizbollah and Israel, conflict risks persist as **miscalculation**, technical error and the possible involvement of third parties threaten initiating cycles of escalation that may prove difficult to control.

WHAT TO WATCH

Shortages of goods, including bread, increase the likelihood of **violent protests**. Foreign exchange reserves could be exhausted in the next three to four months, triggering further **deterioration of the lira’s exchange value**, accompanied by more shortages of basic commodities and price hikes that could foment hardship for Lebanese with lira incomes, as well as unrest.

Amid electoral competition ahead of May polls, altercations between followers of the different camps may trigger **armed skirmishes**.



TRENDS TIMELINE

