

LEBANON

WHAT HAPPENED?

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.

WHY DOES IT MATTER?

Skyrocketing commodity prices **threatened food security** for the growing part of the population living under the poverty line. Charges brought against Salameh increased tensions among political parties, which are **sharply divided** in their positions vis-à-vis the governor.

FEBRUARY TRENDS

Government and Central Bank representatives concluded virtual talks with the International Monetary Fund (IMF) without a breakthrough. Tensions among security sector branches surfaced while Hezbollah deployed drones in Israeli airspace, leading **Israel to deploy jets** over the capital, Beirut.

1 Rising commodity prices amid Ukrainian war

The war between Russia and Ukraine led to spiking oil and grain prices. Lebanon imports more than 80 per cent of its grain from Ukraine and relies entirely on imports to meet its energy needs. Grain subsidies have so far curbed those price increases for bread, which has become an essential staple for a growing number of impoverished citizens.

Meanwhile, Lebanon's reliance on the volatile oil market contributed to the Lebanese lira mid-March losing some twenty per cent in value.

2 Central Bank chief faced indictments & sanctions

Judge Ghada Aoun, on 21 March, charged Central Bank Governor Riad Salameh with illegal enrichment and money laundering after ordering the arrest of his brother and freezing assets of several banks. The brothers deny any wrongdoing. In protest of the judge's decision, the Banking Association, on the same day, announced a two-day bank closure.

The EU, on 28 March, announced that assets totalling some \$130 million belonging to Salameh were seized in France, Germany and Luxembourg.

3 May election remained on track

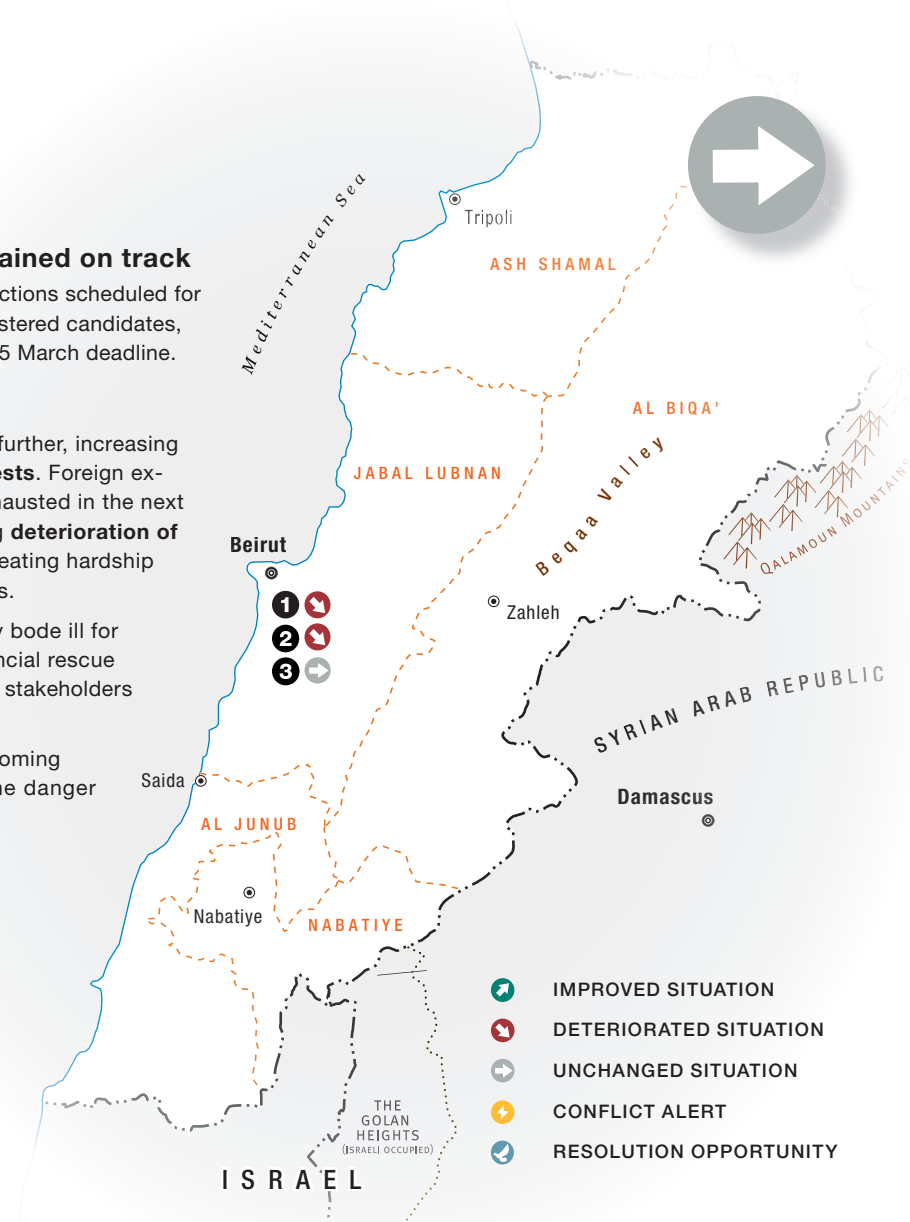
Preparations continued for elections scheduled for 15 May. There were 1,043 registered candidates, including 155 women, at the 15 March deadline.

WHAT TO WATCH

The price of bread could rise further, increasing the likelihood of **violent protests**. Foreign exchange reserves could be exhausted in the next three to six months, triggering **deterioration of the lira's exchange value**, creating hardship for Lebanese with lira incomes.

Pressure on the governor may bode ill for negotiations over an IMF financial rescue package as important political stakeholders are **divided over Salameh**.

Election campaigning in the coming weeks will further increase the danger of sporadic violence.



TRENDS TIMELINE

