

LEBANON

WHAT HAPPENED IN JANUARY?

The Lebanese lira (LBP) **crashed to all-time lows**, reaching 63,500 LBP to \$1 on 27 January, which cut purchasing power further. Parliament continued to deadlock over the appointment of a president and the caretaker government proved largely unable to act.

WHY DOES IT MATTER?

The presidential vacuum **may persist for months or years** if political blocs fail to compromise. Absent a president, the caretaker government has reduced capacity to meet and enact reforms required to unlock International Monetary Fund support, compounding dire economic circumstances.

DECEMBER TRENDS

Lebanon's leadership crisis continued, with parliamentarians failing to elect a new president and only a caretaker government in place. Meanwhile, **economic conditions deteriorated further** and various security incidents occurred, including the killing of a UN peacekeeper on 14 December.

1 Economic crisis grew worse

The LBP underwent a massive devaluation, with the currency's parallel market value sliding from just over 42,000 LBP to \$1 on 1 January to a record low of 63,500 LBP on 27 January. The plummeting LBP caused havoc across Lebanon's economy, forcing the government to amend official prices repeatedly within days (or even hours) for essentials including bread, medicine and fuel. This bout of inflation has **reduced purchasing power and worsens poverty**.

2 Presidential vacuum continued

For a third month, parliamentary blocs failed to replace outgoing President Michel Aoun, whose six-year term ended 31 October. In an electoral session on 20 January, Michel Moawad, favoured by the anti-Hizbollah camp, received 34 votes out of 86 required for a first-round win, his weakest showing thus far. Meanwhile, the pro-Hizbollah alliance, lacking internal consensus, returned blank or invalid votes, and walked out before the second round of voting.

Absent compromise, the **presidential vacuum could persist indefinitely**.

3 Caretaker government struggled to act

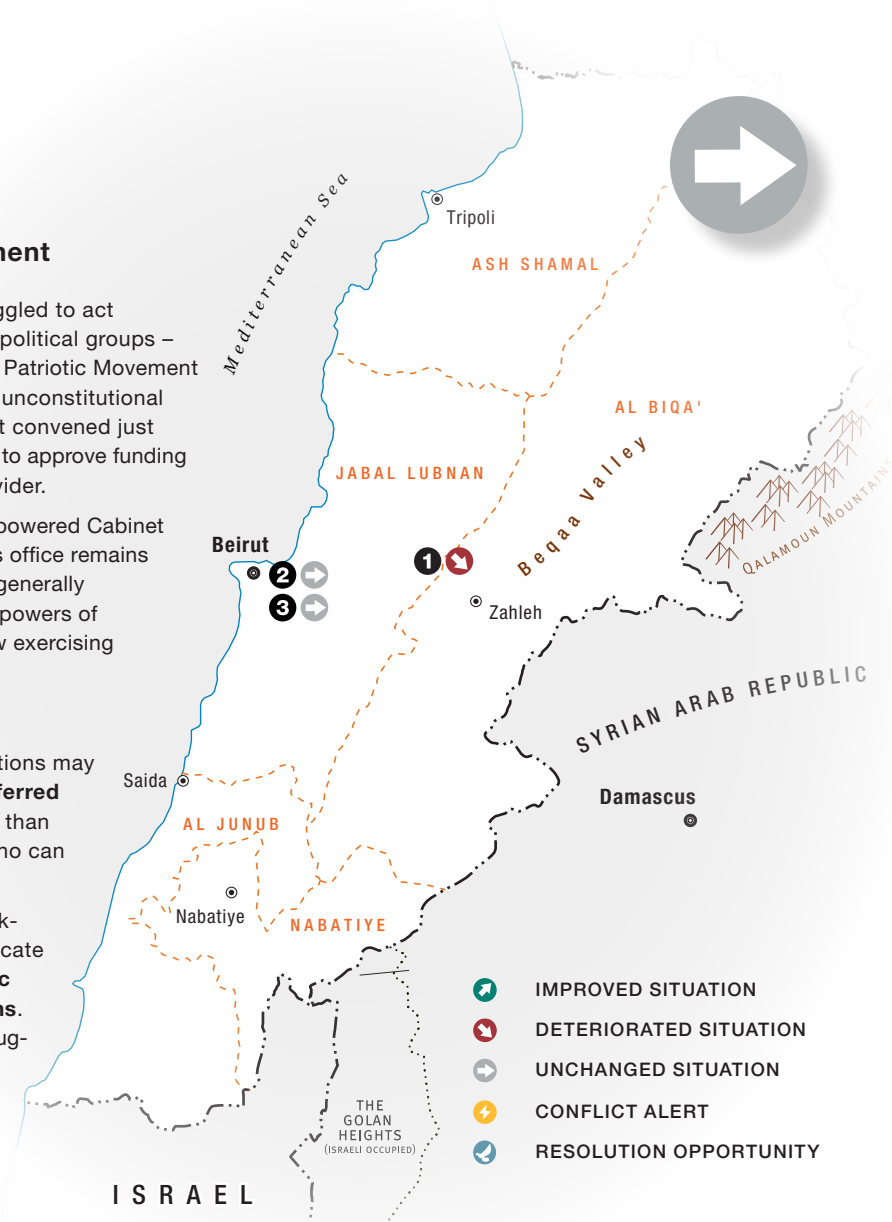
The caretaker government struggled to act throughout January, as various political groups – most notably, the Christian Free Patriotic Movement – rejected Cabinet meetings as unconstitutional during the vacuum. The Cabinet convened just once, on 18 January, exclusively to approve funding fuel for the state electricity provider.

The likelihood of forming an empowered Cabinet before a new president assumes office remains exceedingly slim, as politicians generally accept that this lies outside the powers of the caretaker administration now exercising presidential prerogatives.

WHAT TO WATCH

The country's main political factions may continue **pushing for their preferred presidential candidates** rather than seeking a compromise figure who can break the current deadlock.

A presidential vacuum and weakened government further complicate efforts to address the **economic crisis during the winter months**. Many Lebanese households struggle to run heating systems after the energy ministry increased prices dramatically throughout January for all fuel products.



TRENDS TIMELINE

