

LEBANON

WHAT HAPPENED IN MAY?

The government unveiled new measures that are likely to **compound economic hardship** for citizens. The presidential vacuum continued with no end in sight. Lebanon failed to hold much-needed municipal council elections.

WHY DOES IT MATTER?

Lebanon's worsening economic crisis continues to drive unrest. The vacuum contributes to **state paralysis** and **polarisation** between rival camps. It absorbs much of the political leadership's **minimal policymaking capacity**. Postponing municipal polls could weaken institutions that play increasingly important governing roles.

APRIL TRENDS

Armed groups in southern Lebanon and Israel exchanged fire in the most significant **cross-border escalation since the 2006 war**. The parliament postponed municipal council elections slated for May, while the presidential search dragged on. The economic crisis continued to bite.

1 ➔ Economic crisis continued

The finance ministry on 12 May announced it would raise the exchange rate used to calculate duties on imported goods, effectively making it four to six times higher. The move will **worsen inflation** and **place households under further financial strain**.

The Central Bank on 7 May announced it would not renew the "Sayrafa" (Exchange) platform, which it uses to inject U.S. dollars into circulation to slow the lira's devaluation; the practice has reportedly cost hundreds of millions of U.S. dollars.

2 ➔ Executive vacuum showed few signs of breakthrough

The presidential vacuum entered its seventh consecutive month. Parliament Speaker Nabih Berri on 10 May called for a new president before 15 June, noting that authorities will need to **appoint a new Central Bank governor** when incumbent Riad Salameh's term ends on 31 July.

Suleiman Frangieh – the preferred presidential candidate of Shiite parties Hezbollah and Amal – on 11 May met with the Saudi ambassador to Lebanon, fuelling speculation over whether the meeting indicated Saudi openness to his candidacy.

3 ➔ Lebanon failed to hold municipal elections

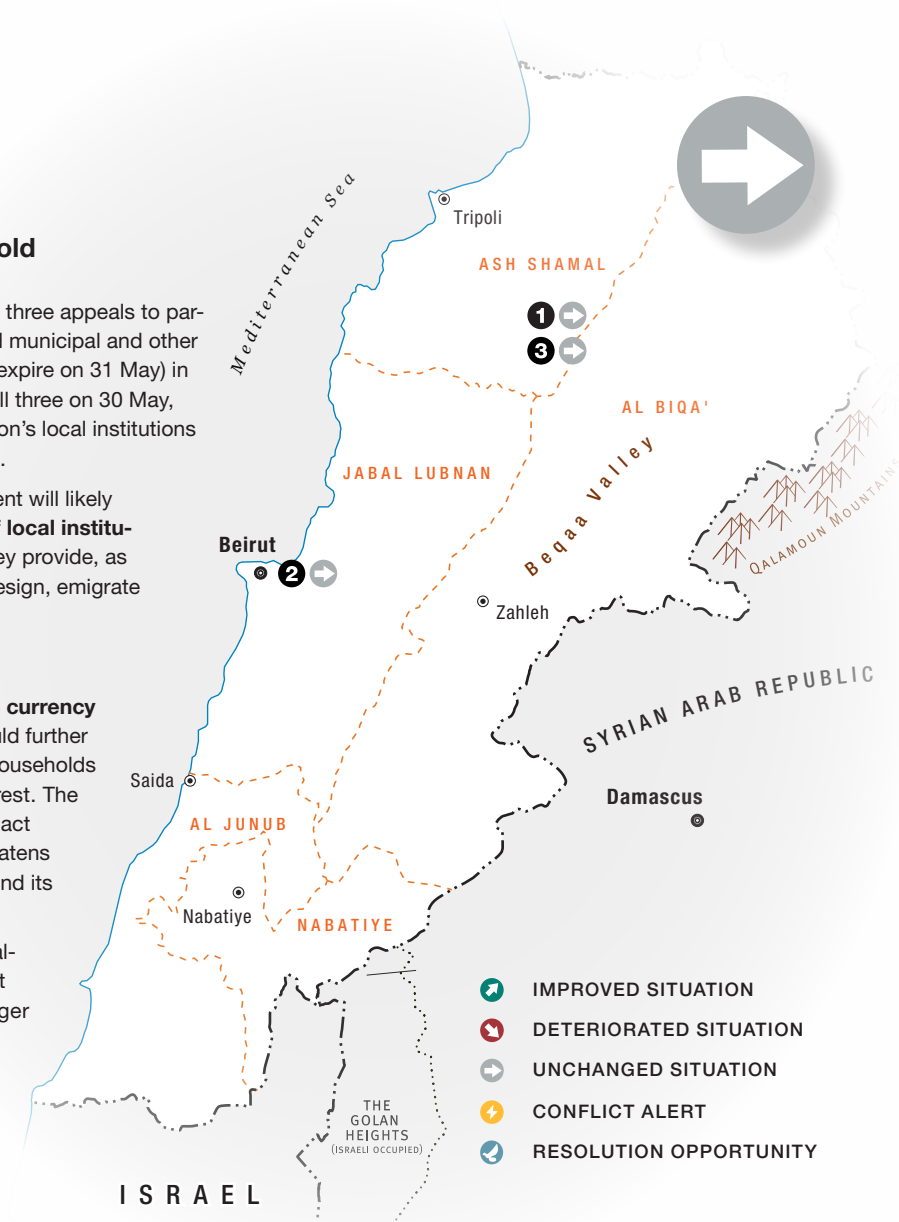
The Constitutional Council heard three appeals to parliament's April decision to extend municipal and other local officials' mandates (due to expire on 31 May) in place of elections. It dismissed all three on 30 May, citing the need to prevent Lebanon's local institutions from operating in a legal vacuum.

The patched-together arrangement will likely contribute to the **degradation of local institutions and essential services** they provide, as longstanding council members resign, emigrate or pass away.

WHAT TO WATCH

There are signs of another **sharp currency devaluation** looming, which would further compound the hardship facing households and risk new bouts of public unrest. The caretaker cabinet's inability to enact desperately needed reforms threatens to intensify the economic crisis and its impact.

Israeli actions in the occupied Palestinian territories, in particular at Jerusalem's Al-Aqsa, could trigger a wider, multi-front escalation involving Hezbollah.



TRENDS TIMELINE

