

LEBANON

WHAT HAPPENED IN MAY?

Parliamentary elections held on 15 May resulted in no clear winner, as reformist candidates expanded their share of seats and Hezbollah and its allies lost their majority. On the economic front, the currency crisis continued to **jeopardise critical imports**.

WHY DOES IT MATTER?

A divided parliament could **complicate efforts to form a new government**, which is crucial for implementing the reforms necessary to unlock international financial support. The Lebanese lira's depreciation could cause worsening shortages and price hikes, raising the prospect of unrest.

APRIL TRENDS

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.

1 → Parliamentary elections produced no outright winner

Elections on 15 May took place amid reports of violent incidents. Notably, supporters of the Christian party Lebanese Forces and the Hezbollah-Amal movement allegedly clashed in Kfarhouna city in south Lebanon.

Candidates hailing from civil society and the 2019 protest movement **made significant inroads**, winning thirteen seats. Despite retaining all 27 seats reserved for Shiite representatives, Hezbollah and its allies lost their parliamentary majority.

Early signs of political jostling that could complicate government formation efforts emerged. After key figures voiced opposition to the re-appointment of Amal Movement head Nabih Berri as parliamentary speaker, Hezbollah's parliamentary chief evoked **the spectre of "civil war"** if opposing political forces block a consensus government. Berri was re-elected as speaker on 31 May.

2 → Currency crisis continued amid fuel and bread shortages

The currency's value fell sharply following the elections, reaching an all-time low of 37,750 lira to the U.S. dollar by 27 May. The Central Bank on 18 May extended the decree authorising the Sayrafa ("Exchange") Platform until the end of July 2022, which

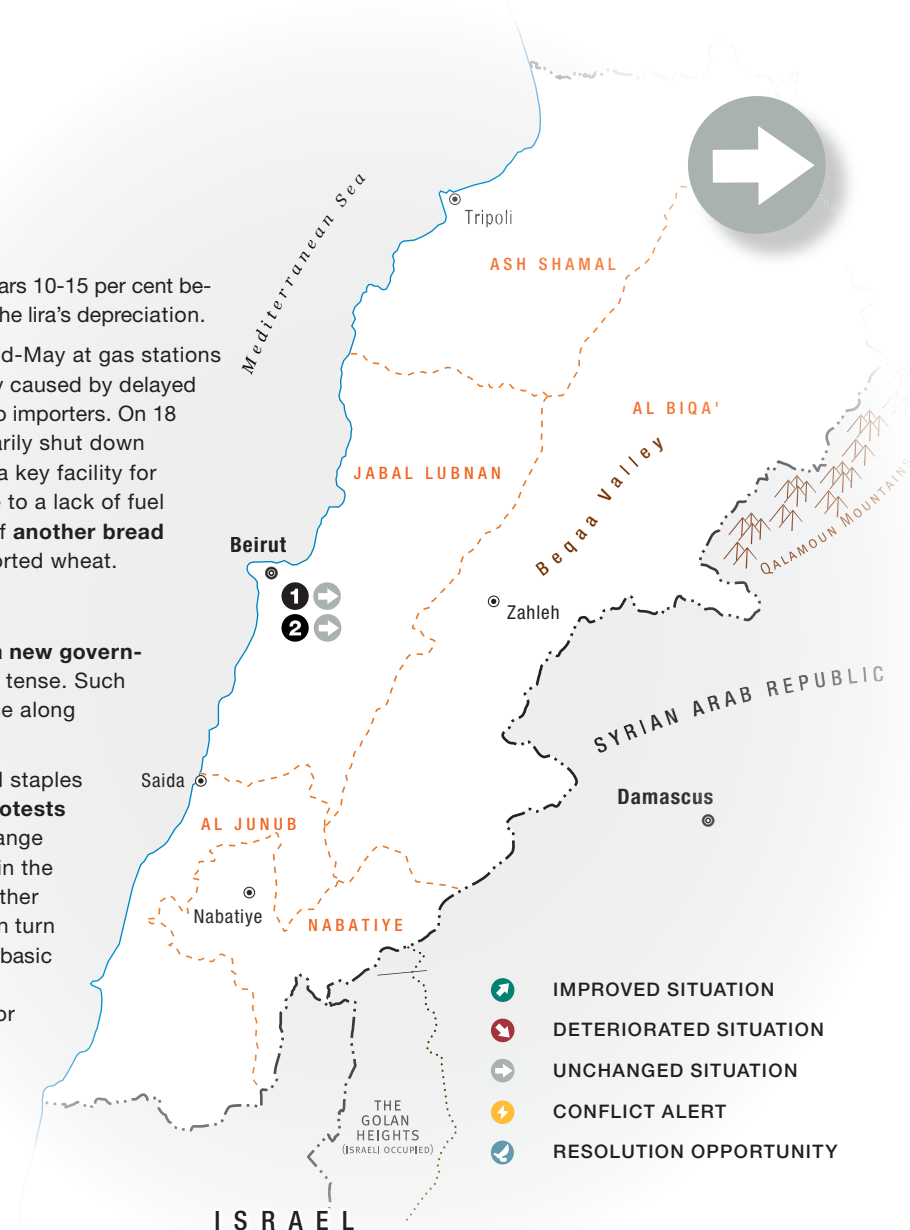
allows the bank to sell U.S. dollars 10-15 per cent below the market rate to counter the lira's depreciation.

Extended queues emerged mid-May at gas stations due to fuel shortages allegedly caused by delayed payments in foreign currency to importers. On 18 May, the government temporarily shut down the Deir Ammar power plant, a key facility for state-provided electricity, due to a lack of fuel oil. Industry leaders warned of **another bread crisis** amid shortages of imported wheat.

WHAT TO WATCH

Political negotiations to form a **new government** could grow increasingly tense. Such tensions could lead to violence along sectarian lines.

Shortages of basic goods and staples increase the risk of **violent protests and food riots**. Foreign exchange reserves could be exhausted in the coming months, triggering further **depreciation of the lira**. This in turn could cause more shortages of basic commodities and price hikes, creating additional hardship for Lebanese with lira incomes.



TRENDS TIMELINE

