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.

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.

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.

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.