Key Messages

- The government budget for 2022 will move from the cabinet to Parliament for consideration, following the formal decree signed by President Michel Aoun on February 28.¹ The draft version of the budget had proposed to raise taxes and give the Minister of Finance the authority to set the exchange rate for customs transactions.²
- High-ranking Lebanese officials have issued contradictory public statements about the financial status of the Banque du Liban, raising questions as to whether it is bankrupt (insolvent) or illiquid.³
- In late March, Lebanon and the International Monetary Fund reached a staff-level agreement for a four-year, $3 billion assistance package. The funding is contingent upon Lebanon’s approval and implementation of a set of eight reform measures, including the allocation of losses from the financial system and unification of the country’s multiple exchange rates.⁴ IMF assistance is widely viewed as necessary to support an economic recovery in the country.⁵
- The Cabinet approved a reform plan for Lebanon’s electricity sector in mid-March. The adoption and implementation of reforms are a pre-condition to secure funding from international donors including the World Bank needed to invest in expanded electricity production sufficient to meet local demand.⁶ Conversely, agreements to import energy from Jordan and Egypt have not yet delivered any increase in electricity supply for the local market.⁷
- Lebanon’s legislative elections are scheduled for May 15. The process to form a new government is often months-long, potentially complicating or delaying legislative reforms needed to implement the assistance agreement with the IMF.⁸
- The FAO Food Price Index (FFPI) reached a new all-time high in March 2022, driven sharply upward by strong increases in the prices of vegetable oils, cereals, and meat. The conflict in Ukraine has been a major cause of price increases.⁹
- Diplomatic relations between Lebanon and several Gulf countries appear to be improving, as Saudi Arabia, Kuwait, and Yemen announced that their ambassadors’ return to Beirut after withdrawing them in 2021 following political disagreements.¹⁰

Macroeconomic Context
The Lebanese lira (LBP) depreciated against the U.S. dollar on the informal (black) market in March, reaching approximately 24,000 LBP : 1 USD by month’s end. The lira averaged approximately 22,700 LBP : 1 USD throughout the month of March, as compared to 20,900 LBP : 1 USD the previous month. The lira had recovered against the USD in recent months, the result of intervention by the Banque du Liban. The official exchange rate remains at 1,508 LBP : 1 USD.

The rate of increase in the general and food price inflation slowed in February 2022, falling from the record-high levels recorded in January 2022. The Consumer Price Index (CPI) increased by approximately 215% between February 2021 and February 2022. Prices of food and non-alcoholic beverages rose by nearly 400% over the same period. The month-on-month changes in both the CPI and in the price of food and non-alcoholic beverages (January 2022 to February 2022) fell for the first time since mid-2019. The monthly decline in the CPI was driven by decreases in the cost of food and non-alcoholic beverages, alcoholic beverages and tobacco, clothing and footwear, furnishings, and health.

The Central Administration of Statistics has belatedly released its estimates of Lebanon’s gross domestic product (GDP) for 2020, finding that the economy contracted by 25.9%. In the same year, agricultural activities surged by 40% - representing only one of two sectors (along with education) that reported real growth after accounting for inflation. Figures were calculated using an average weighted exchange rate of 3,878 LBP : 1 USD as well as “imprecise” value-added tax data on production costs, consumer spending, and foreign transactions. The CAS estimates report a worse GDP performance than the figures calculated by the World Bank (21.4% contraction) or the IMF (25.0% contraction) for 2020.

Availability

Lebanon’s government is working to secure tenders for wheat imports, to account for imports displaced by the conflict in Ukraine. A $26 million tender agreement to import 50,000 metric tons of wheat from India was announced, subject to the availability of credit from the Banque du Liban. Additional tenders
with major wheat producers, including Kazakhstan and the United States, may be forthcoming depending on wheat specifications and prices.\textsuperscript{14}

Following a number of winter storms, the snow pack on Lebanese mountains is heavier than has been recorded in recent years, suggesting a strong supply of water resources to support domestic agricultural production in the coming season.\textsuperscript{15} Melting mountain snows provide a source of water for the Bekaa Valley and coastal areas even into the typically dry summer months.

Access

Lebanese supermarkets have limited customers’ use of credit card payments to only 50% of purchases, limiting economic access to food for consumers whose money remains stuck within commercial banks. The decision by the Union of Supermarket Owners was announced in mid-March. With the announcement, consumers would be required to pay at least 50% of their bill in cash. The announcement was made during a period when commercial banks had increased restrictions on bank withdrawals by customers, limiting the amount of cash that individuals could access. While customers have complained about the measure, supermarkets have countered that they also are subject to the withdrawal restrictions imposed by commercial banks.\textsuperscript{16}

Crisis Observatory researchers at the American University of Beirut calculated the cost of an iftar meal for a family of five. The iftar consists a date seed, lentil soup, fattoush salad, and a main plate. The basic cost of an iftar has increased 13 times from about 445,000 pounds in 2018 to 5 million and 804 thousand in the year 2022. The Crisis Observatory’s Fattoush index has shown a surge of 65%\textsuperscript{17}, mainly due to the increase in prices of tomato, cucumber, and leafy greens (main ingredients of fattoush).

For the second month in a row, the FAO Food Price Index (FFPI) reached a new all-time high in March 2022. The FFPI jumped by 12.9% between February and March. The change was driven by strong increases in the prices of vegetable oils, cereals, and meat: Each of these sub-indices also reached all-time highs in March. Price movements were strongly impacted by the conflict in Ukraine, a major producer and exporter of cereals, vegetable oils, and poultry meat. The meat index has also been affected by avian flu outbreaks, reducing the supply of poultry. March’s result extended the largely uninterrupted gains in the FFPI reported since mid-2020.\textsuperscript{18} International price movements typically guide domestic price movements. As a result, continued increases may further contribute to food price inflation in Lebanon given the country’s high dependence on imported food commodities.\textsuperscript{19}

\begin{figure}[h]
\centering
\includegraphics[width=0.5\textwidth]{FOAFoodPriceIndex.png}
\caption{FAO Food Price Index}
\end{figure}

\textit{Source: Food and Agriculture Organization (FAO)}

Utilization

President of the Republic General Michel Aoun issued the order to establish a Professional Order of Dietitians in Lebanon (law No. 284 dated 12/4/2022). The executive committee and members of the
Lebanese Academy for Nutrition and Dietetics (LAND) led by Dr. Nahla Hwalla (American University of Beirut, founding member of the food security program) spent more than 15 years of hard effort to make this happen. The order will help dietitians in Lebanon to work more closely to enhance the status of nutrition security (food utilization) which is an integral part of food security.

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7. L’Orient Today. (2022, April 8). Don’t breathe a sigh of relief just yet [newsletter]. *L’Orient Today*.
15. Jaafar, H. (@HadiHJaafar). (2022, March 27). “Good #snow pack on Lebanese mountains for this time of the year, not seen in many many years.” Twitter.