

LEBANON: GENERAL ELECTIONS RAISE THE SPECTRE OF POLITICAL GRIDLOCK



1/06/2022

Filed under [Country news](#)

[SHARE ARTICLE](#)

EVENT

On 15 May, general elections took place in Lebanon. As the previous elections date from in 2018, these were the first elections since Lebanon's financial and economic meltdown. Vote scrutiny shows that the parliament has become fragmented. No parliamentary group holds enough seats to form a majority. The current ruling coalition led by Hezbollah has lost its parliamentary majority. The coalition won only 62 out of 128 seats, which is 3 short of the 65 seats needed for a simple majority. This is an important loss for the group as it previously held 72 seats. Another key shift was the election of a dozen of independent candidates.

IMPACT

The results of the general elections raise the spectre of (renewed) political gridlock. The fragmented parliament will likely lead to lengthy negotiations to form a new government. As a result, the reforms needed to secure a possible USD 3 billion bailout under an IMF programme could be delayed. These reforms and the IMF's support remain very urgent as Lebanon is currently facing what has been described as one of the worst economic and financial crises of the last 150 years. Over the past years, Lebanon saw its financial system collapse, in 2020 it defaulted on its external commercial public debt, and an explosion destroyed the port of Beirut and part of the capital. The war in Ukraine is adding to the country's economic difficulties, as Lebanon is a net food and fuel importer. The country is particularly exposed to fallout of the war as it has limited reserves of cereals and it depends directly on Ukraine and to a lesser extent on Russia for its cereal imports. In 2020, for instance, Lebanon relied on Ukraine and Russia for more than 50% of its cereal imports, and for wheat – a food staple in the region – dependency on these two countries raises to 75%. The impact of the conflict on commodity prices coupled with foreign exchange reserve shortages could exacerbate the difficulties the country has been experiencing in importing even basic goods such as fuel and medicine.

The current situation, apart from exacerbating the socioeconomic situation, is putting additional pressure on the country's liquidity. The import-dependent economy has seen its foreign exchange reserves fall by almost half in 2021 compared to its 2019 level. Taking into account Lebanon's challenging policy environment and standing liquidity problems, Credendo maintains the country's short-term political risk classification in category 7/7.

Analyst: Andres Hernandez Cardona – a.hernandezcardona@credendo.com

1/06/2022

Filed under **Country news**