

Comments on Lebanon in Forbes Middle East, 1 Nov 2021

Dr. Nasser Saidi's comments appeared in a Forbes Middle East article titled "Exclusive: How A Backdoor Deal Between Banque du Liban And Economy Ministry Further Sunk The Lira". This article was published on 1st November 2021 & can be accessed [directly](#).

His comments are posted below:

Lebanon's money exchange market "is highly illiquid and therefore any small amount, even a few million dollars, can move the [dollar] price," said Nasser Saidi, an economist and a former economy minister and vice-governor of BDL.

On currency exchange markets, the law of supply and demand generally prevails. When demand for dollars increases but supply does not follow, the price of the greenback rises. Subsequently, the value of the lira being exchanged for those dollars falls. After receiving the payment in lira, the major food importer who spoke on condition of anonymity said his company hurried to buy dollars from the market. "And if everybody rushed at the same time, which is likely the case, then this would have moved the [lira] rate," Saidi added.

Lebanon operates with more than four exchange rates for its local currency. This process opens doors for arbitrage opportunities – products are bought in the cheaper markets and sold in the dearer market – which traders benefit from at the expense of depositors and the rest of the economy, explained Saidi. The food basket program had "benefited merchants at the expense of everyone else," he said.