# Comments on Lebanon's risk of spiralling into runaway inflation in Reuters, 30 Jun 2022

Dr. Nasser Saidi's comments appeared in the Reuters article titled "Analysis: Political and banking deadlock may plunge Lebanon deeper into crisis", published 30th June 2022.

Comments are posted below:

If that policy carries on and the government tries to appease the population by increasing benefits and salaries for the relatively large public sector, Lebanon could spiral into runaway inflation.

*"With no new revenues, increasing salaries and benefits such as transport allowance will take the country into hyperinflation," Nasser Saidi, an economist and former vice-governor at Lebanon's central bank, told Reuters.*

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# Comments on Lebanon's "rescue plan" in Reuters, 2 Feb 2022

Dr. Nasser Saidi's comments appeared in the Reuters article titled "Analysis: Lebanon's savers to bear burden under new rescue plan", published 2nd February 2022.

Comments are posted below:

Lebanon’s pound has lost more than 90% of its value since the crisis erupted in 2019. Of those deposits, $16 billion will lose 75% of their value and $35 billion will lose 40%.

*“It is an effective nationalisation of deposits,” said Nasser Saidi, a former economy minister and central bank vice governor, blaming the central bank for racking up “massive balance sheet losses” to defend an over-valued currency.*

*“If accepted by parliament, it would be the kiss of death for a near-zombie banking system and will doom Lebanon, its economy and people to prolonged misery and lost decades,” he said of the latest plan.*

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# Comments on the depreciation of the Lebanese pound on Zawya (Arabic), 11 Jan 2022

Dr. Nasser Saidi’s comments on the depreciation of the Lebanese pound appeared in an article on Zawya dated 11th January 2022, titled

**تدهور الليرة اللبنانية: 4 أسباب والوضع واحد**

The comments are posted below:

“4 أسباب أساسية تقف وراء التدهور الأخير في قيمة الليرة. وهي أولاً قيام المصرف المركزي بشراء كثيف للدولار الأمريكي في السوق السوداء وضخ الليرة اللبنانية في السوق،” وفقاً لتصريحات أدلى بها ناصر السعيدي وهو محلل مالي ووزير لبناني سابق لموقع زاوية عربي.

وتابع السعيدي: ” ثانياً قرار المصرف المركزي مضاعفة معدل تحويل

(الودائع بالدولار) من 3,900 ليرة الى 8,000 ليرة يعني زيادة كبيرة في امدادات الليرة في سوق العملات الأجنبية وثالثاً غياب أي خبر إيجابي يتعلق بالإصلاحات والمفاوضات مع صندوق النقد الدولي يعني أن الناس تتوقع تدهور أكبر لليرة وارتفاع في معدل التضخم وهو ما يؤدي بالناس الى محاولة التخلص من أموالهم المقومة بالليرةما يؤدي الى تدهور أكبر لليرة وارتفاع في معدل التضخم. والسبب الرابع هو أن سوق العملات الأجنبية ضعيف جداً ويفتقر الى السيولة."

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# Comments on Lebanon's low exchange rate in Gulf News, 22 Mar 2021

Dr. Nasser Saidi's comments appeared in the Gulf News article titled "How things went from bad to unbearable in Lebanon", published 22nd March 2021.
Comments are posted below:

*Citing security concerns, banks shut down and the minute they re-opened, were unable to accommodate depositors frantically trying to withdraw their savings. There were no more dollars in the country, and the state could not come up with logical answers as to where the money had vanished.*
*The lion's share had been consumed by the Central Bank of Lebanon, which insisted on an overvalued pegged exchange rate, says Nasser Saidi, an economist, former economy minister, and ex-deputy governor of the Central Bank.*
*Speaking to Gulf News, he explained: "To protect an overvalued Lebanese pound, the Central Bank started borrowing at high interest rates to pay maturing debt and debt service." The result, he added was "confidence evaporated, reserves [were] exhausted, with the Central Bank unable to honour its foreign currency obligations and Lebanon defaulting on its March 2019*

*Eurobond."*
*But that was not the only reason, he added. Another was the steady economic collapse in neighbouring Syria, to where Lebanese dollars were smuggled daily since mid-2019, also at highly inflated prices. Last April, Prime Minister Hassan Diab gave an additional reason for the downward trajectory, saying that $5.7 billion in deposits had been smuggled out of the country during the first two months of the year, further adding to the liquidity crunch.*

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# Comments on Lebanon's subsidies & historic low exchange rate in Reuters, 17 Mar 2021

Dr. Nasser Saidi's comments appeared in the Reuters article titled "Brawls in shops as Lebanon's financial meltdown hits supply of food", published 17th March 2021.
Comments are posted below:

*The looming removal of subsidies has triggered fears of shortages, said Nasser Saidi, an economist and former cabinet minister.*

*"As soon as you announce that subsidies might be lifted or reduced…automatically consumers hoard goods," he said.*

# Comments on Lebanon's ongoing economic turmoil in Arab News, Mar 13 2021

Dr. Nasser Saidi's comments appeared in an Arab News article titled "Prolonged crisis of governance leaves Lebanon adrift and isolated" on 13th March 2021.

The comments are posted below.

…the latest lockdown has all the trappings of the final straw.

*"None of this is surprising," Nasser Saidi, Lebanon's former economy and trade minister, told Arab News.*

*"Income is down. GDP is down by at least 25 percent. We're having inflation in excess of 130 percent; general poverty is over 50 percent of the population; food poverty is over 25 percent of the population; unemployment is rapidly increasing; and thousands of businesses are being shut down.*

*"All of this is coming to the fore and at the same time we have a lockdown. It was a very stupid decision the way it was done, to lock Lebanon down, because it prohibits people from even being able to go and get their groceries, their food and necessities. And then it meant also shutting down factories and manufacturing.*

*"If you get sick, you can't even get to a hospital or afford a hospital. Hospitals are full now due to COVID-19. You have had a series of very bad decision-making and policies, and Lebanon is paying the price for it. This is going to continue. It is not going to go away. In my opinion, we are seeing just the tip of the iceberg."*

# How to save Lebanon from looming hyperinflation, Article in The National, 31 Jul 2020

The article titled "How to save Lebanon from looming hyperinflation" was published in The National on 31st Jul 2020. The original article can be accessed here & is also posted below.

## How to save Lebanon from looming hyperinflation

*To bring the country's economic chaos to an end, it is important to examine how it all began*

In June 2020, Lebanon's inflation rate was 20 per cent, month-on-month. In other words, prices in the country were, on average, 20 per cent more than they were a month before. Compared to a year earlier, in June 2019, they had nearly doubled.

Lebanon is well on its way to hyperinflation – when prices of goods and services change daily, and rise by more than 50 per cent in a month.

Hyperinflation is most commonly associated with countries like Venezuela and Zimbabwe, which this year have seen annual inflation rates of 15,000 per cent and 319 per cent, respectively. Lebanon is set to join their league; food inflation surged by 108.9 per cent during the first half of 2020.

When hyperinflation takes hold, consumers start to behave in very unusual ways. Goods are stockpiled, leading to increased shortages. As the money in someone's pocket loses its worth, people start to barter for goods.

What characterises countries with high inflation and hyperinflation? They have a sharp acceleration in growth of the money supply in order to finance unsustainable overspending; high levels of government debt; political instability; restrictions on payments and other transactions and a rapid breakdown in socio-economic conditions and the rule of law. Usually, these traits are associated with endemic corruption.

Lebanon fulfils all of the conditions. Absent immediate economic and financial reforms, the country is heading to hyperinflation and a further collapse of its currency.

**How and why did this happen?**

Lebanon is in the throes of an accelerating meltdown. Unsustainable economic policies and an overvalued exchange rate pegged to the US dollar have led to persistent deficits. Consequently, public debt in 2020 is more than 184 per cent of GDP – the third highest ratio in the world.

The trigger to the banking and financial crisis was a series of policy errors starting with an unwarranted closure of banks in October 2019, supposedly in connection with political protests against government ineffectiveness and corruption. Never before – whether in the darkest hours of Lebanon's civil war (1975-1990), during Israeli invasions or other political turmoil – have banks been closed or payments suspended.

The bank closures led to an immediate loss of trust in the entire banking system. They were accompanied by informal controls on foreign currency transactions, foreign exchange licensing, the freezing of deposits and other payment restrictions to protect the dwindling reserves of Lebanon's central bank. All of this generated a sharp liquidity and credit squeeze and the emergence of a system of multiple exchange rates, resulting in a further loss of confidence in the monetary system and the Lebanese pound.

Multiple exchange rates are particularly nefarious. They create distortions in markets, encourage rent seeking (when someone gains wealth without producing real value) and create new opportunities for cronyism and corruption. Compounded by the Covid-19 lockdown, the result has been a sharp 20 per cent contraction in economic activity, consumption and investment and surging bankruptcies. Lebanon is experiencing rapidly rising unemployment (over 35 per cent) and poverty rates exceeding 50 per cent of the population.

With government revenues declining, growing budget deficits are increasingly financed by the Lebanese central bank (BDL), leading to the accelerating inflation. The next phase will be a cost-of-living adjustment for the public sector, more monetary financing and inflation: an impoverishing vicious circle!

We are witnessing the bursting of a Ponzi scheme engineered by the BDL, starting in 2016 with a massive bailout of the banks, equivalent to about 12.6 per cent of GDP. To protect an overvalued pound and finance the government, the BDL started borrowing at ever-higher interest rates, through so-called "financial engineering" schemes. These evolved into a cycle of additional borrowing to pay maturing debt and debt service, until confidence evaporated and reserves were exhausted.

By 2020, the BDL was unable to honour its foreign currency obligations and Lebanon defaulted on its March 2020 Eurobond, seeking to restructure its domestic and foreign debt. The resulting losses of the BDL exceeded $50 billion, equivalent to the entire country's GDP that year. It was a historically unprecedented loss by any central bank in the world.

With the core of the banking system, the BDL, unable to repay banks' deposits, the banks froze payments to depositors. The banking and financial system imploded.

As part of Lebanon's negotiations with the IMF to resolve the situation, the government of Prime Minister Hassan Diab prepared a financial recovery plan that comprises fiscal, banking and structural reforms. However, despite the deep and multiple crises, there has been no attempt at fiscal or monetary reform.

In effect, Mr Diab's government and Riad Salameh, the head of the central bank, are deliberately implementing a policy of imposing an inflation tax and an illegal “Lirafication”: a forced conversion of foreign currency deposits into Lebanese pounds in order to achieve internal real deflation.

The objective is to impose a ‘domestic solution’ and preclude an IMF programme and associated reforms. The inflation tax and Lirafication reduce real incomes and financial wealth. The sharp reduction in real income and the sharp depreciation of the pound are leading to a massive contraction of imports, reducing the current account deficit to protect the remaining international reserves. Lebanon is being sacrificed to a failed exchange rate and incompetent monetary and government policies.

What policy measures can be implemented to rescue Lebanon? Taming inflation and exchange rate collapse requires a credible, sustainable macroeconomic policy anchor to reduce the prevailing extreme policy uncertainty.

**Here are four measures that would help:**

First, a “Capital Control Act” should be passed immediately, replacing the informal controls in place since October 2019 with more transparent and effective controls to stem the continuing outflow of capital and help stabilise the exchange rate. This would restore a modicum of confidence in the monetary systems and the rule of law, as well as the flow of capital and remittances.

Second is fiscal reform. It is time to bite the bullet and eliminate wasteful public spending. Start by reform of the power sector and raising the prices of subsidised commodities and services, like fuel and electricity. This would also stop smuggling of fuel and other goods into sanctions-laden Syria, which is draining Lebanon’s reserves. Subsidies should be cut in conjunction with the establishment of a social safety net and targeted aid.

These immediate reforms should be followed by broader measures including improving revenue collection, reforming public procurement (a major source of corruption), creating a “National Wealth Fund” to incorporate and reform state commercial assets, reducing the bloated size of the public sector, reforming public pension schemes and introducing a credible fiscal rule.

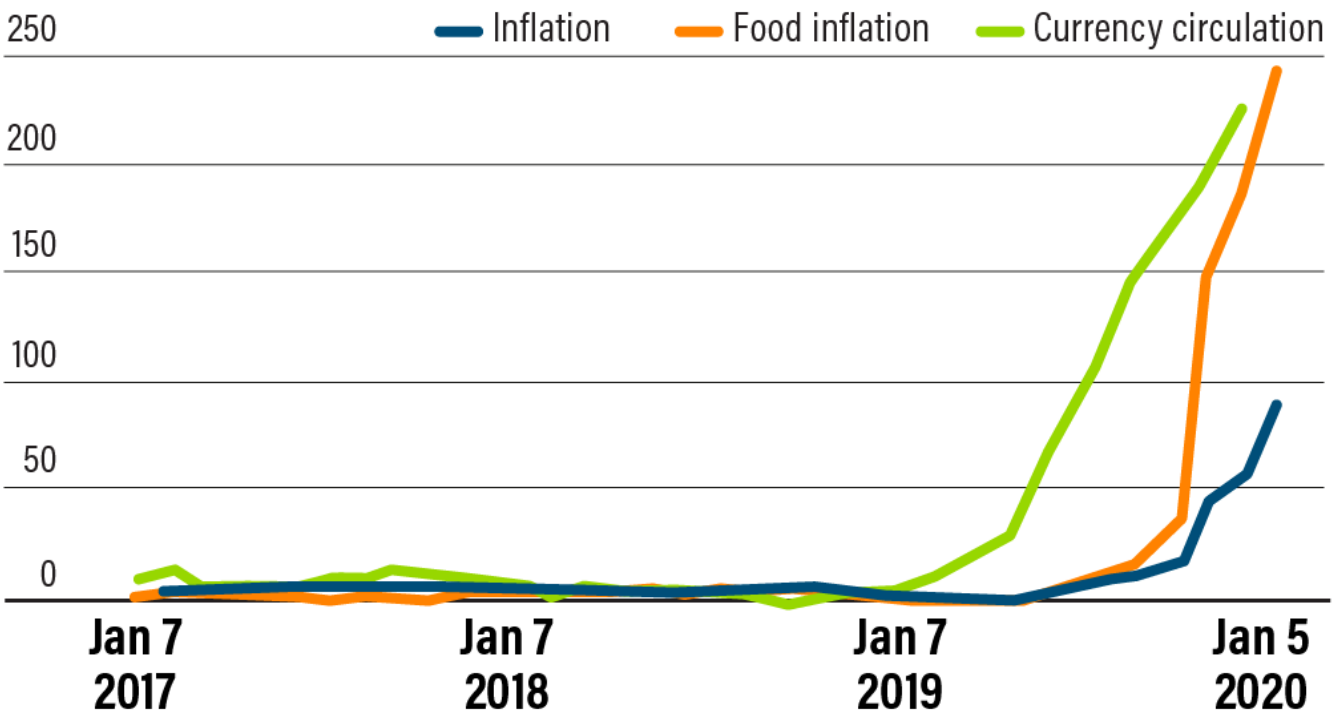
Third, unify exchange rates and move a to flexible exchange rate regime. The failed exchange rate regime has contributed to large current account deficits, hurt export-oriented sectors, and forced the central bank to maintain high interest rates leading to a crowding-out of the private sector. Monetary policy stability also requires that the BDL should be restructured and stop financing government deficits and wasteful and expensive quasi-fiscal operations, such as subsidising real estate investment.

Fourth, accelerate negotiations with the IMF and agree to a programme that sets wide-ranging conditions on policy reform. Absent an IMF programme, the international community, the GCC, EU and other countries that have assisted Lebanon previously will not come to its rescue.

Lebanon is at the edge of the abyss. Absent deep and immediate policy reforms, it is heading for a lost decade, with mass migration, social and political unrest and violence. If nothing is done, it will become “Libazuela”.

*Nasser Saidi is a former Lebanese economy minister and first vice-governor of the Central Bank of Lebanon*

# LEBANESE CENTRAL BANK'S MONEY SURGE IS FUELLING INFLATION (%)




Source: Central Administration of Statistics, BDL, Nasser Saidi & Associates

# Forbes Middle East Leaders' Insights: Breaking Down The Lebanese Situation With Dr. Nasser Al Saidi, Jul 2020

Dr. Nasser Saidi was interviewed by the Managing Editor of Forbes Middle East, as part of their Leaders' Insight series, to breakdown the factors leading up to the economic uncertainty in Lebanon and to understand the way forward.
Watch the interview below:

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# To halt Lebanon's meltdown it is imperative to reform now, Article in The National, 4 Jul 2020

The article titled "To halt Lebanon's meltdown it is imperative to reform now" was published in The National on 4th Jul 2020. The original article can be accessed here & is also posted below.

**To halt Lebanon's meltdown it is imperative to**

## reform now

*The country's currency has lost about 80% of its value against the US dollar and poverty and unemployment are on the rise*

Lebanon is in the throes of an accelerating economic and financial meltdown. Unsustainable monetary and fiscal policies and an overvalued pegged exchange rate led to persistent fiscal and current account deficits.

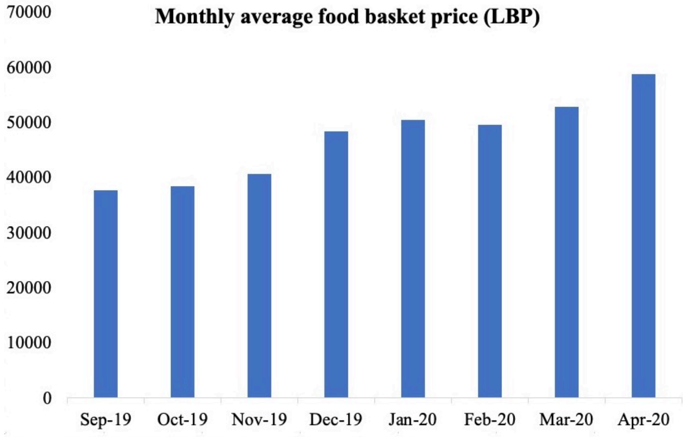
Public debt which reached more than 155 per cent of gross domestic product in 2019, is projected rise to 161.8 per cent in 2020 and 167 per cent in 2021, according to International Monetary Fund estimates. That is the third highest ratio in the world after Japan and Greece.

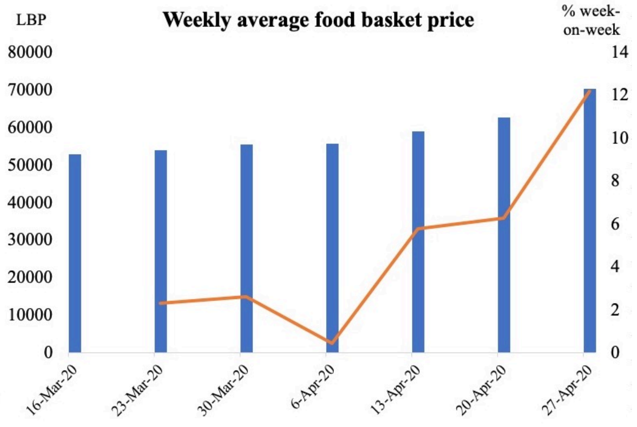
Informal capital controls, foreign exchange licensing, freezing of deposits and payment restrictions to protect the dwindling reserves of Lebanon's central bank, precipitated the financial crisis, generated a sharp liquidity and credit squeeze and the emergence of a system of multiple exchange rates.

The squeeze is severely curtailing domestic and international trade and resulted in a loss of confidence in the monetary system and the Lebanese pound. Multiple exchange rates created distortions in markets and new opportunities for corruption.

The result is a sharp, double-digit contraction in economic activity, consumption and investment, surging bankruptcies, and rapidly rising unemployment rates estimated at above 30 per cent.

A dangerous inflationary spiral has gripped the country with the currency's value against the dollar nosediving as much as 80 per cent. Inflation is on the rise and reached an annual 56 per cent in May, according to Lebanon's Central Administration of Statistics. A Bloomberg survey of economists conducted in June, projects inflation will average 22 per cent in 2020 compared with a forecast of 7.7 per cent from a previous survey.





*Source: WFP Retail POS Data Warehouse, Lebanon, May 2020.*

The minimum wage has shrunk from the equivalent of $450 per month while food prices have surged. Since the end of a 15-year civil war in 1990, extreme poverty has hovered at between 7.5 to 10 per cent, while about 28 per cent of the population is poor, according to the World Bank. In November, the World Bank warned if the economic situation in the country worsened, those living below the poverty line could rise to 50 per cent.

Given the collapse of the long-maintained peg, there is no anchor for expectations of the future value of the Lebanese pound.

The Central Bank of Lebanon does not have the reserves to support the pound. There is great uncertainty concerning the macroeconomic outlook, fiscal and monetary policies, exchange controls and structural reforms.

The government approved a rescue plan, the basis for negotiations with the IMF, but failed to set a credible roadmap for structural reforms and none of the promised reforms have been undertaken. There is a loss of confidence in the banking system and in macroeconomic and monetary stability. As a result, people want foreign currency to protect themselves, as a hedge against inflation and further depreciation of the pound.

Transfer restrictions have led to a sudden stop of capital inflows and remittances from Lebanese expatriates, who fear their transfers will be frozen. Remittances accounted for 12.9 per cent of GDP in 2019.

With capital and payment controls and lack of intervention by the central bank, the foreign exchange market became a cash market with little liquidity, therefore highly volatile and subject to large fluctuations, rumours and panic.

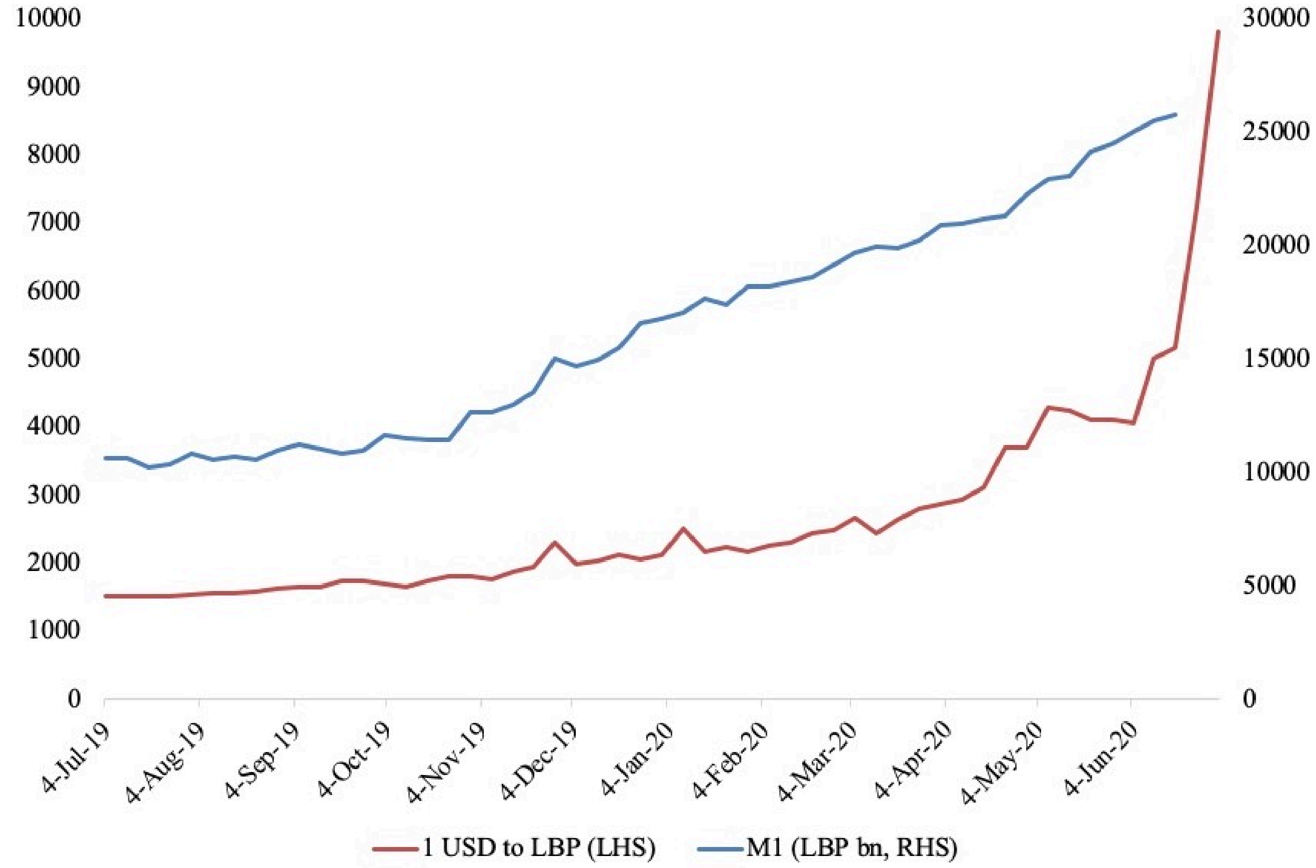
Two short-term factors have compounded the currency crisis. The Covid-19 lockdown meant a loss of remittances that would have come in as cash. Media reports cite an accelerated smuggling of imported, subsidised commodities like fuel and wheat into neighbouring Syria these past months due to the increasing bite of international sanctions and a failing wheat harvest.

Panic prevails because of new US sanctions targeting Syria under the Caesar Syria Civilian Protection Act (the Caesar Act) that came into effect last month. Syrians are trying to hedge against inflation and the depreciating Syrian pound by tapping Lebanon’s forex market. In effect it is one market.

More fundamentally, Lebanon’s rising inflation rates are feeding expectations of ever higher inflation rates, which along with the sharp decline in real income because of the deep recession, means a fall in the demand for money and lower demand for the Lebanese pound. As people try to shift out of the Lebanese pound, inflation rises, and the currency depreciates against the US dollar.

The vicious cycle is being fed by the monetary financing of budget deficits. Lebanon’s fiscal deficit increased 26.90 per cent in the first four months of the year to $1.75B from the year-earlier period. With the government unable to borrow from the markets, the central bank is financing the growing budget deficit and, increasingly, a growing proportion of government spending. The printing press is running, with a growing supply of Lebanese pounds on the market chasing a dwindling supply of US dollars. Hyperinflation looms.

**LBP in the black market crossed 9k while M1 surges to over LBP 25trn**




*Source: M1 Banque du Liban ; black market rate https://lirarate.com/ (updated 3rd Jul 2020)*

The deepening crisis requires urgent, decisive, credible, policy action. A capital control act should be passed immediately. That will help rebuild confidence in the monetary system and restore the flow of capital and remittances.

The prices of subsidised commodities and services (fuel, electricity) should be raised to combat smuggling and stem the budget deficit. Smart and targeted subsidies are more effective. The impact of removing general subsidies is less painful than financing budget deficits that accelerate overall inflation and exchange depreciation. Exchange rates need to be unified within a central bank and bank organised market.

Most important, is rapidly agreeing and implementing a financial rescue package with the IMF. That should be based on a comprehensive macroeconomic-fiscal-financial reform programme that includes structural reforms, debt, and banking sector restructuring, which would provide access to liquidity, stabilise and revive private sector economic activity.

*Nasser Saidi previously served as Lebanon’s minister of* *economy and industry and a vice governor of the Central Bank of Lebanon. He is president of the economic advisory and business consultancy Nasser Saidi & Associates.*

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# Comments on the Lebanese Pound in Washington Post, 26 Jun 2020

Dr. Nasser Saidi's comments on Lebanon's currency appeared in the article titled "Lebanon's currency takes a new dive, and there is no end in sight" in Washington Post's 26th June 2020 edition. The comments are posted below.

*In the absence of a clear policy path ahead, there is no bottom to the value of the Lebanese pound, said Nasser Saidi, a former Lebanese finance minister who is now a financial consultant based in Dubai.*
*Citizens have lost trust in the banking system and the country is shifting to a cash-only economy. Some retail outlets have started accepting only dollars, which are hard to find. U.S. and European sanctions against neighboring Syria have deprived that country of dollars, too, making Lebanon the chief destination for Syrians seeking to fund imports there, increasing the demand for dollars, Saidi said.*
*Government revenue, meanwhile, has skidded to a halt because of the shutdowns and economic retraction, forcing the Central Bank to print Lebanese pounds to fund government expenditures, including salaries for the bloated civil service.*
*"Those go into the market and they are chasing fewer and fewer dollars," Saidi said. "There is no longer any anchor for the value of the Lebanese pound and we are going into the unknown."*

# Comments on Lebanon's currency collapse and protests, FT, 12 Jun 2020

Dr. Nasser Saidi commented on the currency fluctuations and associated protests in Lebanon in the FT article titled "Currency collapse fuels mass protests in Lebanon" published on 12th June 2020.
The full article can be accessed at: https://www.ft.com/content/a1c5f2aa-79a6-48ec-aa8e-6b5d60bda1f7

The comment is posted below:
*Nasser Saidi, a former central bank vice-governor, said there was little the government could do at this point to stop the slide. "This is a cash market, not your usual forex market. The central bank is no longer able to intervene."*
*Mr Saidi, the former central banker, said the volatile price swings were driven by four main factors: uncertainty among currency traders about government policy; the printing of currency to cover a fiscal deficit left by falling tax receipts; the economic impact of coronavirus; and panic in the exchange market in neighbouring Syria, where business people are anticipating the impact of new US sanctions next week.*

# Comments on Lebanon's currency fluctuations in Reuters, Jun 11 2020

Dr. Nasser Saidi's comments on the Lebanese pound and fluctuations appeared as part of the Reuters article titled "Lebanese pound changes hands near 5,000 per dollar, market sources say" published on 11th June 2020. Comments are posted below.

*Nasser Saidi, a former economy minister, said the pound's decline had accelerated because of increased demand for dollars in neighbouring Syria, where the local currency has also hit record lows as new U.S. sanctions are set to come into effect. "There is the beginning of panic in Syria over the availability of dollars. This has transferred itself into increased demand in the Beirut market," he said.*