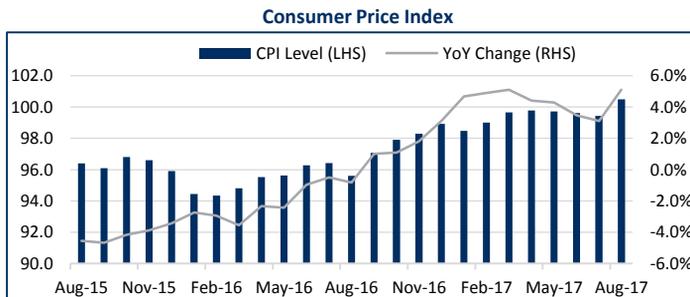


Economics Research – Lebanon Inflation Watch – August 2017

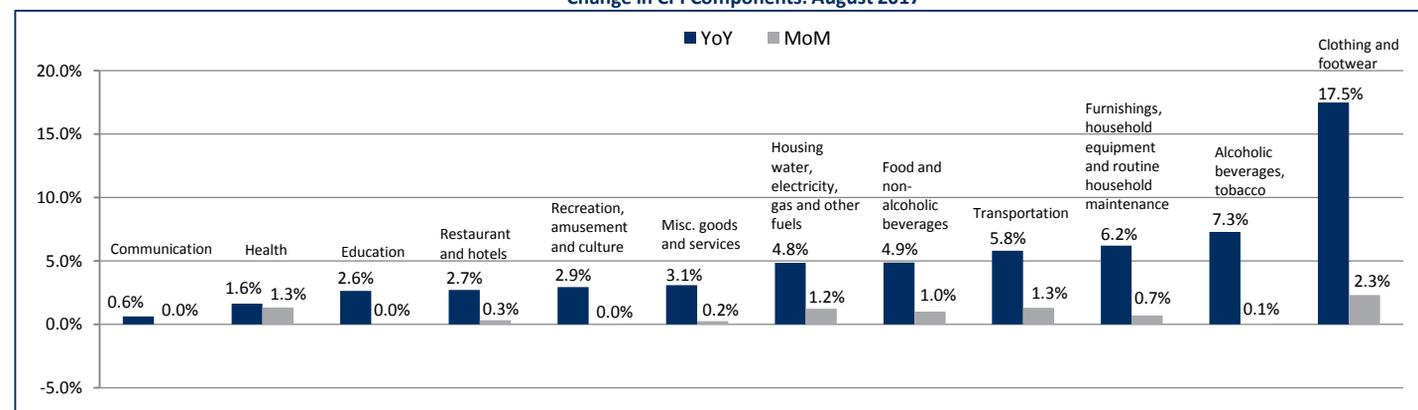
LEBANON'S CONSUMER PRICE INDEX (CPI) up +5.1% YoY in August 2017:

Lebanon's Consumer Price Index up +5.1% YoY to 100.48 in August 2017 from 95.61 in August 2016 and +1.1% from 99.43 in July 2017 (according to a revised version from CAS). The biggest drivers YoY were housing water, electricity, gas and other fuels which increased +4.8% (+1.2% MoM), food and non-alcoholic beverages up +4.9% (+1.0% MoM), clothing and footwear up +17.5% (+2.3% MoM) and transportation up +5.8% (+1.3% MoM).

According to the IMF, inflation in Lebanon was +4.8% in 2013, +1.8% in 2014, -3.7% in 2015, -0.8% in 2016 and projected at +2.6% in 2017 and +2.0% in 2018 (using average consumer prices).

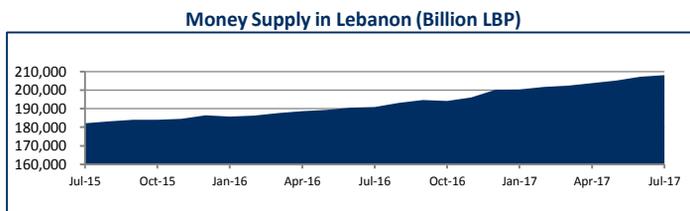


Change in CPI Components: August 2017



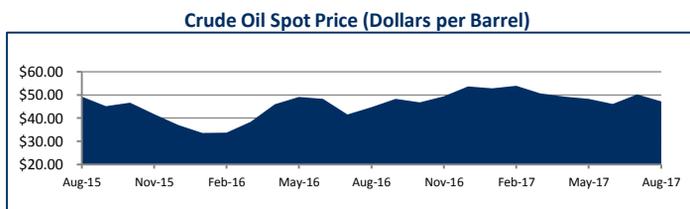
MONEY SUPPLY IN LEBANON

M3 increased +9.0% YoY and +0.4% MoM to LBP 208,050 billion (USD 138.0 billion) in July 2017. M3, a benchmark for broad money, is the sum of currency in circulation, sight and time deposits in Lebanese pounds and deposits in foreign currencies and other financial liabilities. Net foreign assets were up +4.7% YoY (+0.7% MoM), net claims on public sector were down -1.3% YoY (-0.3% MoM) and claims on private sector were up +7.2% YoY (+0.2% MoM).



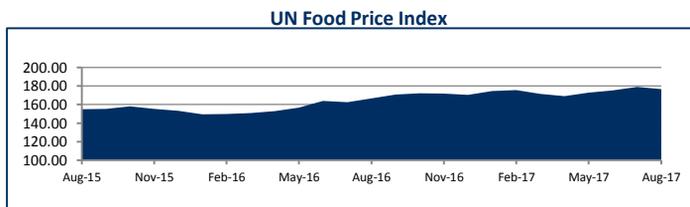
CRUDE OIL SPOT PRICE

WTI Cushing spot price was up +5.7% YoY yet decreased -5.9% MoM to \$47.23 per barrel in August 2017. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price increased +13.5% YoY and +1.4% MoM to \$53.38 per barrel. WTI oil crude oil weakened in August on persisting glut concerns and worries around weaker demand resulting from Hurricane Harvey. However, in their monthly reports, IEA and OPEC raised their outlook for oil demand in 2017 and 2018 while OPEC projected an increasing compliance from OPEC and non-OPEC members to the supply cut agreement reached in November.



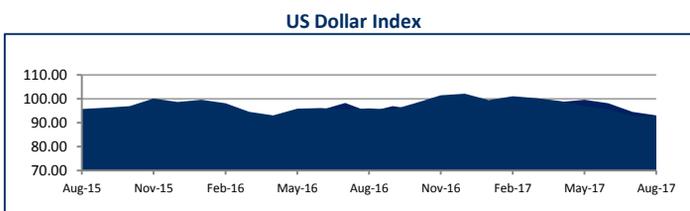
UN FOOD PRICE INDEX

UN Food Price Index rose +6.0% YoY in August 2017 to 176.62 from 166.66 in August 2016 yet decreased -1.3% from its July value. The UN Food Price Index measures the price of global food staples. The price of dairy was up +4.2% YoY (+1.4% MoM) followed by the price of cereals up +6.8% (-5.4% MoM), meat up +4.6% (-1.2% MoM), while the price of vegetable oils was down -2.7% (+2.5% MoM) and sugar was down -28.6% (-1.7% MoM).



US DOLLAR INDEX

US Dollar Index was down -3.5% YoY and -0.2% MoM to \$92.67 in August 2017. The US Dollar Index measures the value of the US dollar against a basket of the world's most widely held currencies. The US Dollar index ended the month lower on geopolitical tensions between US and North Korea and US policy uncertainty following risks of government shutdown and the resignation of several CEOs from Trump's economic advisory councils. The US dollar was also weighed by Yellen's dovish speech at Jackson Hole meeting and weaker US macro data resulting in lower expectations for an additional rate hike in 2017.





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