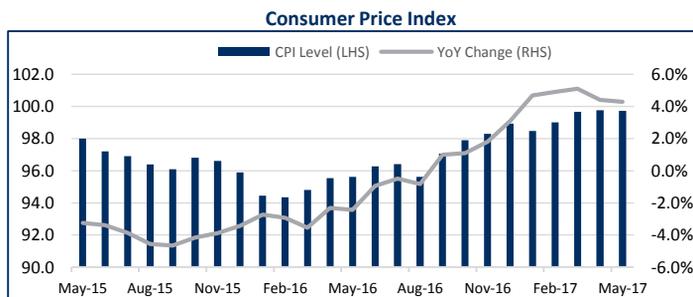


Economics Research – Lebanon Inflation Watch – May 2017

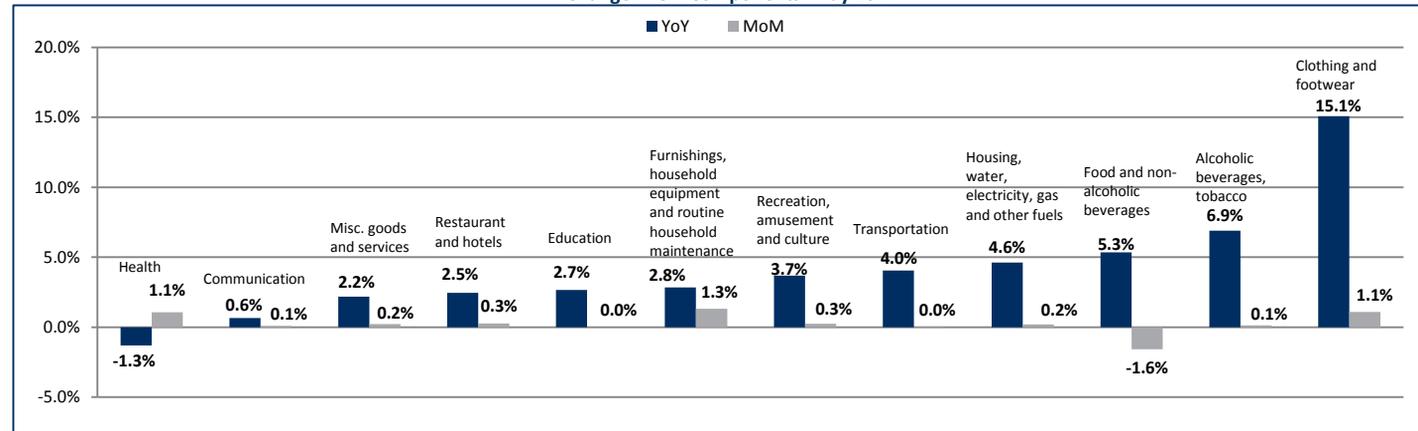
LEBANON'S CONSUMER PRICE INDEX (CPI) up +4.3% YoY in May 2017:

Lebanon's Consumer Price Index up +4.3% YoY to 99.72 in May 2017 from 95.62 in May 2016 yet was down -0.1% from 99.77 in April 2017 (according to a revised version from CAS). The biggest drivers YoY were housing, water, electricity, gas and other fuels which increased +4.6% (+0.2% MoM), food and non-alcoholic beverages up +5.3% (-1.6% MoM), clothing and footwear up +15.1% (+1.1% MoM) and health which decreased -1.3% (+1.1% MoM).

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

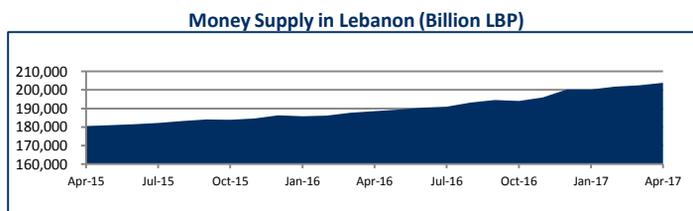


Change in CPI Components: May 2017



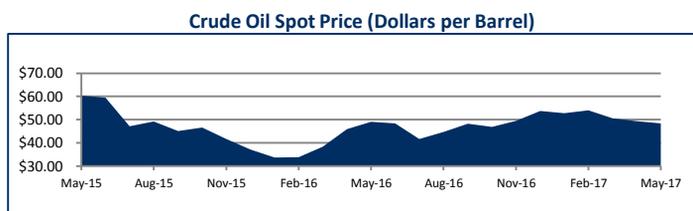
MONEY SUPPLY IN LEBANON

M3 increased +8.1% YoY and +0.7% MoM to LBP 203,869 billion (USD 135.2 billion) in April 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 +8.6% YoY (-0.2% MoM), net claims on public sector were up +3.6% YoY (-0.1% MoM) and claims on private sector were up +5.5% YoY (+0.7% MoM).



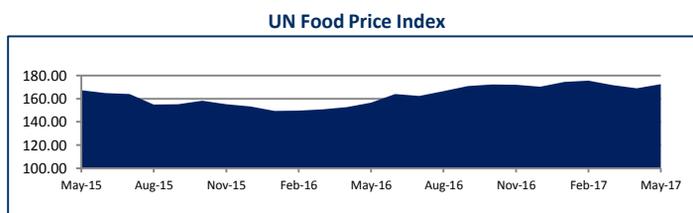
CRUDE OIL SPOT PRICE

WTI Cushing spot price were down -1.6% YoY and -2.0% MoM to \$48.32 per barrel in May 2017. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price increased +1.2% YoY yet was down -2.7% MoM to \$50.31 per barrel. Oil prices ended the month lower following disappointing OPEC decision to extend output deal reached in November without deeper cuts. Higher production from Libya and Nigeria as well as rising US oil rig count which added to global glut concerns also weighed on oil price in May.



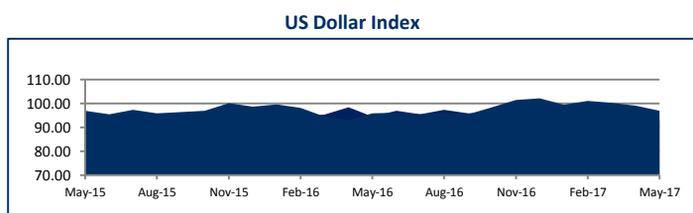
UN FOOD PRICE INDEX

UN Food Price Index rose +10.2% YoY in May 2017 to 172.64 from 156.70 in May 2016 yet decreased -1.8% from its March value. The UN Food Price Index measures the price of global food staples. The price of dairy was up +50.8% YoY (+5.1% MoM) followed by the price of meat up +11.3% (+1.5% MoM), vegetable oils up +3.3% (+4.7%) while the price of cereals was down -2.9% YoY (+1.4% MoM) and sugar down -5.2% YoY (-2.3% MoM).



US DOLLAR INDEX

US Dollar Index was up +1.1% YoY yet decreased -2.1% MoM to \$96.92 in May 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 was lower in May on higher political uncertainty in the US, weaker-than-expected US macro data and stronger EUR/USD following Macron's win in French presidential elections.





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