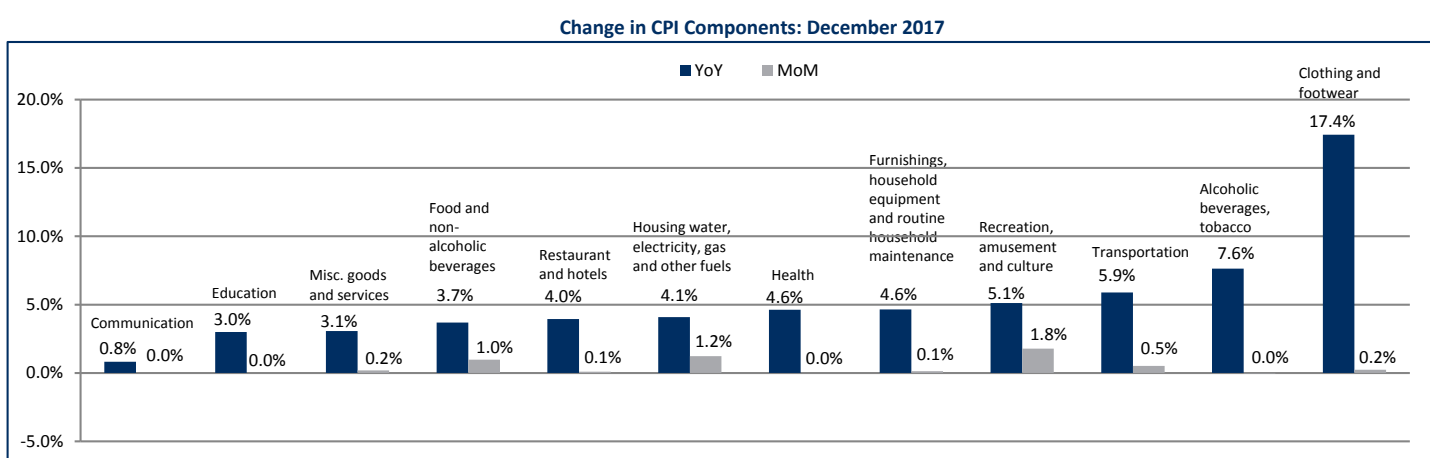
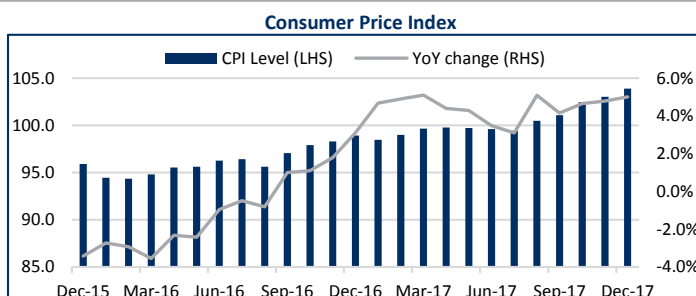


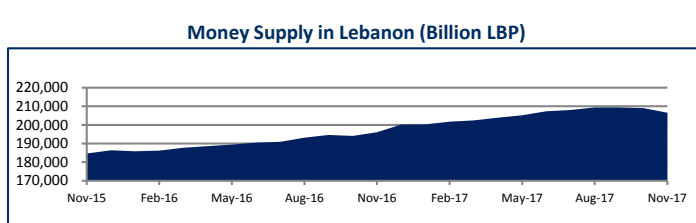
Economics Research – Lebanon Inflation Watch – December 2017

LEBANON'S CONSUMER PRICE INDEX (CPI) up +5.0% YoY in December 2017: Lebanon's Consumer Price Index up +5.0% YoY to 103.89 in December 2017 from 98.93 in December 2016 and +0.8% from 103.03 in November 2017 (according to a revised version from CAS). The biggest drivers YoY were housing water, electricity, gas and other fuels which increased +4.1% (+1.2% MoM), clothing and footwear up +17.4% (+0.2% MoM), food and non-alcoholic beverages up +3.7% (+1.0% MoM) and transportation up +5.9% (+0.5% MoM).

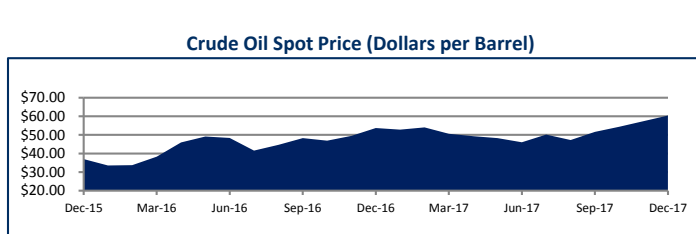
According to the IMF, inflation in Lebanon was at +4.8% in 2013, +1.9% in 2014, -3.7% in 2015, -0.8% in 2016 and projected at +3.1% in 2017 and +2.5% in 2018 (using average consumer prices).



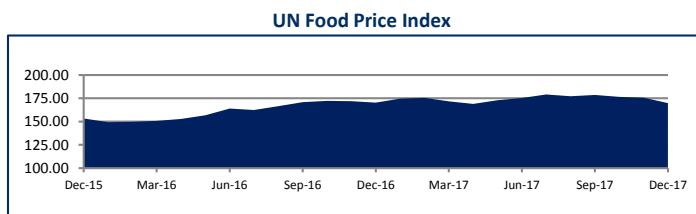
MONEY SUPPLY IN LEBANON
M3 increased +5.4% YoY yet was down -1.2% MoM at LBP 206,520 billion (USD 137.0 billion) in November 2017. M3, a benchmark for broad money, is the sum of currency in circulation, sight and time deposits in Lebanese pounds and deposits in foreign currencies and other financial liabilities. Net foreign assets were down -1.5% YoY (-5.0% MoM), net claims on public sector were up +1.9% YoY (+1.0% MoM) and claims on private sector were up +5.4% YoY (-0.5% MoM).



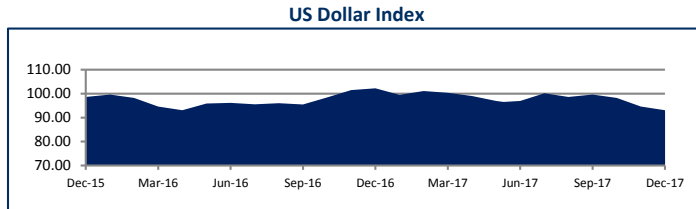
CRUDE OIL SPOT PRICE
WTI Cushing spot price was up +12.5% YoY and +5.3% MoM to \$60.42 per barrel in December 2017. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price increased +17.7% YoY and +5.2% MoM to \$66.87 per barrel. WTI oil significantly increased in December supported by i) OPEC and non-OPEC members agreement to extend oil output cuts until the end of 2018, ii) the shutdown of a North Sea pipeline and an attack on a Libyan oil pipeline, iii) as well as higher-than-expected drop in US crude inventories throughout the month.



UN FOOD PRICE INDEX
UN Food Price Index decreased -3.3% YoY in December 2017 to 169.81 from 170.28 in December 2016 and -0.3% from its November value. The UN Food Price Index measures the price of global food staples. The price of dairy of sugar was down -22.3% YoY (-4.1% MoM) followed by the price of vegetable oils down -11.2% (-5.6% MoM), dairy down -4.3% (-9.7% MoM) while the price of cereals was up +7.4% (-0.3%) and meat was up +9.3% (-0.6% MoM).



US DOLLAR INDEX
US Dollar Index was down -9.9% YoY and -1.0% MoM to \$92.12 in December 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 concerns around the progress of US tax reform vote as well as weaker-than-expected US macro data although the US Fed increased interest rates to a target range of 1.25%-1.50% and signaled three hikes in 2018.





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