

Lebanon Inflation Watch – February 2016

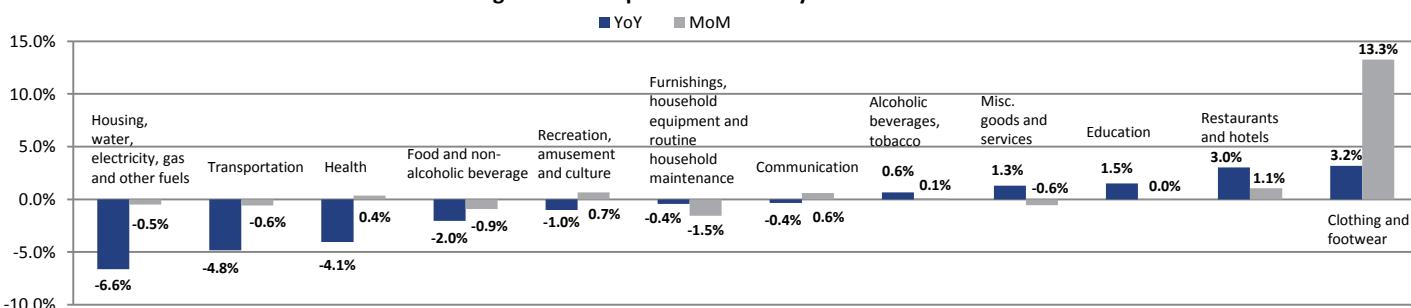
LEBANON'S CONSUMER PRICE INDEX (CPI) down -2.9% YoY February 2016:

Lebanon's Consumer Price Index down -2.9% YoY to 94.35 in February 2016 from 97.20 in February 2015 and +0.3% MoM from 94.07 in January 2016 (according to a revised version from CAS). CPI measures the price of goods in an economy by tracking the cost of a basket of goods over time and is used as a proxy for inflation.

The biggest drivers YoY were housing, water, electricity, gas and other fuels which decreased -6.6% (-0.5% MoM), transportation which decreased -4.8% (-0.6% MoM), food and non-alcoholic beverages which decreased -2.0% (-0.9% MoM) and clothing and footwear which increased +3.2% (+13.3% MoM). The cost of housing, water, electricity, gas and other fuels and transportation were the major drivers of the index, as they represent 28.5% and 13.1% respectively of the index's weight. Other components of the index also decreased YoY such as health down -4.1% (+0.4% MoM), recreation, amusement and culture down -1.0% (+0.7% MoM), communication down -0.4% (+0.6% MoM) and furnishings, household equipment and routine household maintenance down -0.4% (-1.5% MoM) while restaurant and hotels was up YoY +3.0% (+1.1% MoM), education was up +1.5% (flat MoM), miscellaneous goods and services was up +1.3% (-0.6% MoM) and alcoholic beverages and tobacco was up +0.6% (+0.1% MoM).

According to the IMF, inflation in Lebanon was +1.1% for 2013, estimated at -0.7% for 2014 and +1.0% for 2015 and projected at +2.0% for 2016 and +2.5% for 2017 (using end of period prices).

Change in CPI components: February 2016

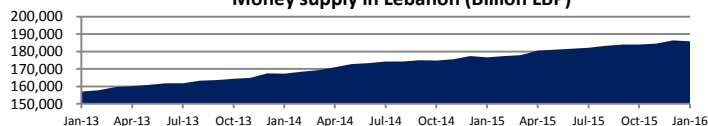


Source: CAS

MONEY SUPPLY IN LEBANON

M3 increased +5.2% YoY to 185,815 billion Lebanese pounds (USD 123.3 billion) in January 2016 from 176,583 billion Lebanese pounds (USD 117.1 billion) in January 2015 and was down -0.3% MoM from 186,360 billion Lebanese pounds (USD 123.6 billion) in December 2015. 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.

Money supply in Lebanon (Billion LBP)

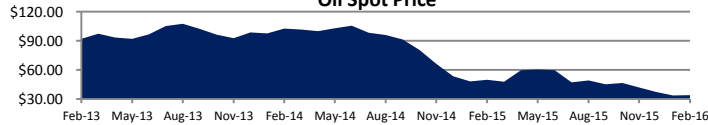


Source: BDL

OIL SPOT PRICE

WTI Cushing spot price decreased -32.2% YoY yet increased +0.4% MoM to \$33.75 per barrel. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price was down -42.5% YoY yet increased +3.5% MoM to \$35.97 per barrel. Oil prices rebounded from their January lows on China move to boost economy, slowing output from main OPEC producers and expectations of an output freeze following the Doha meeting.

Oil Spot Price

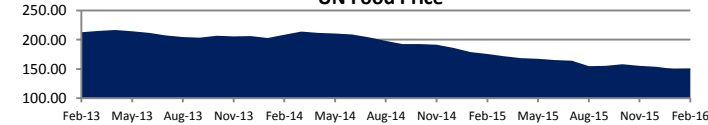


Source: Bloomberg

UN FOOD PRICE

UN Food Price Index decreased -14.6% YoY to 150.2 from 175.8 in February 2015 and +0.1% MoM from its January value. The UN Food Price Index measures the prices of global food staples. Dairy was down -21.9% YoY, followed by meat down -16.2%, cereals down by -13.6%, sugar down -9.6% and oils -4.0%. The rise in vegetable oil and meat prices registered in February offset the decline in cereal, sugar and dairy prices, nearly stabilizing the index on a month on month basis.

UN Food Price

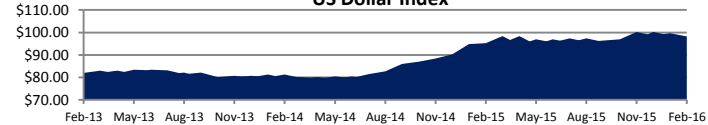


Source: Bloomberg

US DOLLAR INDEX

US Dollar Index increased +3.1% YoY yet decreased -1.4% MoM to \$98.21. The US Dollar Index measures the value of the US Dollar against a basket of the world's most widely held currencies. The index retreated in February on cautious Fed outlook, diverging central banks' monetary policies and weak macro data, despite recovering from low levels reaching 95.562 during the month.

US Dollar Index



Source: Bloomberg



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