

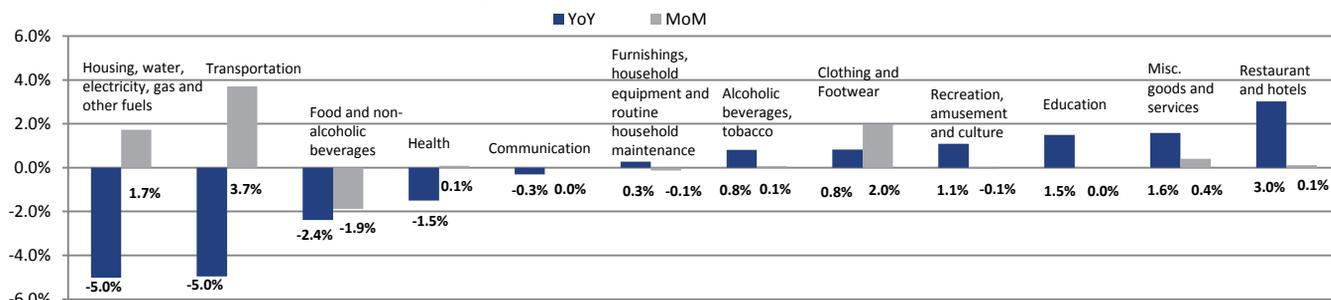
Lebanon Inflation Watch – April 2016

LEBANON'S CONSUMER PRICE INDEX (CPI) down -2.4% YoY in April 2016:

Lebanon's Consumer Price Index down -2.4% YoY to 95.53 in April 2016 from 97.83 in April 2015 and +0.8% MoM from 94.81 in March 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 -5.0% (+1.7% MoM), transportation which decreased -5.0% (+3.7% MoM), food and non-alcoholic beverages which decreased -2.4% (-1.9% MoM) and education which increased +1.5% (flat 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 -1.5% (+0.1% MoM) and communication down -0.3% (flat MoM), while restaurants and hotels was up +3.0% (+0.1% MoM), miscellaneous goods and services was up +1.6% (+0.4% MoM), recreation, amusement and culture was up +1.1% (-0.1% MoM), clothing and footwear was up +0.8% (+2.0% MoM), alcoholic beverages and tobacco was up +0.8% (+0.1% MoM) and furnishings, household equipment and routine household maintenance was up +0.3% (-0.1% MoM).

According to the IMF, inflation in Lebanon was +1.1% for 2013, -0.7% for 2014 and -3.4% for 2015 and estimated at +2.0% for 2016 and +2.0% for 2017 (using end of period prices).

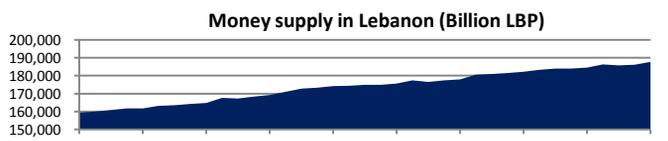
Change in CPI components: April 2016



Source: CAS

MONEY SUPPLY IN LEBANON

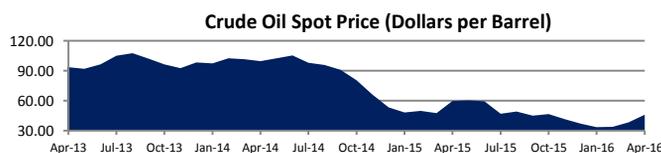
M3 increased +5.5% YoY to 187,703 billion Lebanese pounds (USD 124.5 billion) in March 2016 from 177,973 billion Lebanese pounds (USD 118.1 billion) in March 2015 and was up +0.8% MoM from 186,166 billion Lebanese pounds (USD 123.5 billion) in February 2016. M3, a benchmark for broad money, is the sum of currency in circulation, sight and time deposits in Lebanese pounds and deposits in foreign currencies and other financial liabilities.



Source: BDL

CRUDE OIL SPOT PRICE

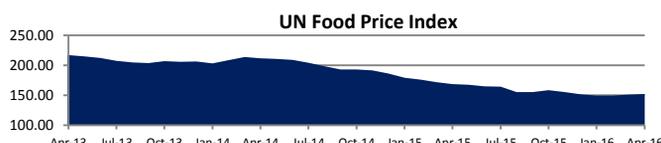
WTI Cushing spot price decreased -23.0% YoY yet increased +19.8% MoM to \$45.92. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price was down -27.9% YoY yet increased +21.5% MoM to \$48.13 per barrel. Crude oil prices rallied in April and registered their largest monthly gain in a year on the back of production freeze talks, expectations that US output will continue to slow and a weaker US Dollar despite OPEC output hike nearing record-highs.



Source: Bloomberg

UN FOOD PRICE INDEX

UN Food Price Index decreased -9.9% YoY to 151.77 from 168.38 in April 2015 and +0.7% from its March value. The UN Food Price Index measures the prices of global food staples. Dairy was down -26.1% YoY, followed by meat down -14.1%, cereals down -10.4% while sugar was up +16.0% YoY and oil was up +10.8% YoY. The surge in vegetable oil price (+4.1%) resulted from an increase in palm oil price coupled with slightly higher prices of cereals (+1.5%) in April more than offset a decrease in dairy (-2.2%) and sugar (-1.7%) prices.



Source: Bloomberg

US DOLLAR INDEX

US Dollar Index decreased -1.6% YoY and MoM to \$93.08 in April 2016. 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 retreated in April on a cautious tone taken by the Federal Reserve, weaker US macro data and a strengthening Yen following BoJ's decision to keep monetary policy unchanged.



Source: Bloomberg



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