

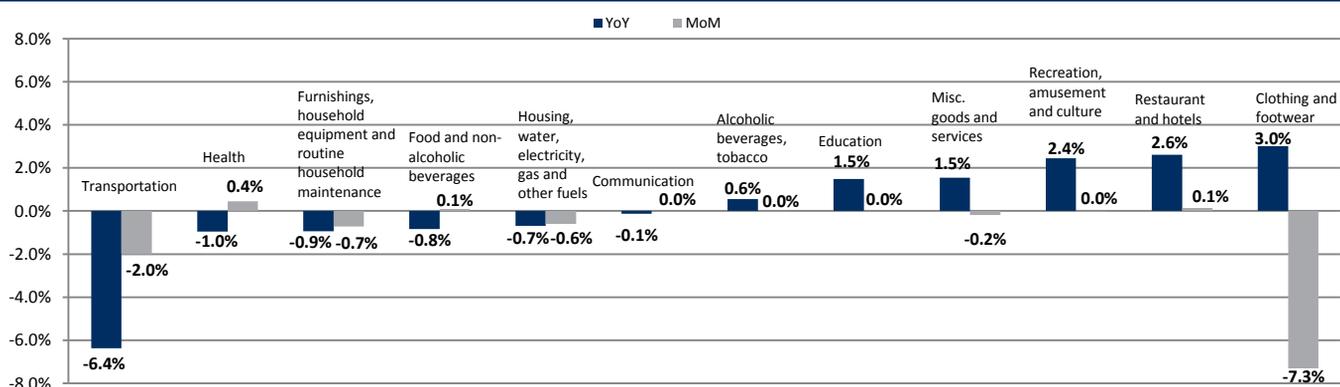
## Lebanon Inflation Watch – August 2016

### LEBANON'S CONSUMER PRICE INDEX (CPI) down -0.8% YoY in August 2016:

Lebanon's Consumer Price Index down -0.8% YoY to 95.61 in August 2016 from 96.37 in August 2015 and was down -0.8% MoM from 96.42 in July 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 transportation which decreased -6.4% (-2.0% MoM), food and non-alcoholic beverages which decreased -0.8% (+0.1% MoM), housing, water, electricity, gas and other fuels which decreased -0.7% (-0.6% MoM), and clothing and footwear which increased +3.0% (-7.3% 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 -1.0% (+0.4% MoM), furnishings, household equipment and routine household maintenance down -0.9% (-0.7% MoM) and communication down -0.1% (flat MoM), while restaurant and hotels was up +2.6% (+0.1% MoM), recreation, amusement and culture was up +2.4% (flat MoM), miscellaneous goods and services was up +1.5% (-0.2% MoM), education was up +1.5% (flat MoM) and alcoholic beverages and tobacco was up +0.6% (flat 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 2017 (using end of period prices).

Change in CPI Components: August 2016

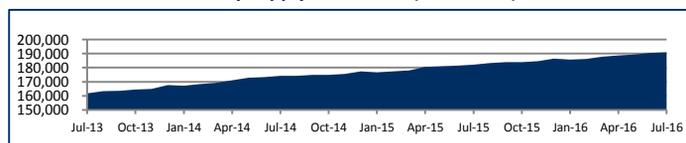


Source: CAS

### MONEY SUPPLY IN LEBANON

M3 increased +4.8% YoY to LBP 190,891 billion (USD 126.6 billion) in July 2016 from LBP 182,137 (USD 120.8 billion) in July 2015 and up +0.2% MoM from LBP 190,520 billion (USD 126.4 billion) in June 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. Net foreign assets were down -3.3% YoY (+1.6% MoM), net claims on public sector were up +16.6% YoY (+1.0% MoM) and claims on private sector were up +6.7% YoY (+0.2% MoM).

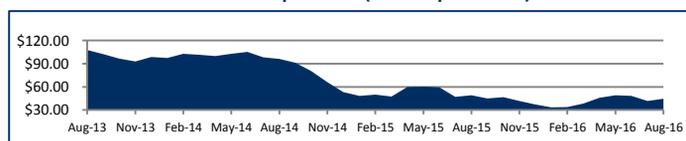
Money Supply in Lebanon (Billion LBP)



### CRUDE OIL SPOT PRICE

WTI Cushing spot price decreased -9.1% YoY yet increased +7.5% MoM to \$44.70 per barrel in August 2016. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price was down -13.1% YoY yet increased +10.8% MoM to \$47.04 per barrel. Oil prices rose in August on talk of a possible agreement between OPEC exporters to stabilize prices during a meeting in Algeria end of September. Reports from IEA and OPEC forecasting oil supply and demand balance to tighten and consumption to grow also boosted oil prices.

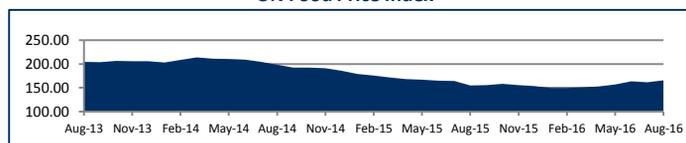
Crude Oil Spot Price (Dollars per Barrel)



### UN FOOD PRICE INDEX

UN Food Price Index increased +6.9% YoY to 165.64 from 155.00 in August 2015 and +1.9% from its July value. The UN Food Price Index measures the price of global food staples. The price of sugar was up +75.1% YoY followed by oil up +25.3% and dairy up +14.1%, while the price of cereals was down -7.4% and meat down -5.0%. The index reached a 15-month high in August, mainly led by a sharp increase in sugar price resulting from a stronger Brazilian Real and expectations of a global shortage in the next few months.

UN Food Price Index



### US DOLLAR INDEX

US Dollar Index increased +0.2% YoY and +0.5% MoM to \$96.02 in August 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 rose slightly in August on better-than-expected US macro data rebounding from dovish July FOMC minutes. Weaker JPY following Kuroda's statement that the BoJ is ready to boost monetary policy if needed as well as a weaker GBP after BoE's decision to cut its key interest rate supported the US Dollar Index.

US Dollar Index



Source: BDL, Bloomberg



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