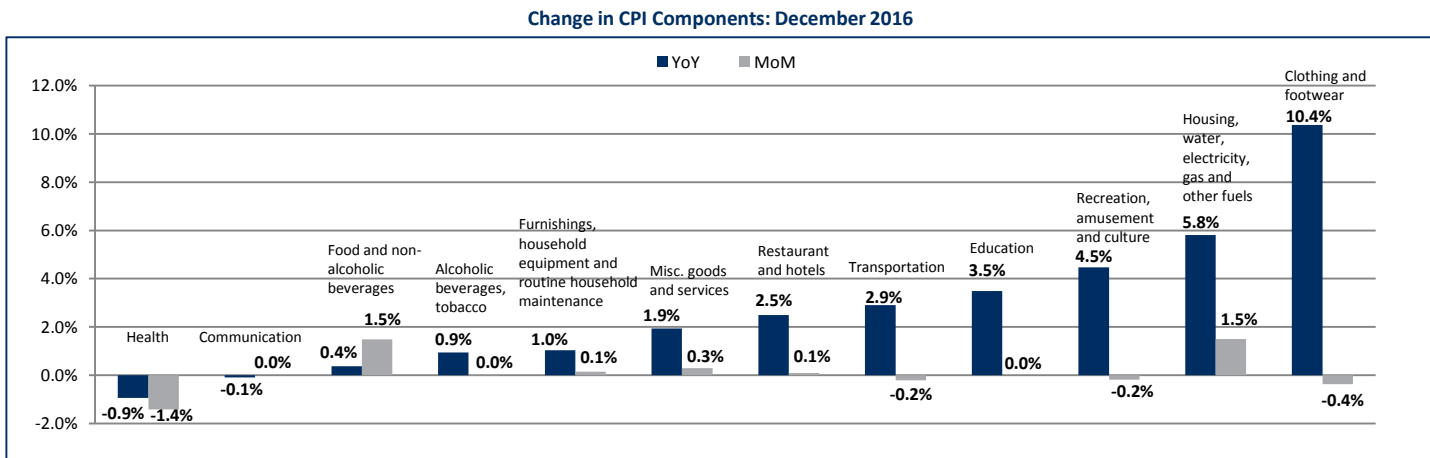
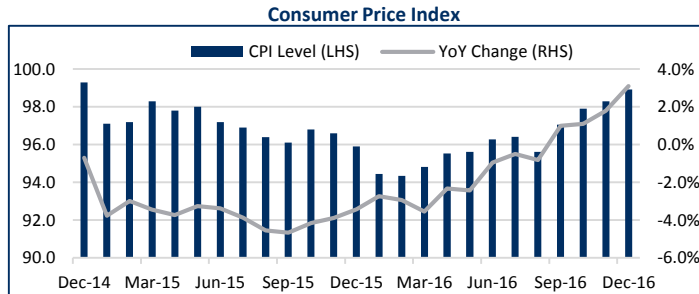


Economics Research – Lebanon Inflation Watch – December 2016

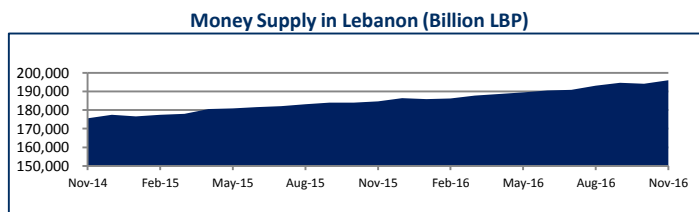
**LEBANON'S CONSUMER PRICE INDEX (CPI) up +3.1% YoY in December 2016:** Lebanon's Consumer Price Index up +3.1% YoY to 98.93 in December 2016 from 95.92 in December 2015 and up +0.6% MoM from 98.32 in November 2016 (according to a revised version from CAS). The biggest drivers YoY were housing, water, electricity, gas and other fuels which increased +5.8% (+1.5% MoM), clothing and footwear which increased +10.4% (-0.4% MoM), transportation which increased +2.9% (-0.2% MoM) and health which decreased -0.9% (-1.4% 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).



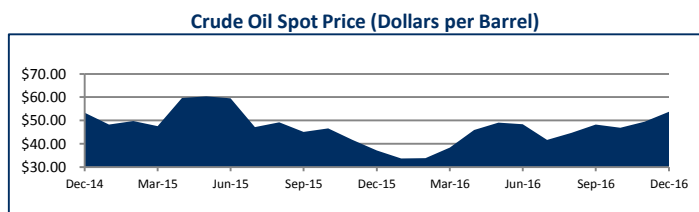
**MONEY SUPPLY IN LEBANON**

M3 increased +6.2% YoY and +1.0% MoM to LBP 196,028 billion (USD 130.0 billion) in November 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 up +3.9% YoY (-1.3% MoM), net claims on public sector were up +9.3% YoY (+1.3% MoM) and claims on private sector were up +6.6% YoY (+0.3% MoM).



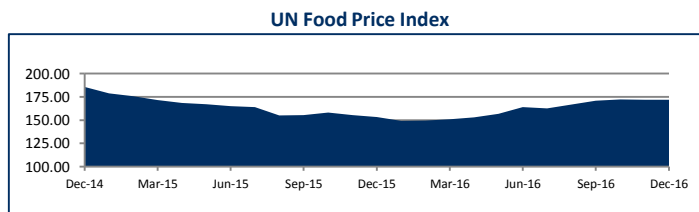
**CRUDE OIL SPOT PRICE**

WTI Cushing spot price increased +45.0% YoY and +8.7% MoM to \$53.72 per barrel in December 2016. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price was up +52.4% YoY and +12.6% MoM to \$56.82 per barrel. Oil prices rallied in December on non-OPEC producers' agreement to cut oil production following OPEC deal by end of November as well as large drawdown in US crude inventories throughout the month.



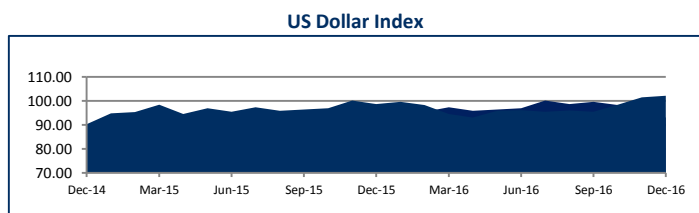
**UN FOOD PRICE INDEX**

UN Food Price Index increased +12.0% YoY in December 2016 to 171.80 from 153.37 in December 2015 yet decreased -0.1% from its November value. The UN Food Price Index measures the price of global food staples. The price of vegetable oils was up +29.3% YoY (+4.2% MoM) followed by the price of dairy up +28.8% (+3.3% MoM), sugar up +26.3% (-8.6% MoM), meat up +7.7% (-1.1% MoM) while the price of cereals was down -6.2% (+0.5% MoM).



**US DOLLAR INDEX**

US Dollar Index increased +3.6% YoY and +0.7% MoM to \$102.21 in December 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 in December after the US Fed raised its interest rate by a quarter percentage point to 0.50%-0.75% and signaled a faster pace of rate hikes. US dollar was also supported by solid US macro data as well as favorable economic growth expectations following Trump's victory.





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