

Lebanon Inflation Watch – January 2016

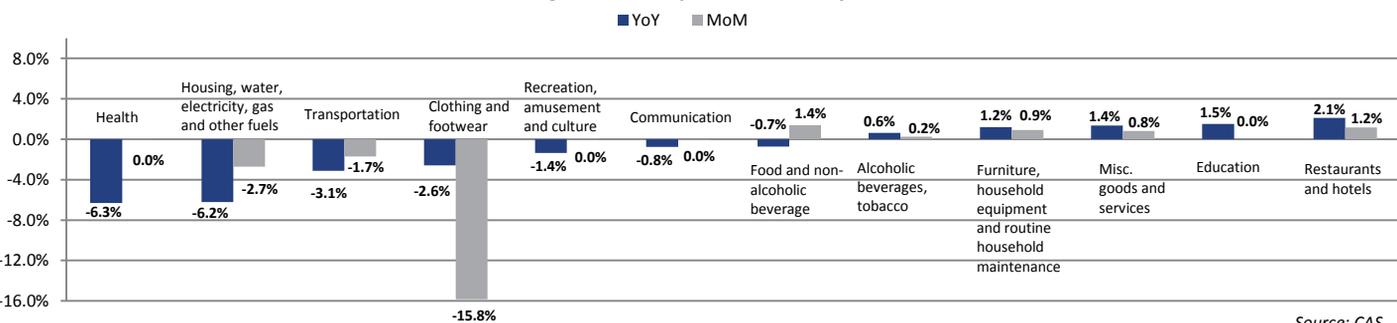
LEBANON'S CONSUMER PRICE INDEX (CPI) down -2.8% YoY January 2016:

Lebanon's Consumer Price Index down -2.8% YoY to 94.45 in January 2016 from 97.13 in January 2015 and -1.5% MoM from 95.92 in December 2015 (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 health which decreased -6.3% (flat MoM), housing, water, electricity, gas and other fuels which decreased -6.2% (-2.7% MoM), transportation which decreased -3.1% (-1.7% MoM) and education which increased +1.5% (flat MoM). The cost of housing, water, electricity, gas and other fuels and health were the major drivers of the index, as they represent 28.5% and 7.8% respectively of the index's weight. Other components of the index also decreased YoY such as clothing and footwear down -2.6% (-15.8% MoM), recreation, amusement and culture down -1.4% (flat MoM), communication down -0.8% (flat MoM) and food and non-alcoholic beverages down -0.7% (+1.4% MoM), while alcoholic beverages, tobacco was up YoY +0.6% (+0.2% MoM), furnishings, household equipment and routine household maintenance was up +1.2% (+0.9% MoM), miscellaneous goods and services was up +1.4% (+0.8% MoM) and restaurants and hotels was up +2.1% (+1.2% 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).

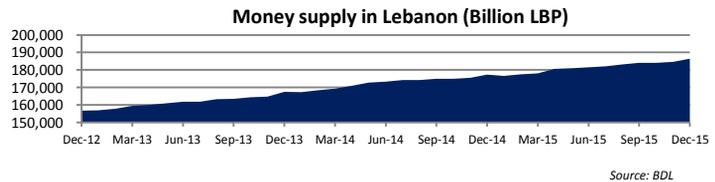
Change in CPI components: January 2016



Source: CAS

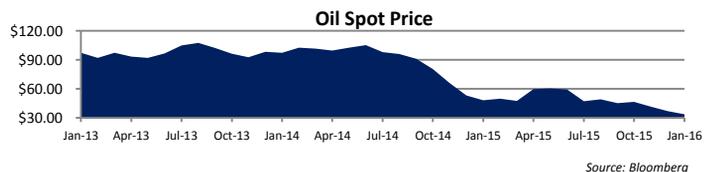
MONEY SUPPLY IN LEBANON

M3 increased +5.1% YoY to 186,360 billion Lebanese pounds (USD 123.6 billion) in December 2015 from 177,397 billion Lebanese pounds (USD 117.7 billion) in December 2014 and was up +1.0% MoM from 184,595 billion Lebanese pounds (USD 122.5 billion) in November 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.



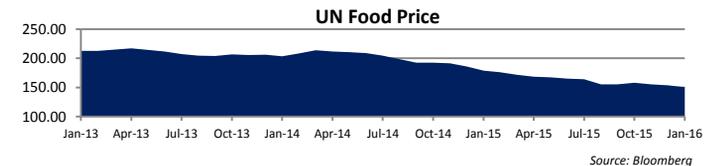
OIL SPOT PRICE

WTI Cushing spot price decreased -30.3% YoY and -9.2% MoM to \$33.62 per barrel. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price was down -34.4% YoY and -6.8% MoM to \$34.74 per barrel. Oil prices settled lower in January on continued inventory glut and uncertainty over an OPEC deal to cut production as well as weakened global oil demand and stronger US Dollar.



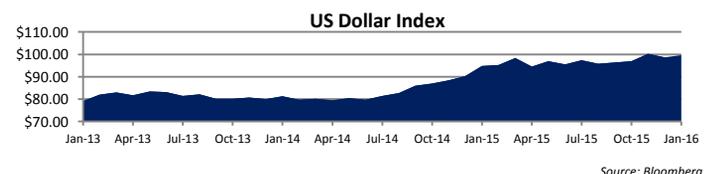
UN FOOD PRICE

UN Food Price Index decreased -15.9% YoY to 150.4 from 178.9 in January 2015 and -2.0% MoM from its December value. The UN Food Price Index measures the prices of global food staples. The decline in prices was mainly driven by a stronger US Dollar and increased competition on the export markets. Meat was down -19.2% YoY, followed by dairy down -16.5%, cereals down by -15.9%, oils down -10.8% and sugar -8.4%.



US DOLLAR INDEX

US Dollar Index increased +5.1% YoY and +1.0% MoM to \$99.60. The US Dollar Index measures the value of the US Dollar against a basket of the world's most widely held currencies. The index completed its longest winning streak since the US Dollar was floated in 1971, mainly on diverging central banks' monetary policies and weak macro data weighing on foreign currencies.





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