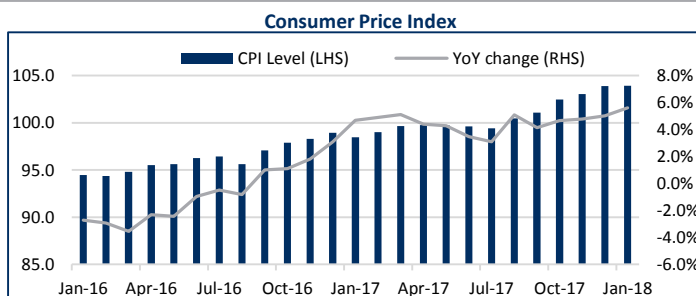


Economics Research – Lebanon Inflation Watch – January 2018

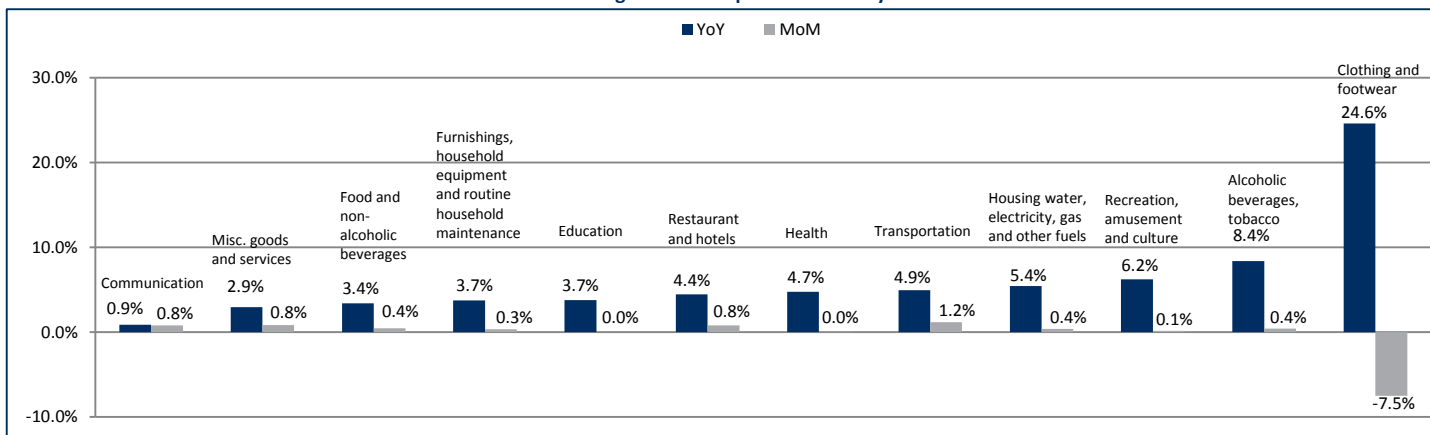
LEBANON'S CONSUMER PRICE INDEX (CPI) up +5.6% YoY in January 2018:

Lebanon's Consumer Price Index up +5.6% YoY to 103.93 in January 2018 from 98.47 in January 2017 and was slightly up +0.1% MoM (according to a revised version from CAS). The biggest drivers YoY were housing water, electricity, gas and other fuels which increased +5.4% (+0.4% MoM), clothing and footwear up +24.6% (-7.5% MoM), food and non-alcoholic beverages up +3.4% (+0.4% MoM) and transportation up +4.9% (+1.2% MoM).

According to the IMF, inflation in Lebanon was at +1.9% in 2014, -3.7% in 2015, -0.8% in 2016 and projected at +3.1% in 2017, +2.5% in 2018 and +2.0% in 2019 (using average consumer prices).



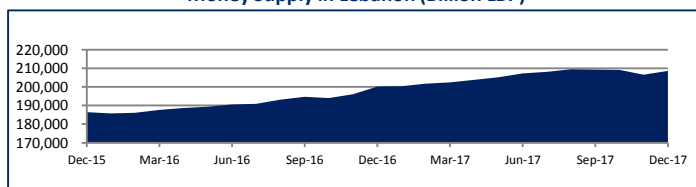
Change in CPI Components: January 2018



MONEY SUPPLY IN LEBANON

M3 increased +4.2% YoY and +1.0% MoM to LBP 208,613 billion (USD 138.4 billion) in December 2017. 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 -1.1% YoY (+2.5% MoM), net claims on public sector were up +1.9% YoY (+1.0% MoM) and claims on private sector were up +6.2% YoY (+1.4% MoM).

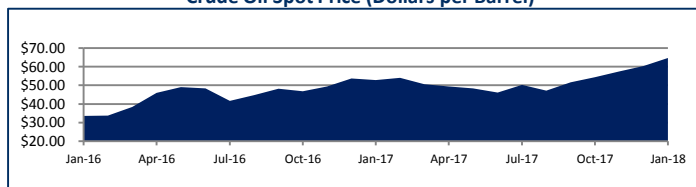
Money Supply in Lebanon (Billion LBP)



CRUDE OIL SPOT PRICE

WTI Cushing spot price was up +22.6% YoY and +7.1% MoM to \$64.73 per barrel in January 2018. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price increased +24.0% YoY and +3.3% MoM to \$69.05 per barrel. WTI oil rallied in January helped by weaker US dollar and decreasing US crude inventories throughout the month. Saudi Arabia's energy minister's comment following OPEC meeting in Oman indicating that global oil producers would maintain their cooperation after agreement on oil supply cuts agreement also supported oil prices.

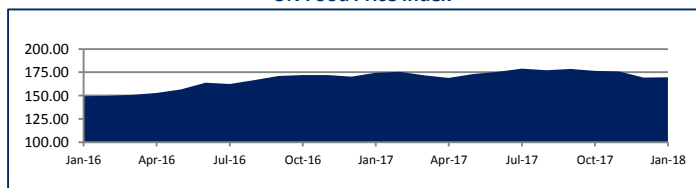
Crude Oil Spot Price (Dollars per Barrel)



UN FOOD PRICE INDEX

UN Food Price Index decreased -2.9% YoY in January 2018 to 169.50 from 174.57 in January 2017 yet slightly increased +0.1% from its December value. The UN Food Price Index measures the price of global food staples. The price of dairy of sugar was down -30.4% YoY (-1.6% MoM) followed by the price of vegetable oils down -12.4% (+0.4% MoM), dairy down -6.8% (-2.4% MoM) while the price of cereals was up +6.3% (+2.5%) and meat was up +7.4% (+0.2% MoM).

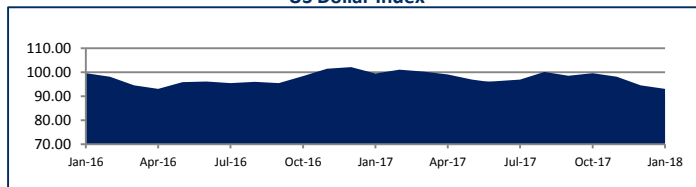
UN Food Price Index



US DOLLAR INDEX

US Dollar Index was down -10.4% YoY and -3.2% MoM to \$89.13 in January 2018. 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 weakened in January on i) lower-than-expected US macro data, ii) political uncertainty and fears of US government shutdown as well as iii) comments by US Treasury Secretary Steve Mnuchin in Davos that a weaker US dollar would support US Trade balances.

US Dollar Index





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