

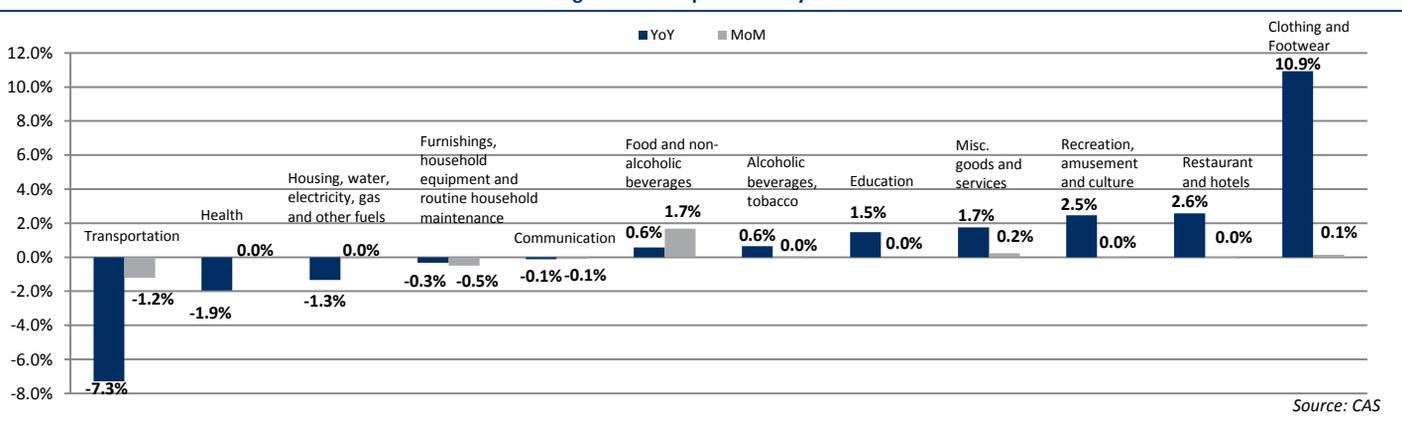
Lebanon Inflation Watch – July 2016

LEBANON'S CONSUMER PRICE INDEX (CPI) down -0.5% YoY in July 2016:

Lebanon's Consumer Price Index down -0.5% YoY to 96.42 in July 2016 from 96.89 in July 2015 and was up +0.2% MoM from 96.27 in June 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 -7.3% (-1.2% MoM), health which decreased -1.9% (flat MoM), housing, water, electricity, gas and other fuels which decreased -1.3% (flat MoM), and clothing and footwear which increased +10.9% (+0.1% 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 furnishings, household equipment and routine household maintenance down -0.3% (-0.5% MoM) and communication down -0.1% (-0.1% MoM), while restaurants and hotels was up +2.6% (flat MoM), recreation, amusement and culture was up +2.5% (flat MoM), miscellaneous goods and services was up +1.7% (+0.2% MoM), education was up +1.5% (flat MoM), alcoholic beverages and tobacco was up +0.6% (flat MoM) and food and non-alcoholic beverages was up +0.6% (+1.7% 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).

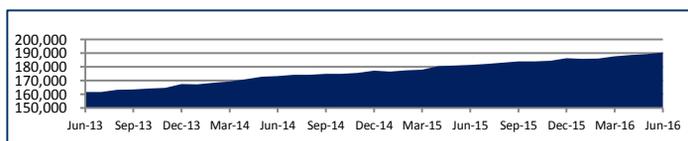
Change in CPI Components: July 2016



MONEY SUPPLY IN LEBANON

M3 increased +4.9% YoY to LBP 190,520 billion (USD 126.4 billion) in June 2016 from LBP 181,558 (USD 120.4 billion) in June 2015 and up +0.6% MoM from LBP 189,424 billion (USD 125.7 billion) in May 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 -7.4% YoY (+3.1% MoM), net claims on public sector were up +15.8% YoY (+4.0% MoM) and claims on private sector were up +7.1% YoY (+0.8% MoM).

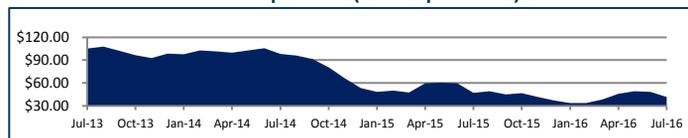
Money Supply in Lebanon (Billion LBP)



CRUDE OIL SPOT PRICE

WTI Cushing spot price decreased -11.7% YoY and -13.9% MoM to \$41.60 per barrel in July 2016. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price was down -18.7% YoY and -14.5% MoM to \$42.46 per barrel. Oil prices were pressured by glut worries as the surprise build in crude inventories confirmed reports that oversupply is not clearing as early as expected. Brexit risk to global oil demand and slower economic growth in US also weighed on oil prices in July.

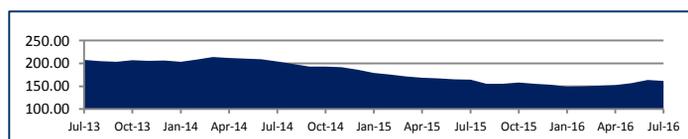
Crude Oil Spot Price (Dollars per Barrel)



UN FOOD PRICE INDEX

UN Food Price Index decreased -1.4% YoY to 161.86 from 164.15 in July 2015 and -0.9% from its June value. The UN Food Price Index measures the prices of global food staples. The prices of cereals was down -11.0% YoY followed by meat down -7.4% and dairy down -4.6% while sugar was up +53.8% and oil up +6.6%. The monthly drop resulted from lower cereal and vegetable oil prices as import demand slows and global supplies grow, offsetting higher dairy, meat and sugar prices.

UN Food Price Index



US DOLLAR INDEX

US Dollar Index decreased -1.9% YoY and -0.6% MoM to \$95.53 in July 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 declined in July as the US Dollar weakened following lower-than-expected GDP growth after reaching a four-month high ahead of Fed meeting and positive macro data. The surge in the Yen also weighed on the US dollar index as the BoJ disappointed by keeping its benchmark policy rate on hold.

US Dollar Index



Source: BDL, Bloomberg



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