

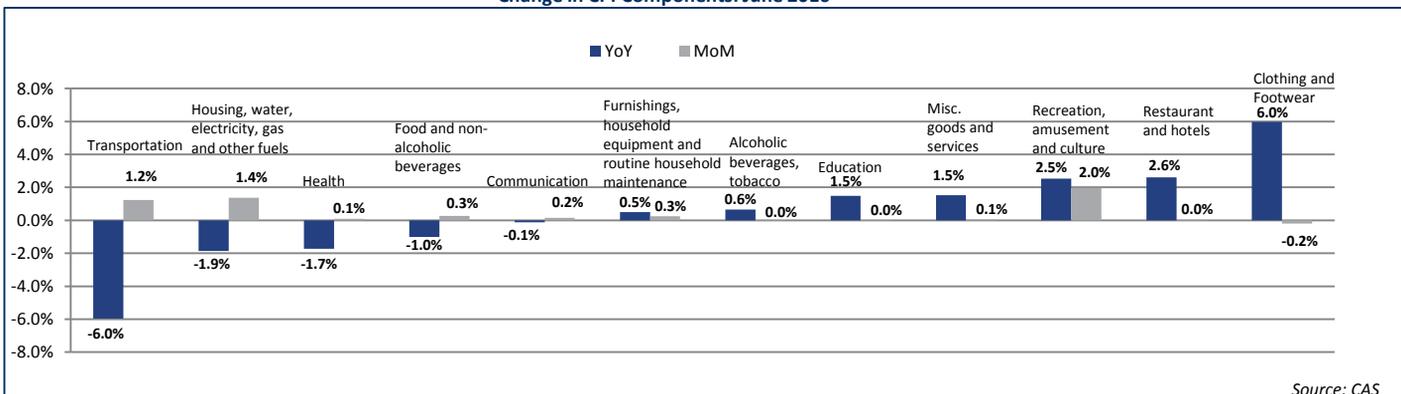
Lebanon Inflation Watch – June 2016

LEBANON'S CONSUMER PRICE INDEX (CPI) down -1.0% YoY in June 2016:

Lebanon's Consumer Price Index down -1.0% YoY to 96.27 in June 2016 from 97.22 in June 2015 and was up +0.7% MoM from 95.62 in May 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 -6.0% (+1.2% MoM), housing, water, electricity, gas and other fuels which decreased -1.9% (+1.4% MoM), food and non-alcoholic beverages which decreased -1.0% (+0.3% MoM) and clothing and footwear which increased +6.0% (-0.2% 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 -1.7% (+0.1% MoM) and communication down -0.1% (+0.2% MoM), while restaurants and hotels was up +2.6% (flat MoM), recreation, amusement and culture was up +2.5% (+2.0% MoM), miscellaneous goods and services was up +1.5% (+0.1% MoM), education was up +1.5% (flat MoM), alcoholic beverages and tobacco was up +0.6% (flat MoM) and furnishings, household equipment and routine household maintenance up +0.5% (+0.3% 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: June 2016



Source: CAS

MONEY SUPPLY IN LEBANON

M3 increased +4.7% YoY to LBP 189,424 billion (USD 125.7 billion) in May 2016 from LBP 180,966 (USD 120.0 billion) in May 2015 and up +0.4% MoM from LBP 188,606 billion (USD 125.1 billion) in April 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 -12.5% YoY (-4.0% MoM), net claims on public sector were up +12.1% YoY (+0.2% MoM) and claims on private sector were up +6.8% YoY (+0.6% MoM).

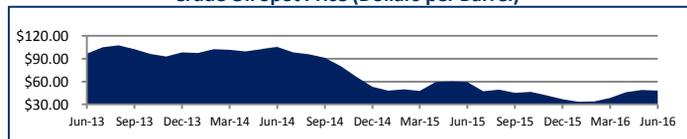
Money Supply in Lebanon (Billion LBP)



CRUDE OIL SPOT PRICE

WTI Cushing spot price decreased -18.7% YoY and -1.6% MoM to \$48.33 per barrel. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price was down -21.9% YoY yet remained flat MoM at \$49.68 per barrel. Oil prices declined in June following UK's vote to leave the EU which pushed safe-haven seeking investors out of risky assets and led to a rally in the US Dollar. In addition to the uncertainty caused by Brexit, US production and inventories fell less than market expectations and OPEC crude output rose to an eight-year high in June weighing on oil prices.

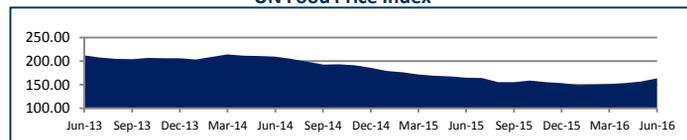
Crude Oil Spot Price (Dollars per Barrel)



UN FOOD PRICE INDEX

UN Food Price Index decreased -1.0% YoY to 163.36 from 164.96 in June 2015 yet increased +4.2% from its May value. The UN Food Price Index measures the prices of global food staples. Dairy was down -14.1% YoY, followed by meat down -6.6%, cereals down -3.9% while sugar was up +56.1% YoY and oil up +3.8% YoY. The index rose for the fifth consecutive month and registered the largest monthly increase over the past four years as the prices of cereal, dairy, meat and sugar picked up, offsetting a decline in vegetable oil price on the back of softer global demand and higher production.

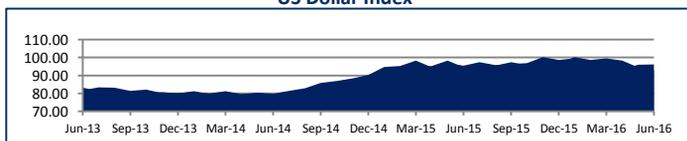
UN Food Price Index



US DOLLAR INDEX

US Dollar Index increased +0.7% YoY and +0.3% MoM to \$96.14 in June 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 improved in June following the UK's vote to leave the EU which sent the GBP to its lowest level in 31 years leading to stronger USD on safe-haven demand. The US dollar was also supported by positive US macro data and Fed's comments around short-term outlook for the US.

US Dollar Index



Source: BDL, Bloomberg



Contacts

Head of Research: Nadim Kabbara, CFA

n.kabbara@ffapivatebank.com +961 1 985195

Analyst: Anna Maria Chaaraoui

a.chaaraoui@ffapivatebank.com +961 1 985195

Analyst: Nadine Mezher

n.mezher@ffapivatebank.com +961 1 985195

Sales and Trading, FFA Private Bank (Beirut)

+961 1 985225

Sales and Trading, FFA Dubai Ltd (DIFC)

+971 4 3230300

FFA Private Bank s.a.l.

One FFA Gate - Marfaa 128 - Foch Street
Beirut Central District
PO Box 90-1283 - Beirut - Lebanon
Tel: +961.1.985 195
Fax: +961.1.985 193
<http://www.ffapivatebank.com>

FFA Dubai Ltd

Building 5 – Office 410
Gate Precinct
Dubai International Financial Centre (DIFC)
PO Box 506567 - Dubai - UAE
Tel: +971.4.363 74 70
Fax: +971.4.363 74 71
<http://www.ffadubai.com>

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