

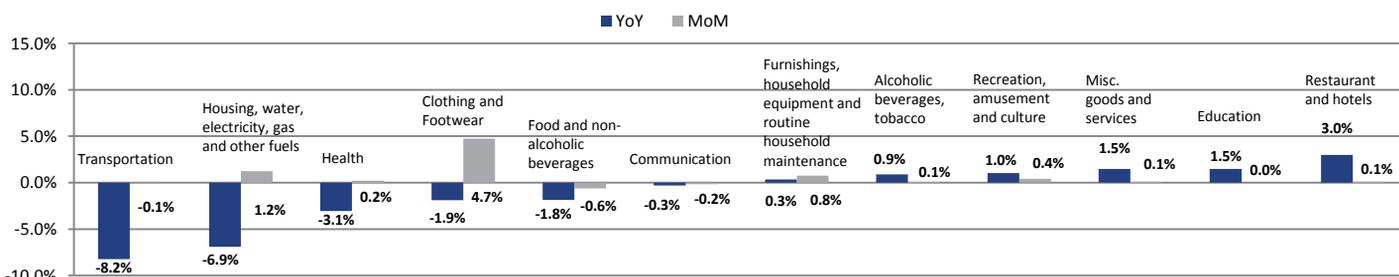
## Lebanon Inflation Watch – March 2016

### LEBANON'S CONSUMER PRICE INDEX (CPI) down -3.6% YoY March 2016:

Lebanon's Consumer Price Index down -3.6% YoY to 94.81 in March 2016 from 98.32 in March 2015 and +0.5% MoM from 94.35 in February 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 -8.2% (-0.1% MoM), housing, water, electricity, gas and other fuels which decreased -6.9% (+1.2% MoM), food and non-alcoholic beverages which decreased -1.8% (-0.6% MoM) and education which increased +1.5% (flat 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 -3.1% (+0.2% MoM), clothing and footwear down -1.9% (+4.7% MoM), and communication down -0.3% (-0.2% MoM) while restaurant and hotels was up YoY +3.0% (+0.1% MoM), miscellaneous goods and services was up +1.5% (+0.1% MoM), recreation, amusement and culture was up +1.0% (+0.4% MoM), alcoholic beverages and tobacco was up +0.9% (+0.1% MoM) and furnishings, household equipment and routine household maintenance was up +0.3% (+0.8% MoM).

According to the IMF, inflation in Lebanon was +1.1% for 2013, estimated at -0.7% for 2014 and -3.4% for 2015 and projected at +2.0% for 2016 and +2.0% for 2017 (using end of period prices).

Change in CPI components: March 2016



Source: CAS

### MONEY SUPPLY IN LEBANON

M3 increased +4.9% to 186,166 billion Lebanese pounds (USD 123.5 billion) in February 2016 from 177,452 Lebanese pounds (USD 117.7 billion) in February 2015 and was up +0.2% MoM from 185,815 billion Lebanese pounds (USD 123.3 billion) in January 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.

Money supply in Lebanon (Billion LBP)

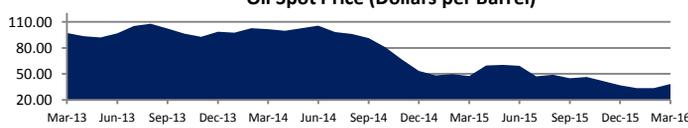


Source: BDL

### OIL SPOT PRICE

WTI Cushing spot price decreased -19.5% YoY yet increased +13.6% MoM to \$38.34 per barrel. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price was down -28.1% YoY yet increased +10.1% MoM to \$39.60 per barrel. Oil prices rebounded from their February levels on a weaker dollar, lower than expected US inventories and hopes that OPEC and other global producers will reach an agreement to freeze output.

Oil Spot Price (Dollars per Barrel)



Source: Bloomberg

### UN FOOD PRICE INDEX

UN Food Price Index decreased -11.9% YoY to 151.0 from 171.5 in March 2015 and +1.1% MoM from its February value. The UN Food Price Index measures the prices of global food staples. Dairy was down -29.5% YoY, followed by meat down -14.1% and cereals down by -13.1% while sugar was up +16.6% YoY and oil was up +5.4% YoY. The main feature this month was the rebound in sugar prices (+17.1% MoM), which, combined with an increase in oil prices (+6.3% MoM), more than offset the decline in dairy prices (-8.2% MoM).

UN Food Price Index



Source: Bloomberg

### US DOLLAR INDEX

US Dollar Index decreased -3.8% YoY and -3.7% MoM to 94.59. The US Dollar Index measures the value of the US Dollar against a basket of the world's most widely held currencies. The index retreated in March on cautious Fed comments stating uncertain global economic and financial environment, and weaker US macro data, which drove forward expectations of a June rate hike.

US Dollar Index



Source: Bloomberg



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