

## Lebanon Inflation Watch – October 2016

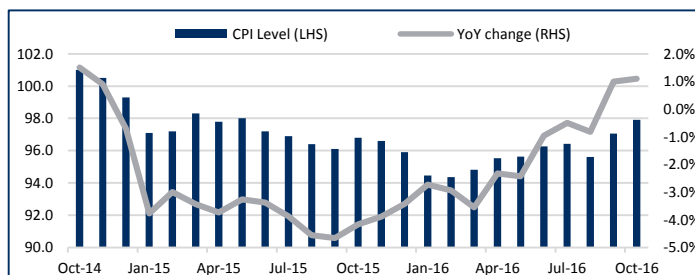
### LEBANON'S CONSUMER PRICE INDEX (CPI) up +1.1% YoY in October 2016:

Lebanon's Consumer Price Index up +1.1% YoY to 97.94 in October 2016 from 96.84 in October 2015 and up +0.9% MoM from 97.06 in September 2016 (according to a revised version from CAS). The biggest drivers YoY were housing, water, electricity, gas and other fuels which increased +2.0% (+0.9% MoM), clothing and footwear which increased +6.2% (+4.7% MoM), education which increased +3.5% (+3.5% MoM) and food and non-alcoholic beverages which decreased -1.6% (+0.3% MoM).

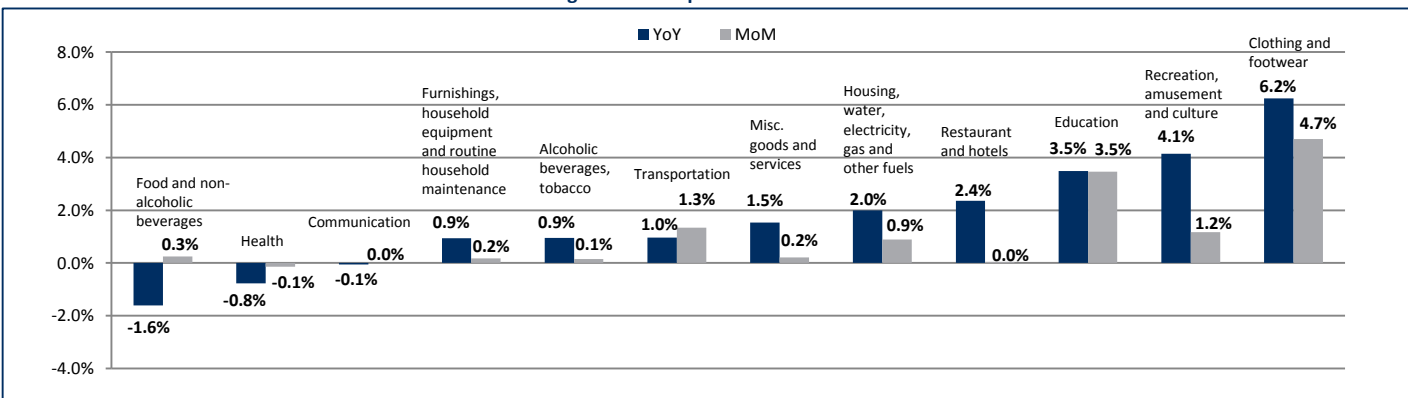
The 12-month moving average stood at 95.95 in October 2016 increasing +0.1% from September 2016.

According to the IMF, inflation in Lebanon was +1.2% 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).

### Consumer Price Index



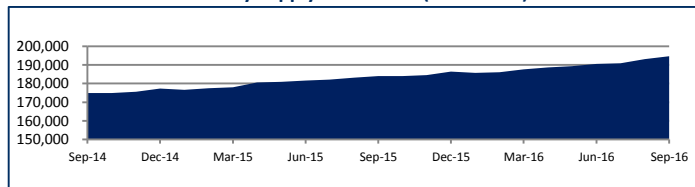
### Change in CPI Components: October 2016



### MONEY SUPPLY IN LEBANON

M3 increased +5.8% YoY to LBP 194,642 billion (USD 129.1 billion) in September 2016 from LBP 184,035 billion (USD 122.1 billion) in September 2015 and up +0.8% MoM from LBP 193,180 billion (USD 128.1 billion) in August 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 up +2.7% YoY (+0.9% MoM), net claims on public sector were up +10.0% YoY (-0.2% MoM) and claims on private sector were up +7.4% YoY (+0.5% MoM).

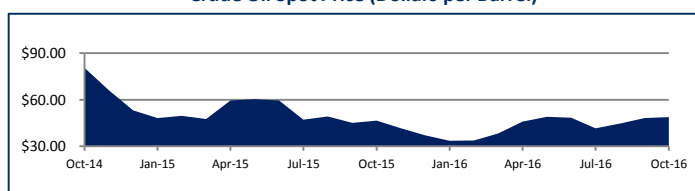
### Money Supply in Lebanon (Billion LBP)



### CRUDE OIL SPOT PRICE

WTI Cushing spot price increased +0.6% YoY yet decreased and -2.9% MoM to \$46.86 per barrel in October 2016. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price was down -2.5% YoY and -1.5% MoM to \$48.30 per barrel. Oil prices declined in October amid uncertainty around the implementation of OPEC agreement to cut oil production. Oil prices were also pressured by stronger US Dollar as well as IEA report indicating that OPEC production reached record highs in October while demand growth continues to slow amid a global slowdown.

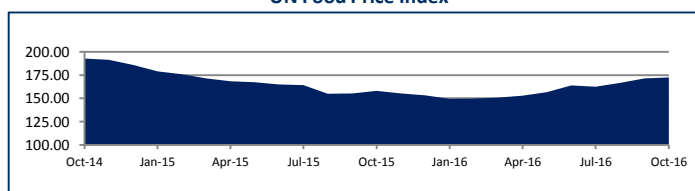
### Crude Oil Spot Price (Dollars per Barrel)



### UN FOOD PRICE INDEX

UN Food Price Index increased +9.1% YoY in October 2016 to 172.58 from 158.19 in October 2015 and +0.7% from its September value. The UN Food Price Index measures the price of global food staples. The price of sugar was up +59.8% YoY followed by oils up +17.7%, dairy up +17.4%, and meat up +3.4% while the price of cereals was down -9.6%. The price of dairy rose by +3.9% MoM in October on the back of sustained demand in Europe and other importing countries, while the price of oils declined -2.4% resulting mainly from sluggish demand for palm oil.

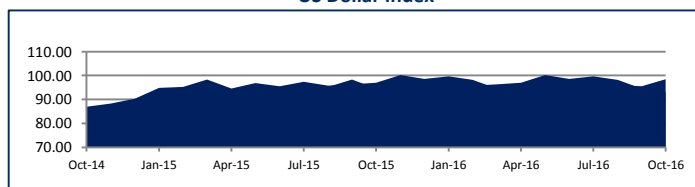
### UN Food Price Index



### US DOLLAR INDEX

US Dollar Index increased +1.5% YoY and +3.1% MoM to \$98.45 in October 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 rose in October as better-than-expected US macro data as well as hawkish Fed speaker comments strengthened the case for a rate hike. The US Dollar Index was also supported by a weaker pound following talks about a 'hard Brexit' and a weaker Euro as Mario Draghi kept the door open to extending ECB corporate bond buying program.

### US Dollar Index



Source: CAS, BDL, Bloomberg



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