

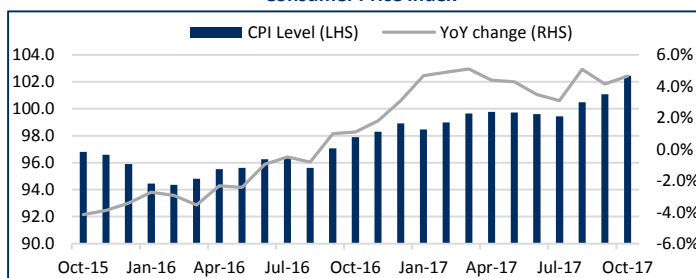
Economics Research – Lebanon Inflation Watch – October 2017

LEBANON'S CONSUMER PRICE INDEX (CPI) up +4.6% YoY in October 2017:

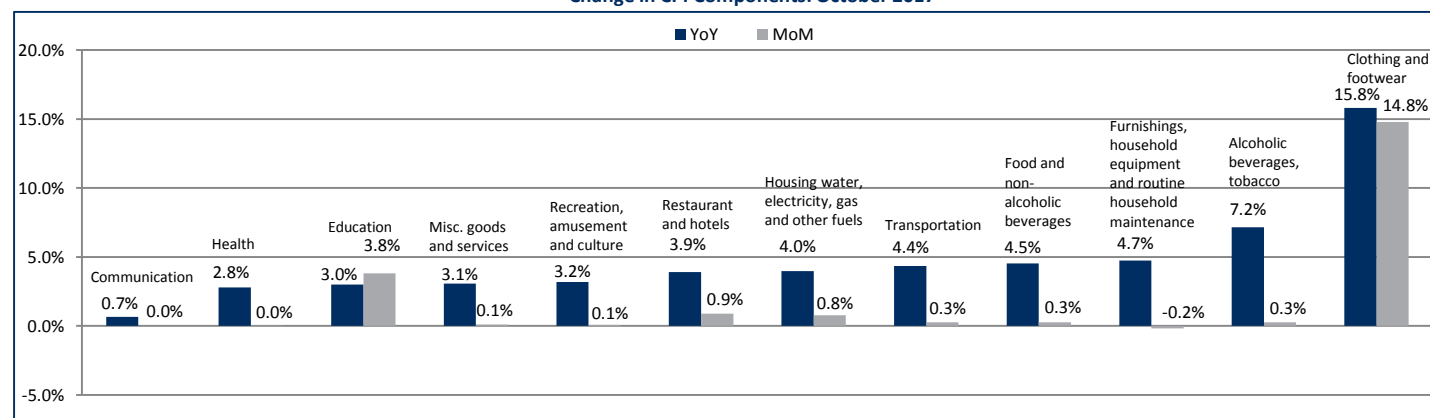
Lebanon's Consumer Price Index up +4.6% YoY to 102.46 in October 2017 from 97.94 in October 2016 and +1.4% from 101.08 in September 2017 (according to a revised version from CAS). The biggest drivers YoY were housing water, electricity, gas and other fuels which increased +4.0% (+0.8% MoM), food and non-alcoholic beverages up +4.5% (+0.3% MoM), clothing and footwear up +15.8% (+14.8% MoM) and transportation up +4.4% (+0.3% MoM).

According to the IMF, inflation in Lebanon was at +4.8% in 2013, +1.9% in 2014, -3.7% in 2015, -0.8% in 2016 and projected at +3.1% in 2017 and +2.5% in 2018 (using average consumer prices).

Consumer Price Index



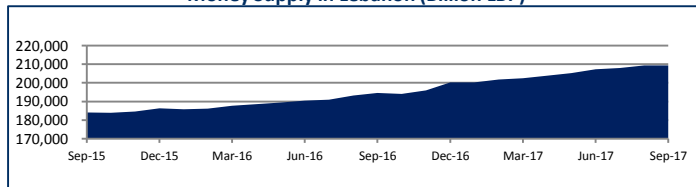
Change in CPI Components: October 2017



MONEY SUPPLY IN LEBANON

M3 increased +7.6% YoY yet remained flat MoM at LBP 209,352 billion (USD 138.9 billion) in September 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 up +1.9% YoY (+0.8% MoM), net claims on public sector were up +1.4% YoY (-0.7% MoM) and claims on private sector were up +6.5% YoY (+0.5% MoM).

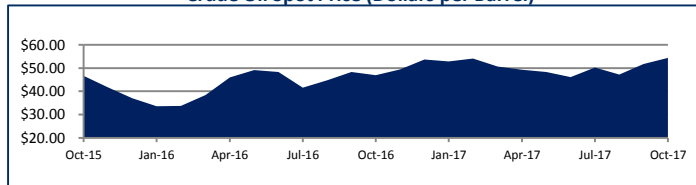
Money Supply in Lebanon (Billion LBP)



CRUDE OIL SPOT PRICE

WTI Cushing spot price was up +16.0% YoY and +5.2% MoM to \$54.38 per barrel in October 2017. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price increased +27.1% YoY and +6.7% MoM to \$61.37 per barrel. WTI oil rose in October on reports that OPEC would extend oil output cut agreement beyond March 2018 and Saudi Arabia confirming that it would back the extension. Oil prices were also supported by drops in crude inventories throughout the month as well as OPEC and IEA monthly reports highlighting that oil markets would become balanced in 2018.

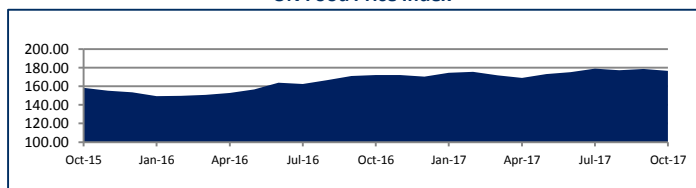
Crude Oil Spot Price (Dollars per Barrel)



UN FOOD PRICE INDEX

UN Food Price Index rose +2.5% YoY in October 2017 to 176.40 from 172.17 in October 2016 yet decreased -1.3% from its September value. The UN Food Price Index measures the price of global food staples. The price of dairy was up +17.5% YoY (-4.2% MoM) followed by the price of cereals up +7.4% (+0.6% MoM), meat up +6.5% (-0.9% MoM), the price of vegetable oils up +1.3% YoY (-1.1% MoM) while sugar was down -35.7% YoY (-0.7% MoM).

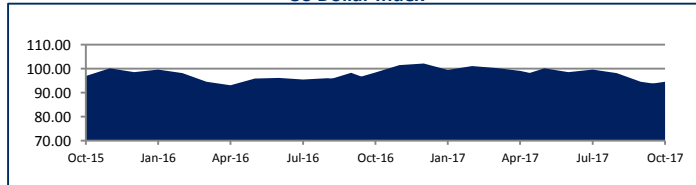
UN Food Price Index



US DOLLAR INDEX

US Dollar Index was down -4.0% YoY yet increased +1.6% MoM to \$94.55 in October 2017. 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 was up in October following news that US President Trump would pick US Fed Powell as the next Fed chair who is expected to represent a continuation of Yellen's policy. US Dollar was also supported by favorable US macro data which raised expectations for a third interest rate hike in December as well as positive developments in tax reforms discussions.

US Dollar Index





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