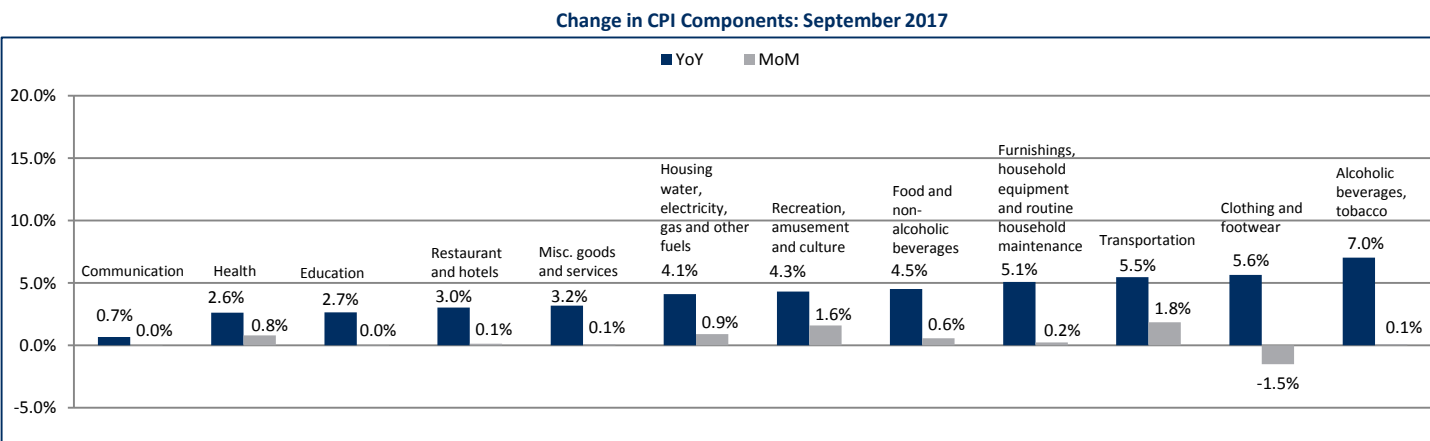
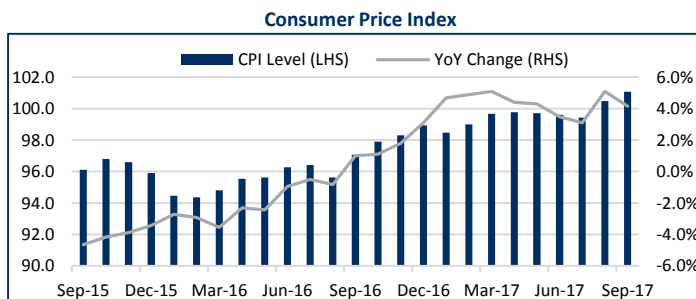


Economics Research – Lebanon Inflation Watch – September 2017

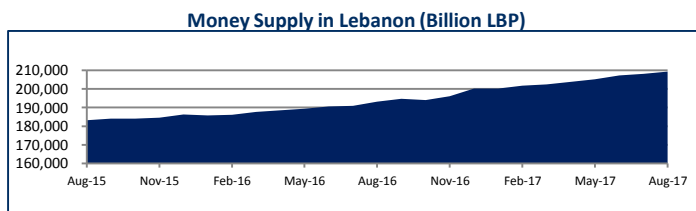
LEBANON'S CONSUMER PRICE INDEX (CPI) up +4.2% YoY in September 2017: Lebanon's Consumer Price Index up +4.2% YoY to 101.08 in September 2017 from 97.06 in September 2016 and +0.6% from 100.48 in August 2017 (according to a revised version from CAS). The biggest drivers YoY were housing water, electricity, gas and other fuels which increased +4.1% (+0.9% MoM), food and non-alcoholic beverages up +4.5% (+0.6% MoM), transportation up +5.5% (+1.8% MoM) and clothing and footwear up +5.6% (-1.5% 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).



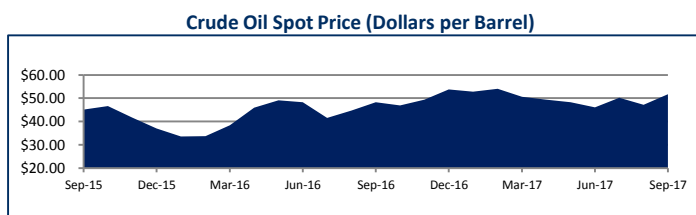
MONEY SUPPLY IN LEBANON

M3 increased +8.4% YoY and +0.7% MoM to LBP 209,422 billion (USD 138.9 billion) in August 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 +2.0% YoY (+2.6% MoM), net claims on public sector were up +1.9% YoY (+0.3% MoM) and claims on private sector were up +6.4% YoY (flat MoM).



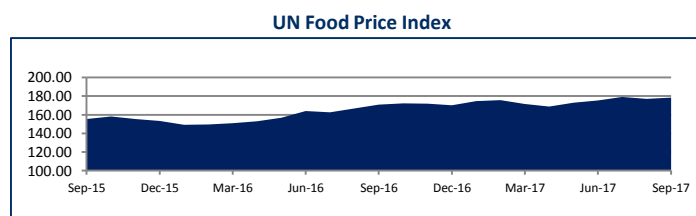
CRUDE OIL SPOT PRICE

WTI Cushing spot price was up +7.1% YoY and +9.4% MoM to \$51.67 per barrel in September 2017. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price increased +17.3% YoY and +7.8% MoM to \$57.54 per barrel. WTI oil rallied in September following Turkey's threat to restrict Kurdish oil exports that passes through its territory following Kurds' independence referendum as well as recovery in oil refineries following hurricanes Harvey and Irma. OPEC and IEA monthly reports also supported oil as they forecast higher global demand and lower output.



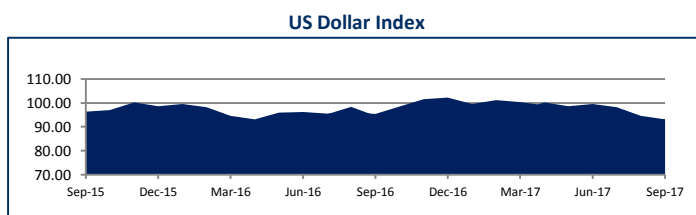
UN FOOD PRICE INDEX

UN Food Price Index rose +4.4% YoY in September 2017 to 178.37 from 170.95 in September 2016 and +0.8% from its August value. The UN Food Price Index measures the price of global food staples. The price of dairy was up +27.4% YoY (+2.1% MoM) followed by the price of cereals up +8.0% (-1.0% MoM), meat up +5.8% (flat MoM), while the price of vegetable oils was down -0.1% (+4.5% MoM) and sugar was down -33.0% (+0.1% MoM).



US DOLLAR INDEX

US Dollar Index was down -2.5% YoY yet slightly increased +0.4% MoM to \$93.08 in September 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 edged up following Trump's tax plans announcement offsetting earlier losses from rising geopolitical concerns between the US and North Korea and weaker-than-expected macro data. US Fed meeting also supported the US dollar as it kept interest rates unchanged, announced the reduction of its USD 4.5 trillion balance sheet and signaled that it might raise interest rate for a third time this year and three times in 2018.





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