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LEBANON SEEKS DONOR AID, PRIVATE FINANCE FOR INFRASTRUCTURE

- **European Union, World Bank, and ERBD announce billions in aid for Lebanon**
- **Lebanese pound will remain pegged to the US dollar - EIU**
- **Banque du Liban's foreign assets rose by $1.4bn to $43.4bn by mid-March 2018**

Lebanon's policymaking drive gained more steam in recent weeks as the country gears up for its biggest donor conference in a decade and for its first Parliamentary elections since 2009, potentially turning the corner on a turbulent era sparked by the devastating conflict in neighboring Syria in 2011.

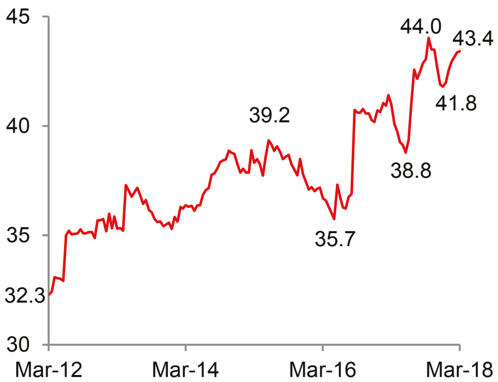
The Cabinet approved in March an ambitious capital investment plan comprising 250 infrastructure projects worth $23bn that it is looking to implement over the next 12 years, including $10bn in the next five years. The country is seeking up to $7bn for the first stage in the form of international concessional loans through the Cedre conference taking place in Paris on April 6, while the remaining amount is expected to be provided by the private sector through Public Private Partnerships.

The largest chunk of financing is likely to come from the World Bank's Global Concessional Financing Facility (GCFF) which makes funds available to middle income countries at an interest rate of up to 1.5%. The GCFF matches every grant dollar with four concessional loan dollars, with grants expected to originate from Gulf countries.

Additional funds are expected to come from the European Union, particularly through European Union's Neighborhood Investment Facility. The bloc is expected to announce 1.5bn euros ($1.86bn) in investments for Lebanon at the Cedre conference, and an additional 560m euros ($695m) in grants to help the country cope with Syrian refugees.

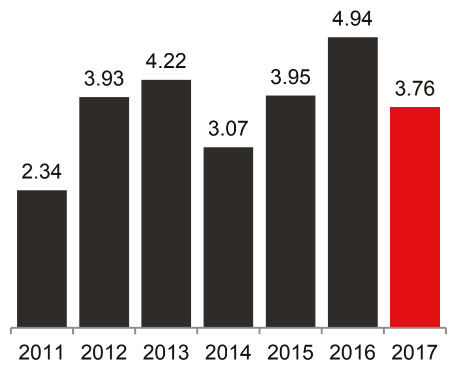
International aid for Lebanon is also already pouring in outside the framework of the Cedre conference. The World Bank approved in March a $295m package towards the Greater Beirut Public Transport Project, including a grant of $69.8m and a loan of $225.2m to be repaid over 23.5 years following an 8-year grace period.

BdL foreign assets, excluding gold ($bn)



Source: BdL, Economena, SGBL Research

Fiscal deficit ($bn)



Source: MoF, Economena, SGBL Research

The project envisages the purchase of 120 buses to service 40 kilometers of dedicated Bus Rapid Transit lanes from northern districts to the heart of Beirut, in addition to 250 feeder buses operating between the main stations and the hinterland, stated the World Bank. The project is expected to attract 300,000 passengers a day and to mobilize up to $80m in private sector funding.

In parallel, the European Bank for Reconstruction and Development announced in March a 2.51% equity investment in a Lebanese bank, and offered a $50m trade finance line to another, its first two deals since launching operations in Lebanon in September 2017.

ELECTIONS RAISE POLITICAL RISK

International aid is likely to stimulate Lebanon's capital spending but it is unlikely to have a meaningful impact on the real economy in the short-term. In the meantime, economic activity faces a bumpy road in next few months ahead of Parliamentary elections scheduled for May 6 and throughout the process of Cabinet formation that follows.

The economy is projected to produce growth of 2.3% in real GDP in 2018, according to EIU.

The economy is still projected to produce growth of 2.3% in real GDP in 2018, according to the Economist Intelligence Unit (EIU). BdL's Coincident Indicator, a proxy for real activity, grew by 5.5% yoy in the 12 months through January 2018, its fastest pace for period in 7 years.

The Lebanese pound would remain pegged to the US dollar within a band of LBP1,501 to LBP1,514 for $1 through 2022, aided by BdL's commitment to the peg, its high level of international reserves, and the strong support it receives from local banks, stated the EIU. The Central Bank bolstered its reserves with an additional $1.4bn in the first 2.5 months of 2018, bringing its non-gold foreign assets to $43.4bn by mid-March, just $600m short of their record high in September 2017.

Similarly, Lebanese banks reported robust performance in 2017 despite the political crisis at the end of the year. Net profits at Alpha Group banks, the 15 lenders with over $2bn in deposits, grew by 6% to a record $2.4bn during the year, according to data compiled by Bankdata Financial Services. Domestic net profits rose at a much faster pace of 28.7% to $2.1bn, driven largely by a lower provisioning expense and a smaller tax bill.

Banks are expected to continue to attract sufficient deposits to support the government's borrowing needs and the country's external deficit over the next 12 months, stated Standard & Poor's in March while affirming its "B-" foreign currency sovereign credit rating on Lebanon.

The fiscal deficit narrowed by $1.2bn to a three-year low of $3.8bn in 2017.

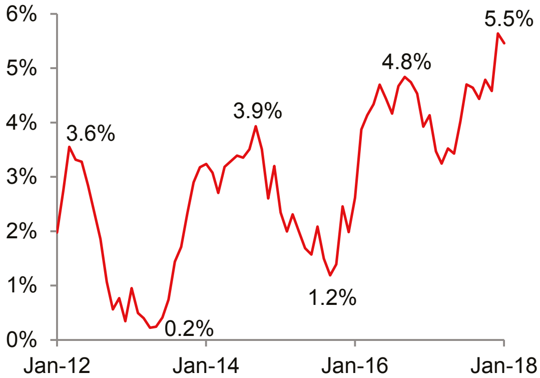
Fiscal performance results in 2017 came in stronger than in prior years. The fiscal deficit narrowed by $1.2bn to a three-year low of $3.8bn, buoyed by extraordinary tax revenues resulting from the Central Bank's financial operations in 2016, and by a considerable drop in transfers to municipalities.

Revenues will likely continue to accelerate in 2018, as new taxes introduced in late 2017 begin to take effect. The government's budget law for 2018 also introduces a series of measures to increase tax compliance and to provide incentives for businesses and professionals to settle outstanding taxes and for property investors to register their transactions with the government.

In the private sector, the travel and tourism sector is poised to benefit from the stable security environment, appreciation in the euro, and the influx of Lebanese expatriates to participate in Parliamentary elections. The country will attract nearly two million international tourists in 2018, 5.3% more than in 2017 and the most since 2010, stated the World Travel & Tourism Council (WTTC).

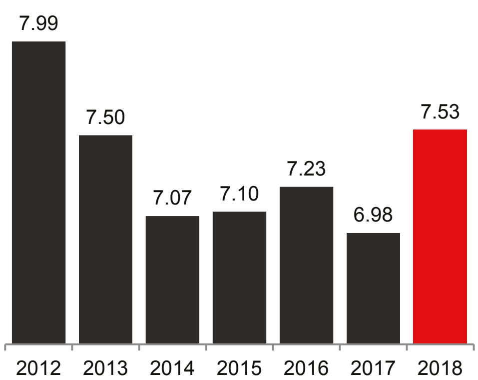
The influx of foreign visitors is projected to carry with it growth of 7.8% to $7.5bn in tourist spending during the year, twice the pace of the global average. The outlook looks equally promising in the following years, with an estimated 3 million tourists forecast to visit the country in 2028, lifting visitor exports to $13.5bn, according to the WTTC.

BdL Coincident Indicator (12m average, %yoy)



Source: BdL, Economena, SGBL Research

Lebanon visitor exports ($bn)



Source: WTTC, Economena, SGBL Research

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OUTLOOK FOR LEBANON'S SOVEREIGN CREDIT RISK STABLE – S&P

- **Lebanon's liquid external assets exceed total external debt**
- **Foreign currency debt still contained at 58% of GDP in 2017**
- **Foreign debt service costs up by just 9.5% in 10 years on lower interest rates**

Lebanon's debt-to-GDP ratio is expected to rise by 4.6% to 144.4% in 2018, but deposit inflows will remain sufficient to support the government's borrowing requirements and the country's external deficit over the next 12 months,according to Standard & Poor's, a credit ratings agency.

S&P affirmed in March its "B-" foreign currency sovereign credit rating on Lebanon with a stable outlook, noting that the country's liquid external assets, which include foreign currency reserves and financial sector assets held abroad, exceed total external debt.

The Central Bank reported $43.4bn in non-gold foreign assets by mid-March 2018.

The Central Bank reported $43.4bn in non-gold foreign assets by mid-March 2018, and commercial banks held another $12bn at financial institutions abroad. Meanwhile, the government's foreign currency debt totaled $30.6bn at the end of January 2018, equivalent to an estimated 58% of GDP.

Lebanon's overall debt metrics showed some improvement over the past year, as rising public revenues and higher deposits helped reduce the government's need to issue more Treasury bills. Gross public debt grew by $4.2bn to $80.4bn in the 12-month period through January 2018, compared with growth of $5.6bn in the corresponding period through January 2017. The net public debt, which excludes government deposits at the Central Bank and commercial banks, reached $69.6bn at the end of January 2018.

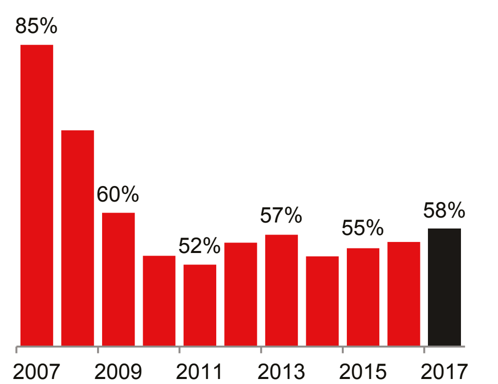
A large portion of the government's debt is held by the Central Bank and the social security fund, mitigating the country's sovereign credit risk. Gross market debt, which excludes debt held by state or semi-state agencies, is estimated to have fallen to a five-year low of 90.6% of GDP by the end of 2017, down from 92.4% of GDP a year earlier.

Foreign debt service payments grew by just 9.5% over the past decade to reach $1.8bn in 2017.

Likewise, the Lebanese government's interest payments reflect the tilt towards local currency in the debt structure. Foreign debt service payments grew by just 9.5% over the past decade to reach $1.8bn in 2017, equivalent to just 35.3% of total debt service costs, as new lower-interest Eurobonds in recent years replaced higher-interest maturing bonds.

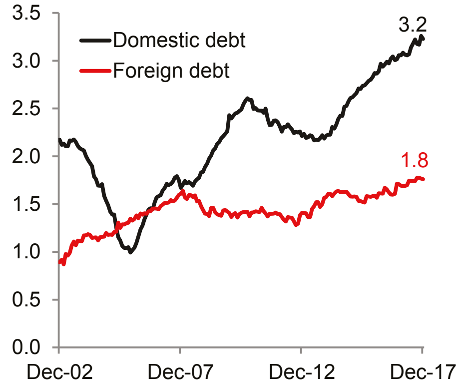
Foreign debt may accelerate in the medium term; the government is appealing for over $23bn in international concessional loans and private finance for its 12-year infrastructure development plan. In the short-run, however, growth in public debt and in debt service are likely to moderate as a result of swap agreements between the Ministry of Finance and the Central Bank aimed at reducing the state's debt service costs. The Cabinet's draft budget law also projected a deficit of $4.8bn in 2018, reducing the government's debt issuance needs during the year.

Foreign currency debt (% of GDP)



Source: BdL, IMF, MoF, Economena, SGBL Research

Debt service (12-month moving sum, $bn)



Source: MoF, Economena, SGBL Research

FISCAL DEFICIT SHRINKS AS PUBLIC REVENUES REBOUND

- **Lebanon posted a primary surplus for the fourth year in a row in 2017**
- **Electricity subsidy and debt service offset revenue gains**
- **Draft budget sets spending at $17.7bn in 2018, $1.4bn in advances to EdL**

Lebanon's fiscal deficit contracted by $1.2bn to a three-year low of $3.8bn in 2017, buoyed by extraordinary tax revenues resulting from the Central Bank's financial operations in 2016, and by a considerable drop in transfers to municipalities during the year, data by the Ministry of Finance (MoF) showed.

Taxes on business income, including bank profits, surged by 83.8% to $1.4bn during the year, along with virtually all other public revenue categories. In particular, Value Added Tax (VAT) collections, the government's largest source of income, increased by 7.5% to $2.3bn in 2017, reflecting stronger consumer and business activity.

Growth in VAT revenues is likely to rise even faster in 2018 after an increase in the tax rate to 11% from 10% took effect at the start of the year and the tax base was expanded to include smaller firms.

Meanwhile, Treasury transfers to municipalities plunged by $619.1m to $412.7m, their lowest level in four years, helping offset increases in the electricity subsidy and debt service. Transfers to Electricité du Liban rose by $400.9m to $1.3bn, tracking global crude oil prices up, while debt service costs grew by 4.7%, equivalent to $258.8m, to $5bn.

With newfound revenue momentum, Lebanon's public finances posted a primary surplus for the fourth year in a row, reflecting improved fiscal balances when excluding debt service payments. Lebanon is one of only 24 countries that reported primary surpluses in each of the past four years, and the only one in the Middle East and North Africa region, data by the IMF showed. The MoF reported cumulative primary surpluses of $10.2bn over the past 15 years, including an estimated $3.2bn in the last five years alone.

Lebanon is one of only 24 countries in the world that reported primary surpluses in each of the past four years.

The Lebanese government is projecting a deficit of $4.8bn in 2018, the Cabinet's draft budget law showed. The draft budget includes an increase in cash expenditures to $17.7bn in 2018, with $1.4bn allocated as advances to Electricité du Liban during the year.

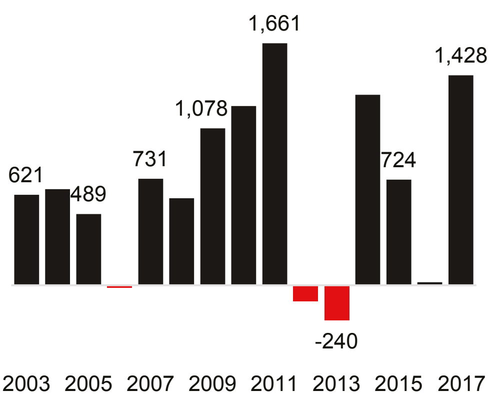
The government is looking to complement its budget with an infrastructure investment plan comprising 250 projects worth $23bn over the next 12 years, including $10bn in investments over the next five years. The country is looking to secure up to $7bn for the plan in the form of international concessional loans through a Cedre conference taking place in Paris on April 6, while the remaining amount is expected to be provided by the private sector through Public Private Partnerships.

Government revenues in 2017

	Value ($m)	% change
Value Added Tax	2,305.5	7.5
Customs tax	1,434.8	2.2
Taxes on profits	1,393.7	83.82
Telecom transfers	1,284.2	1.5
Property registration fees	639.5	20.2
Interest tax	600.0	10.49
Tax on wages	508.6	9.29
Excise tax on fuel	458.2	1.5
Excise tax on cars	348.8	5.9
Capital gains tax	235.9	23.46
Beirut airport	173.0	158.6
Total revenues	**11,624.7**	**17.1**

Source: MoF, Economena, SGBL Research

Primary balance ($m)



Source: MoF, Economena, SGBL Research

LEBANON TO ATTRACT TWO MILLION TOURISTS IN 2018 - WTTC

- **Tourism's contribution to GDP to rise by 6.2%, outpacing the general economy**
- **Beirut's airport saw record passenger traffic through January 2018**
- **The sector will directly support 4.7% more jobs in 2018**

Lebanon is poised to attract nearly two million international tourists in 2018, 5.3% more than in 2017 and the most since 2010, according to the World Travel & Tourism Council (WTTC). The country has already welcomed 221,695 visitors in the first two months of 2018, an increase of 3% over the same period in 2017, data by the Ministry of Tourism showed.

An extended period of relative domestic stability is providing tailwind for travel and tourism activity. Passenger traffic at Beirut's international airport grew by 9.7% yoy to a record 8.2 million passengers in the 12 months through January 2018, well exceeding the airport's design capacity of 6 million passengers per annum.

Airport activity is expected to accelerate throughout the remainder of the year. A greater number of expatriates will likely return to Lebanon to participate in Parliamentary elections which are scheduled for May 6, nine years after the last polls. Appreciation in the euro against the US dollar may also add to the momentum of European tourism to the country by both expatriates and non-expatriates.

A greater number of expatriates will likely turn up for Parliamentary elections slated for May 6.

The influx of foreign visitors is projected to carry with it growth of 7.8% to $7.5bn in tourist spending during the year, twice the global average pace. The outlook looks equally promising in the following years with an estimated 3 million tourists forecast to visit the country in 2028, lifting visitor exports to $13.5bn, stated the WTTC.

Visitor exports include spending within the country by international tourists for both business and leisure trips, including spending on transport, but excluding international spending on education by foreigners.

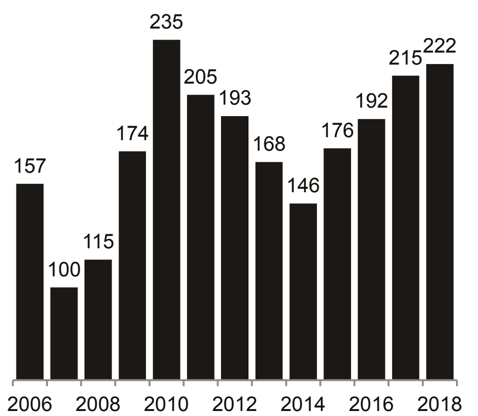
Lebanon's travel and tourism sector is providing much-needed relief to the local economy at a time when real estate and construction are slowing down. The sector's direct contribution to GDP is projected to increase by 6.2% to $3.3bn in 2018, stated the WTTC, outpacing the total economy's real GDP growth forecast of 2.3% by the Economist Intelligence Unit.

Travel and tourism is also one of the brightest spots in the labor market in 2018. It directly supported 131,500 jobs in 2017, 6.4% of total employment, and is expected to contribute to 4.7% more jobs in 2018, according to the WTTC.

The travel and tourism sector is likely one of the brightest spots in the labor market in 2018.

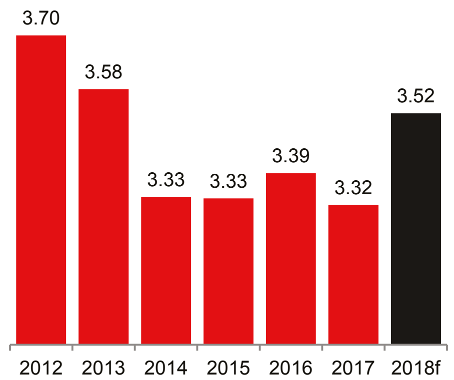
The sector's total contribution, including jobs indirectly supported by the industry, was 17.9% of total employment in 2017, equivalent to 365,500 jobs, and is projected to increase by 5.8% in 2018 to 387,000 jobs.

Tourist arrivals (Jan-Feb, '000)



Source: MoT, Economena, SGBL Research

Travel & tourism contribution to GDP ($bn)



Note: Real 2017 prices.
Source: WTTC, Economena, SGBL Research

BANK PROFITS EDGED UP IN 2017 AS PROVISIONS AND TAXES DIPPED

- **Alpha Group banks' profits rose by 6% to $2.4bn in 2017**
- **Cost of funds crept up to a multi-year high of 4.5%**
- **Banks seek safety of Central Bank deposits**

Aggregate net profits at Lebanon's Alpha Group, the 15 banks with over $2bn in deposits, reached a record $2.4bn in 2017, but their growth slowed to 6% from 11.7% in 2016, according to data compiled by Bankdata Financial Services. Domestic net profits rose at a much faster pace of 28.7% to $2.1bn, driven largely by exceptional gains at a handful of the largest banks, while four other banks reported lower earnings for the year.

Net provisions for credit losses dropped by 64.8% to $408.1m in 2017 from a high base in 2016, offering meaningful lift to profits. The Central Bank had asked banks to allocate a portion of their exceptional revenues from the swap operations in 2016 to provisions required for the implementation of IFRS 9, leading to unusually higher provisions in 2016. Still, a strong track record in the recovery of provisions bodes well for Alpha Group banks; recoveries of provisions for doubtful loans surged by 21.3% to $208.1m in 2017, indicating conservative provisioning practices in prior years.

Lower taxes on capital gains were also instrumental in delivering profit growth for the Alpha Group banks. Income tax payments fell by 31% to $520.6m in 2017, bringing the estimated effective tax rate down to a three-year low of 18.4%. Banks' tax bill had spiked in 2016 due to extraordinary gains on Treasury bills resulting from Banque du Liban's financial operations during the year. Alpha banks' domestic tax burden is slated to begin creeping up gradually in the next two years after the government hiked corporate tax rates to 17% from a previous 15%.

On the bright side, net interest income, a measure of core banking activities, grew at a healthy rate of 6.1% to $4bn during the year, but is likely to face growing pressure starting 2018 following a sharp increase in deposit rates in both local and foreign currencies in November 2017. The cost of funds rose by 31 basis points to 4.5% in 2017, including an increase of 44 basis points to 4.1% in the cost of foreign currency funds.

Alpha Group, 2017

	Net profit ($m)	Assets ($bn)
Bank Audi	558.95	43.75
BLOM Bank	484.70	32.54
SGBL	220.74	21.56
Bank of Beirut	204.42	18.37
Fransabank	179.47	22.07
Byblos Bank	170.12	22.66
BLF	120.86	13.65
BankMed	120.70	16.65
IBL Bank	101.75	7.22
Credit Libanais	81.39	11.56
BBAC	47.55	6.94
Lebanon and Gulf Bank	39.99	4.70
First National Bank	36.28	4.89
Creditbank	24.25	3.86
Saradar Bank	10.07	2.56
Alpha Group	**2,401.24**	**232.98**

Source: Bankdata Financial Services, Economena, SGBL Research

BANKS PLACE MORE FUNDS WITH BDL

Higher rates on local currency deposits, combined with extended maturities, may weigh on banks' profit margins starting 2018, particularly in light of sluggish domestic investment demand. Similarly, a steady increase in global interest rates on the US dollar, amplified by competition for foreign currency in local and regional markets, poses an additional challenge to Lebanese banks' profitability.

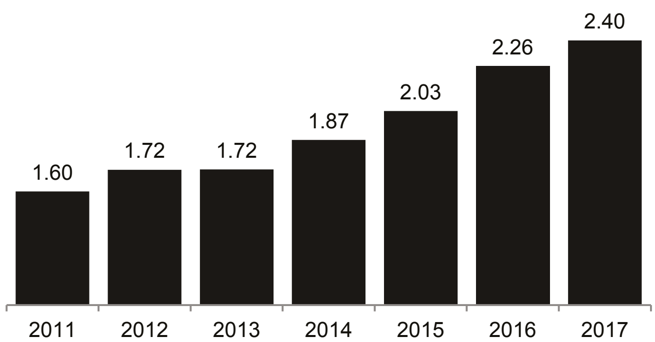
Meanwhile, Alpha Group banks demonstrated their ability to sustain moderate deposit growth despite the political crisis that gripped the country in November. Domestic deposits grew by 4.8% in 2017, the equivalent of $7.2bn, to $156.8bn, with all but one of the 15 banks reporting an increase in their domestic deposits during the year.

Loan production also remained robust for the full year with domestic loans growing by 6.1% to $49.2bn at the end of 2017. Domestic loans in local currency hit a multi-year high of 30% of total, buoyed by Central Bank stimulus packages in recent years, but the upward trend is likely to reverse course following the Central Bank's decision to shift to interest subsidies on foreign currency loans instead.

The 15 Alpha Group banks expanded their domestic network by 10 branches to 865 branches as competition intensified, and finished the year with 22,870 staff, 878 more than in the year before, a bullish sign for private sector banking activity.

By contrast, banks cut back on their exposure to Lebanese government and Central Bank securities in favor of deposits with the Central Bank. Their holdings of T-bills and Eurobonds decreased by 10.2% to $31.8bn and investments in BdL CDs in both currencies declined at a similar rate to $30bn in 2017. By contrast, cash and balances with Central Banks surged by 28.2% to $76.5bn, equivalent to a massive increase of $16.8bn.

Net profits at Alpha Group banks ($bn)



Source: Bankdata Financial Services, Economena, SGBL Research

LATEST DATA

Key indicators	Unit	2017	Nov-17	Dec-17	Jan-18	%Y/Y	YTD	PYTD
Cleared cheques	$bn	68.25	5.57	6.26	n.a.	8.58	68.25	68.14
Real estate transactions	$bn	9.96	0.86	0.94	0.68	19.89	0.68	0.57
Construction permits	Sqm, m	11.73	0.72	0.90	0.81	-4.13	0.81	0.85
Cement deliveries	Tons, m	5.15	0.45	0.43	0.27	-10.61	0.27	0.31
Tourist arrivals	m	1.86	0.12	0.14	0.11	1.66	0.11	0.11
Airport traffic	m	8.24	0.59	0.63	0.60	10.82	0.60	0.54
Balance of payments	$bn	-0.16	0.07	0.85	0.24	42.11	0.24	0.17
Money supply: M3	$bn	138.38	137.00	138.38	138.50	4.23	0.12	0.08
BSE volumes	m	83.86	3.45	11.93	5.51	35.60	5.51	4.06
Passenger car sales		37,222	2,672	3,226	2,489	2.85	2,489	2,420
Hotel occupancy (average)	%	63.68	54	54	n.a.	-9.70	63.68	58.98

Indices	Unit	2017	Dec-17	Jan-18	Feb-18	%Y/Y	%YTD
Consumer Confidence Index - ARA		123.92	155.00	146.00	122.00	-8.96	-21.29
Consumer Price Index		100.55	103.89	103.93	104.14	5.19	0.25
Purchasing Managers' Index		46.60	46.10	47.10	47.30	-0.84	2.60
BdL Coincident Indicator		305.87	318.30	309.40	n.a.	4.10	-2.80

Trade	Unit	2017	Nov-17	Dec-17	Jan-18	%Y/Y	YTD	PYTD
Imports	$bn	23.13	1.73	5.83	1.71	6.33	1.71	1.60
Exports	$bn	2.84	0.23	0.25	0.28	23.52	0.28	0.23
Trade balance	$bn	-20.29	-1.50	-5.58	-1.42	3.46	-1.42	-1.37
Port of Beirut volumes	TEUs, m	1.31	0.12	0.12	0.11	9.82	0.11	0.10

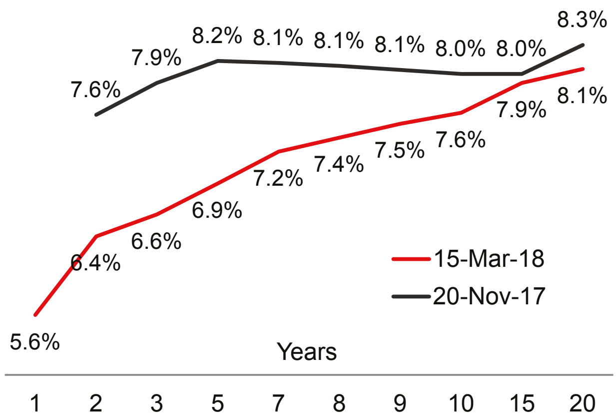
Financial and monetary	Unit	2017	Nov-17	Dec-17	Jan-18	%Y/Y	YTD	%YTD
Commercial bank assets	$bn	219.86	216.21	219.86	222.59	8.91	2.73	1.24
Claims on the resident private sector	$bn	54.17	53.43	54.17	53.76	5.74	-0.42	-0.77
Claims on the non-resident private sector	$bn	6.14	6.11	6.14	n.a.	0.08	0.00	0.08
Claims on the public sector	$bn	31.95	32.86	31.95	31.03	-14.16	-0.92	-2.87
Resident private sector deposits	$bn	133.51	132.44	133.51	133.77	3.89	5.01	0.20
Dollarization rate (average)	%	61.54	63.54	63.68	63.30	2.97	63.30	-0.38
Non-resident private sector deposits	$bn	35.16	34.37	35.16	35.37	4.11	0.21	0.61
Dollarization rate (average)	%	87.32	87.69	87.85	87.89	1.15	87.89	0.04
Private sector deposits with commercial banks	$bn	168.66	166.81	168.66	169.14	3.94	0.48	0.28
Private loans / deposits	%	39.66	40.34	40.58	40.19	0.70	40.19	-0.39
Public sector deposits	$bn	10.20	9.59	10.20	10.80	-0.41	0.60	5.88
BdL foreign assets	$bn	47.77	47.63	47.77	47.64	3.26	-0.13	-0.28
BSE market capitalization	$bn	11.47	10.87	11.47	11.77	-3.65	0.29	2.54
Gross public debt	$bn	79.53	79.37	79.53	80.39	5.52	0.85	1.07

Public finance	Unit	2016	Sep-17	Oct-17	Nov-17	%Y/Y	YTD	PYTD
Revenues	$bn	9.92	0.55	1.21	0.64	-2.97	10.26	9.12
Value Added Tax	$bn	2.15	0.11	0.36	0.12	8.57	2.18	2.03
Telecommunications	$bn	1.27	0.00	0.18	0.00	-100.00	0.71	1.08
Income taxes	$bn	2.00	0.08	0.18	0.09	26.02	2.69	1.92
Customs taxes	$bn	1.40	0.11	0.13	0.12	1.37	1.31	1.29
Expenditures	$bn	14.87	1.16	1.71	1.52	-12.52	13.63	13.52
Transfers to EdL	$bn	0.93	0.05	0.18	0.07	-34.07	1.15	0.82
Debt service	$bn	4.77	0.50	0.43	0.70	13.25	4.63	4.37
Primary balance	$bn	0.02	-0.11	-0.05	-0.13	-67.35	1.44	0.16
Fiscal balance	$bn	-4.94	-0.62	-0.49	-0.88	-18.35	-3.38	-4.40

YTD: year-to-date, PYTD: previous year-to-date. Source: MoF, BdL, BSE, ARA, Customs, Markit, EY, RHIA, CAS, Economena, SGBL Research

Market yields on Lebanese Eurobonds

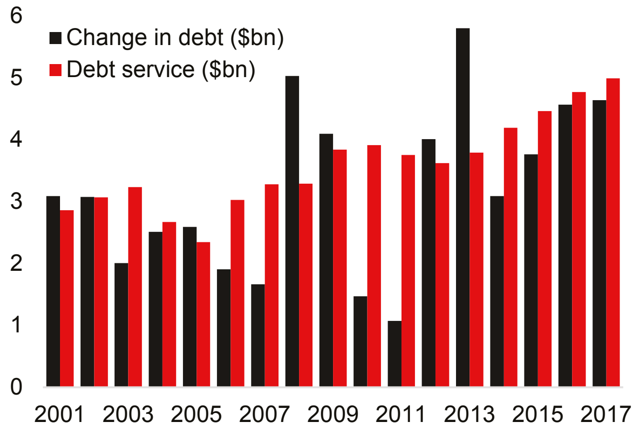
Yields on Lebanese Eurobonds contracted across the curve in recent months, signaling greater investor appetite and reduced risk perception of sovereign debt. The yield on Eurobonds maturing in 5 years contracted to 6.92% on March 15, 2018 compared with 8.15% as of November 20, 2017.



Source: MoF, Economena, SGBL Research

Lebanon gross public debt indicators

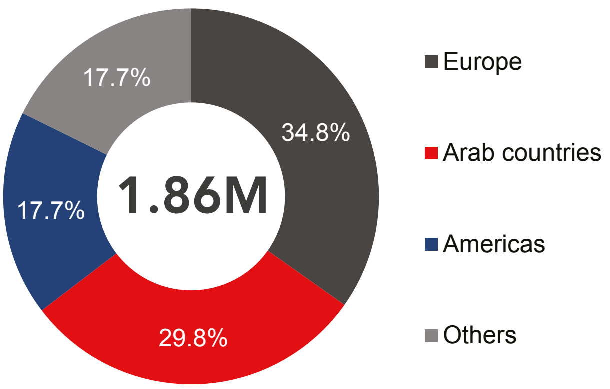
Debt service costs absorbed the entire growth in public debt in recent years. Gross public debt grew by $21.8bn in the five years through 2017, almost entirely used to service existing debt. Meanwhile, Lebanon's public finances posted cumulative primary surpluses of $3.2bn over the same period.



Source: MoF, BdL, Economena, SGBL Research

Tourist arrivals (12 months to February 2018)

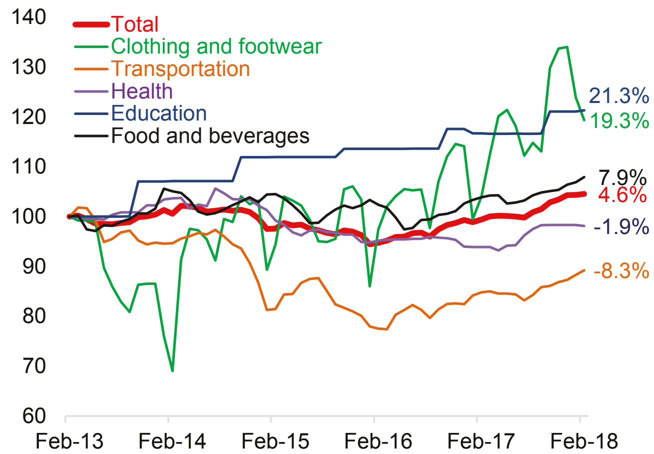
Visitor arrivals to Lebanon increased by 9.4% yoy to 1.86 million in the 12 months through February 2018, led by a surge in European arrivals representing 34.8% of the total. A stronger Euro is likely to further improve the country's attractiveness to European tourists, including Lebanese expatriates, in 2018.



Source: MoT, Economena, SGBL Research

Consumer Price Index (Feb 2013=100, cumulative)

Consumer prices rose by a cumulative 4.6% over the past 5 years, an average annual rate of 0.9% through February 2018. Private education inflation, however, grew at a much faster pace of 3.9% per annum, while prices of food and beverages rose at a moderate annual rate of 1.5% over the period.



Source: CAS, Economena, SGBL Research