

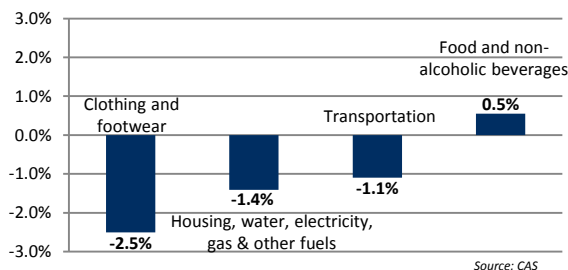
Lebanon Inflation Watch – December 2015

LEBANON'S CONSUMER PRICE INDEX (CPI) down -0.7% MoM in December 2015:

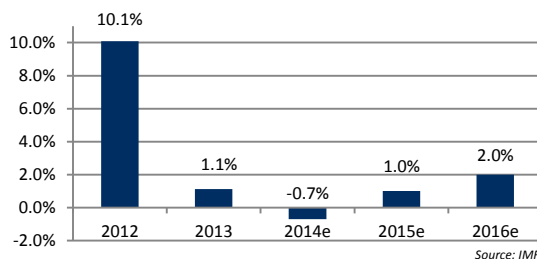
Lebanon's Consumer Price Index down -0.7% MoM to 95.9 in December 2015 from 96.6 in November 2015 (according to a revised version from CAS). CPI measures the price of goods in an economy by tracking the cost of a basket of goods over time and is used as a proxy for inflation.

The biggest drivers MoM were clothing and footwear which decreased -2.5%, housing, water, electricity, gas and other fuels which decreased -1.4%, transportation which decreased -1.1% and food and non-alcoholic beverages which increased +0.5%. 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 such as health down -1.6%, recreation, amusement and culture down -0.3%, miscellaneous goods and services down -0.1% and furnishings, household equipment and routine household maintenance down -0.1% while restaurants & hotels was up +0.1%. Alcoholic beverages, tobacco, communication and education remained unchanged.

CPI Main Drivers MoM: December 2015



Annual Inflation: 2012a-2016e



According to the IMF, inflation in Lebanon was +10.1% for 2012 and +1.1% for 2013, and is estimated at -0.7% for 2014, +1.0% for 2015 and +2.0% for 2016 (using end of period prices).

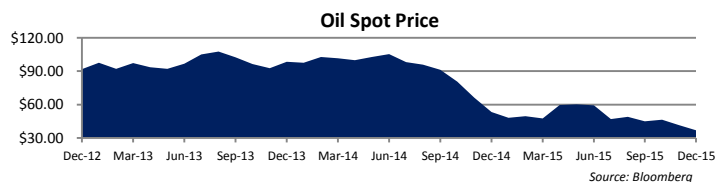
MONEY SUPPLY IN LEBANON

M3 increased +0.3% MoM to 184,596 billion Lebanese pounds (USD 122.5 billion) in November 2015 and was up +5.1% YoY from 175,573 billion Lebanese pounds (USD 116.5 billion) in November 2014. 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.

INTERNATIONAL FACTORS TO WATCH

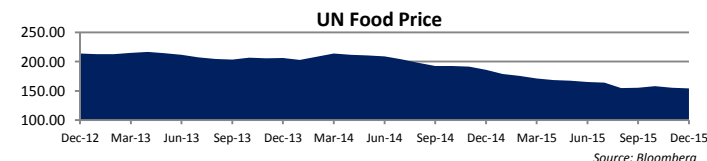
OIL SPOT PRICE

WTI Cushing spot price decreased -11.1% MoM and -30.5% YoY to \$37.04 per barrel. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price was down -16.4% MoM and -35.0% YoY to \$37.28 per barrel. Oil fell in December on continued glut, overproduction and slower demand mainly from China, despite reduction in US drilling rigs.



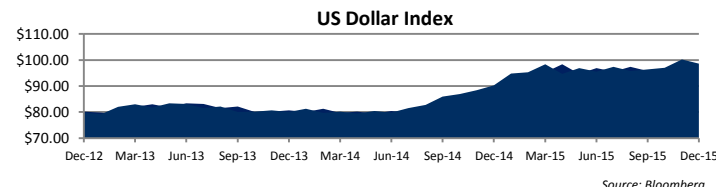
UN FOOD PRICE

UN Food Price Index decreased -1.0% MoM from its revised November value and -17.1% YoY to 154.1. The UN Food Price Index measures the prices of global food staples. Globally surging supplies and US Dollar appreciation were mainly behind lower prices in 2015. Meat was down -22.5% YoY, followed by cereals down -17.6% and dairy down by -14.1%. Despite gains in December, vegetable oils and sugar were also down -12.2% and -4.4% respectively YoY.



US DOLLAR INDEX

US Dollar Index decreased -1.5% MoM yet increased +9.3% YoY to \$98.63. The US Dollar Index measures the value of the US Dollar against a basket of the world's most widely held currencies. Despite a weaker month in December, the US Dollar Index registered gains in 2015 as the Fed began its rate normalization process, ending a 7-year near zero rate policy, on diverging monetary policies from the ECB and BoJ and generally improving domestic macro data.



Lebanon December 2013 =100	Monthly Change	December 2015 Index	November 2015 Index	Weights
Food and non-alcoholic beverages	0.5%	100.6	100.1	20.6%
Alcoholic beverages, tobacco	0.0%	111.2	111.3	1.6%
Clothing and footwear	-2.5%	119.5	122.6	5.4%
Housing water, electricity, gas and other fuels	-1.4%	93.4	94.8	28.5%
Furnishings, household equipment and routine household maintenance	-0.1%	102.0	102.1	3.7%
Health	-1.6%	92.8	94.3	7.8%
Transportation	-1.1%	84.5	85.5	13.1%
Communication	0.0%	75.7	75.7	4.6%
Recreation, amusement, and culture	-0.3%	100.5	100.8	2.3%
Education	0.0%	106.1	106.1	5.9%
Restaurant & hotels	0.1%	104.8	104.7	2.6%
Miscellaneous goods & services	-0.1%	102.9	103.0	4.0%
Consumer price index	-0.7%	95.9	96.6	100.0%

Source: CAS



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