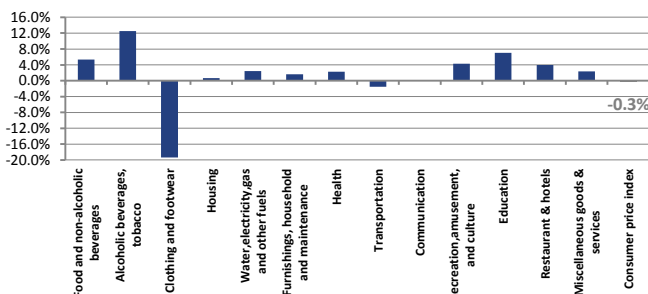


LEBANON INFLATION WATCH: January 2014

LEBANON'S CONSUMER PRICE INDEX (CPI) down **-0.3% YoY** in January 2014:

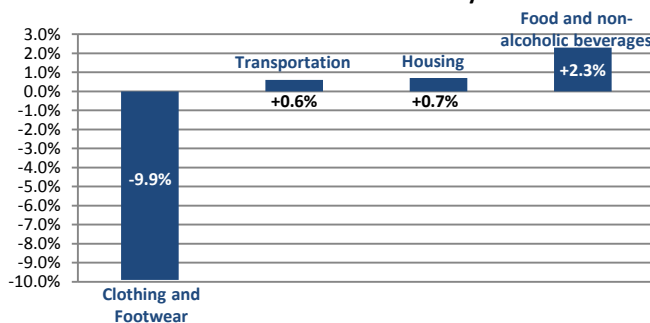
January 2014 saw Lebanon's Consumer Price Index increase **0.2% MoM** from 130.9 in Dec-13 to 131.1 in Jan-14. The CPI decreased by **-0.3% YoY** down from 131.5 in Jan-13. The CPI for Jan-13 is not based on collected prices, it was estimated by the CAS using linear interpolation with adjustment for price change. 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.

CPI Components YoY: January 2014



Source: CAS

CPI Main Drivers MoM: January 2014



Source: CAS

According to the IMF, inflation in Lebanon is estimated at 3.1% for 2011, 10.1%* for 2012, 3.5% for 2013, 2.4% for 2014 and 2.5% for 2015 and 2016.

The biggest changers MoM were food and non-alcoholic beverages which increased 2.3%, housing which increased 0.7%, transportation which increased 0.6% while clothing and footwear decreased by -9.9%. The cost of clothing and footwear was the major driver of the index, as it represents 6.2% of the index's weight and decreased by -9.9% over the December 2013-January 2014 period. Other components of the index also changed like water, electricity, gas and other fuels up 0.6%, health up 0.1%, recreation, amusement and culture up 0.1% and restaurants and hotels down by -0.2%. Furnishings, household equipment and routine household, communication, education and miscellaneous goods and services remained unchanged.

*According to MOF, housing costs, as a component of inflation, were subject to a one-time adjustment in July 2012.

MONEY SUPPLY IN LEBANON

M3 was up 1.7% MoM at 167,571 billion Lebanese pounds (USD 111.2 billion) in December 2013 and was up 6.2% YoY from 157,797 billion Lebanese pounds (USD 104.7 billion) in December 2012. 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 by -0.9% MoM to \$97.5 per barrel. YoY, it remained unchanged. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price decreased by -4.0% MoM and -7.9% YoY to \$106.4 per barrel.

Oil Spot Price

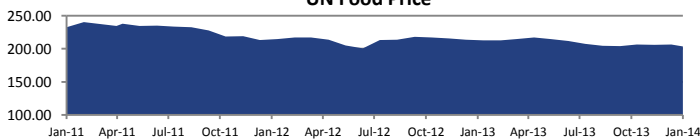


Source: Bloomberg

UN FOOD PRICE

UN Food Price Index was down by -1.3% MoM and -4.4% YoY to 203.4. The UN Food Price Index measures the prices of global food staples.

UN Food Price

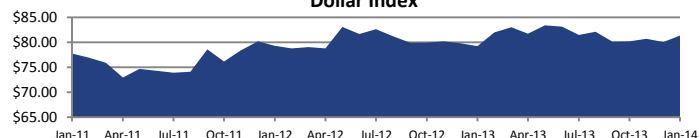


Source: FAO

DOLLAR INDEX

Dollar Index was up 1.6% MoM and 2.7% YoY to \$81.3. The Dollar Index measures the value of the US Dollar against a basket of the world's most widely held currencies.

Dollar Index



Source: Bloomberg

	Weights	January 2014 Index	January 2013 Index	Unadjusted CPI YoY January 2014*
LEBANON CONSUMER PRICE INDEX	100%	131.1	131.5	-0.3%
Food and non-alcoholic beverages	19.9%	145.3	137.9	5.4%
Alcoholic beverages, tobacco	2.1%	148.3	131.8	12.5%
Clothing and footwear	6.2%	102.3	126.9	-19.4%
Housing	16.2%	161.3	160.2	0.7%
Water, electricity, gas and other fuels	9.5%	120.9	118.0	2.5%
Furnishings, household equipment and routine maintenance	3.9%	114.2	112.4	1.6%
Health	6.8%	109.2	106.8	2.2%
Transportation	12.3%	121.7	123.6	-1.5%
Communication	4.8%	86.3	86.3	0.0%
Recreation, amusement and culture	3.7%	123.1	118.0	4.3%
Education	7.7%	160.5	149.9	7.1%
Restaurant & hotels	2.7%	157.8	151.8	4.0%
Miscellaneous goods & services	4.2%	116.1	113.4	2.4%

*Represents a YoY change from the Jan-13 CPI estimate from CAS

Source: CAS

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