

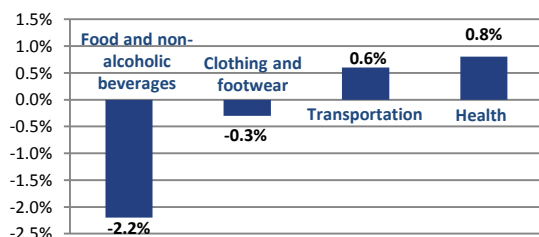
LEBANON INFLATION WATCH: May 2014

LEBANON'S CONSUMER PRICE INDEX (CPI) down -0.3% MoM in May 2014:

May 2014 saw Lebanon's Consumer Price Index decrease -0.3% MoM from 101.6 in April 2014 to 101.3 in May 2014 (according to newly 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.

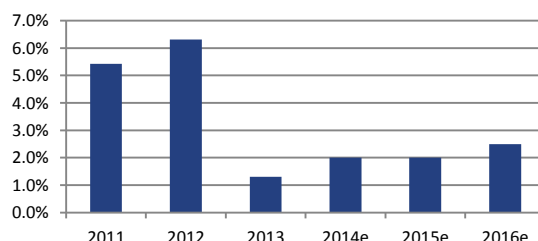
The biggest drivers MoM were health which increased 0.8%, transportation which increased 0.6%, food and non-alcoholic beverages which decreased -2.2% and clothing and footwear which decreased -0.3%. The cost of clothing and footwear was the major driver of the index, as it represents 5.4% of the index's weight and changed more over the May-April period than any other component. Other components of the index also changed like furnishings, household equipment and routine household maintenance up 0.4%, alcoholic beverages, tobacco up 0.1%, restaurant and hotels up 0.1% and communication down -0.2%. Housing water, electricity, gas and other, recreation, amusement and culture, education and miscellaneous goods & services remained unchanged.

CPI Main Drivers MoM: May 2014



Source: CAS

Annual Inflation: 2011-2016



Source: IMF

According to the IMF, inflation in Lebanon was 5.4% for 2011, 6.3% for 2012 and 1.3% for 2013, and is estimated at 2.0% for 2014 and 2015 and 2.5% for 2016, (using end of period prices).

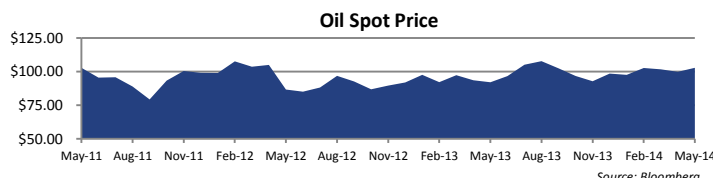
MONEY SUPPLY IN LEBANON

M3 was up 1.0% MoM at 170,990 billion Lebanese pounds (USD 113.4 billion) in April 2014 and was up 6.8% YoY from 160,070 billion Lebanese pounds (USD 106.2 billion) in April 2013. 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

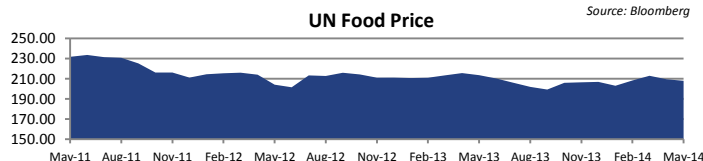
WTI Cushing spot price increased 3.0% MoM to \$102.71 per barrel. YoY, it increased 11.7%. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price increased 1.2% MoM but increased 9.0% YoY to \$109.41 per barrel.



Source: Bloomberg

UN FOOD PRICE

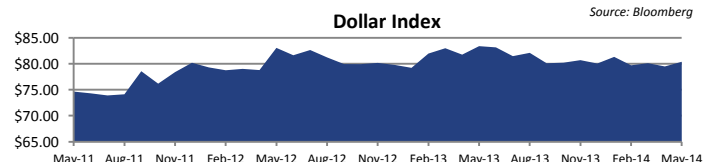
UN Food Price Index was down -0.7% MoM to 207.8 and -2.6% YoY. The UN Food Price Index measures the prices of global food staples.



Source: Bloomberg

DOLLAR INDEX

Dollar Index was up 1.1% MoM to \$80.4 and decreased -3.6% YoY. The Dollar Index measures the value of the US Dollar against a basket of the world's most widely held currencies.



Source: Bloomberg

Lebanon December 2013 =100	Monthly Change	May 2014 Index	April 2014 Index	Weights
Food and non-alcoholic beverages	-2.2%	99.4	101.7	20.6
Alcoholic beverages, tobacco	0.1%	105.8	105.7	1.6
Clothing and footwear	-0.3%	112.4	112.7	5.4
Housing water, electricity, gas and other fuels	0.0%	101.2	101.2	28.5
Furnishings, household equipment and routine household maintenance	0.4%	100.8	100.5	3.7
Health	0.8%	100.2	99.3	7.8
Transportation	0.6%	102.0	101.4	13.1
Communication	-0.2%	99.6	99.9	4.6
Recreation, amusement, and culture	0.0%	100.6	100.6	2.3
Education	0.0%	100.1	100.1	5.9
Restaurant & hotels	0.1%	101.8	101.8	2.6
Miscellaneous goods & services	0.0%	101.0	101.0	4.0
Consumer Price Index	-0.3%	101.3	101.6	100.0

Source: CAS

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