

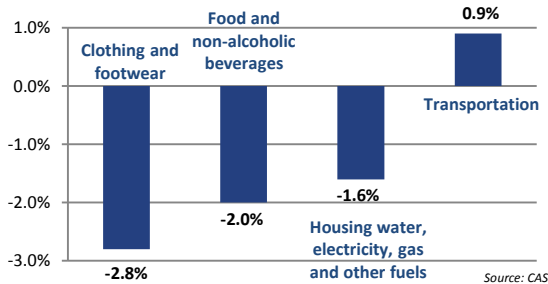
## LEBANON INFLATION WATCH: June 2015

### LEBANON'S CONSUMER PRICE INDEX (CPI) down -0.8% MoM in June 2015:

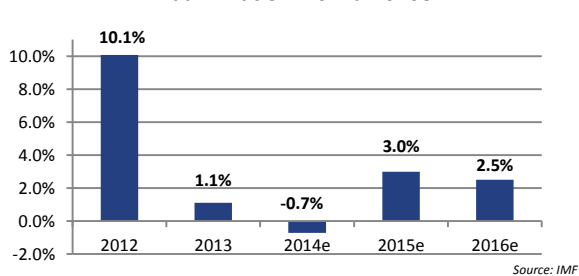
Lebanon's Consumer Price Index down -0.8% MoM from 98.0 in May 2015 to 97.2 in June 2015 (according to newly revised version from CAS). CPI measures the price of goods in an economy by tracking the cost of a basket of goods over time and is used as a proxy for inflation.

The biggest drivers MoM were clothing and footwear which decreased -2.8%, food and non-alcoholic beverages which decreased -2.0%, housing water, electricity, gas and other fuels which decreased -1.6% while transportation increased +0.9%. The cost of housing water, electricity, gas and other fuels was the major driver of the index, as it represents 28.5% of the index's weight and changed more over the May-June period than any other component. Other components of the index decreased like furnishings, household equipment and routine household maintenance down -0.2%, miscellaneous goods & services down -0.1% while alcoholic beverages, tobacco up +0.1%, recreation, amusement, and culture up +0.3% and health up +1.0%. Communication, education and restaurant & hotels remained unchanged.

CPI Main Drivers MoM: June 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, +3.0% for 2015 and +2.5% for 2016 (using end of period prices).

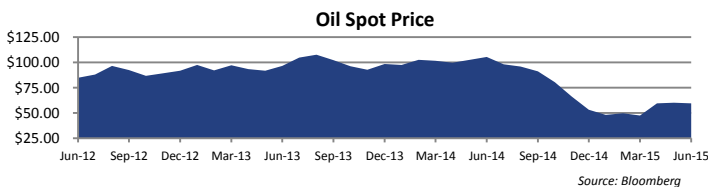
### MONEY SUPPLY IN LEBANON

M3 was up +0.2% MoM to 180,966 billion Lebanese pounds (USD 120.0 billion) in May 2015 and was up +4.7% YoY from 172,813 billion Lebanese pounds (USD 114.6 billion) in May 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

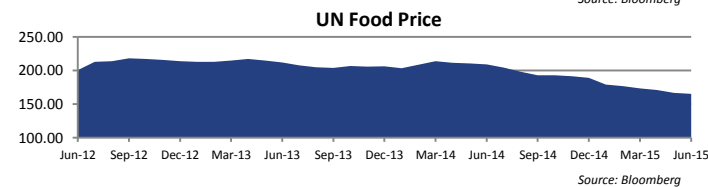
#### OIL SPOT PRICE

WTI Cushing spot price decreased -1.4% MoM and -43.6% YoY to \$59.47 per barrel. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price decreased -3.0% MoM and -43.4% YoY to \$63.59 per barrel. The potential increase of exports following a P5+1/Iran deal in an oversupplied oil market against lingering concerns regarding global economic conditions unfavorably impacted crude oil prices.



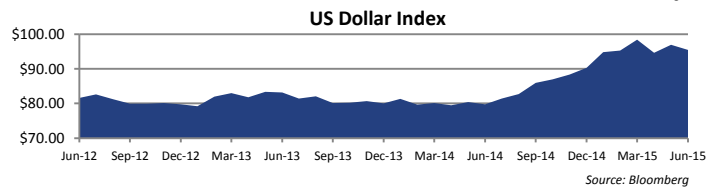
#### UN FOOD PRICE

UN Food Price Index declined further -1.0% MoM and -21.0% YoY to 165.09. The UN Food Price Index measures the prices of global food staples. As a result of a drop in the price of both sugar and dairy products, the index declined moderately boosted by a minor increase in the price of cereal and vegetable oil. The index reached the lowest level since September 2009 supported by abundant supply and cheaper oil prices.



#### US DOLLAR INDEX

US Dollar Index decreased -1.5% MoM yet increased +19.7% YoY to \$95.5. The US Dollar Index measures the value of the US Dollar against a basket of the world's most widely held currencies. The US currency dropped in the month of June likely on mixed US macro data coupled with deferred expectations regarding the timing of a US rate hike.



Lebanon December 2013 =100	Monthly Change	June 2015 Index	May 2015 Index	Weights
Food and non-alcoholic beverages	-2.0%	97.2	99.1	20.6
Alcoholic beverages, tobacco	0.1%	111.0	110.9	1.6
Clothing and footwear	-2.8%	114.8	118.1	5.4
Housing water, electricity, gas and other fuels	-1.6%	96.9	98.5	28.5
Furnishings, household equipment and routine household maintenance	-0.2%	101.9	102.2	3.7
Health	1.0%	95.0	94.1	7.8
Transportation	0.9%	92.3	91.5	13.1
Communication	0.0%	76.0	76.0	4.6
Recreation, amusement, and culture	0.3%	101.0	100.6	2.3
Education	0.0%	104.6	104.6	5.9
Restaurant & hotels	0.0%	104.4	104.4	2.6
Miscellaneous goods & services	-0.1%	102.7	102.7	4.0
<b>Consumer Price Index</b>	<b>-0.8%</b>	<b>97.2</b>	<b>98.0</b>	<b>100.0</b>

Source: CAS

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