

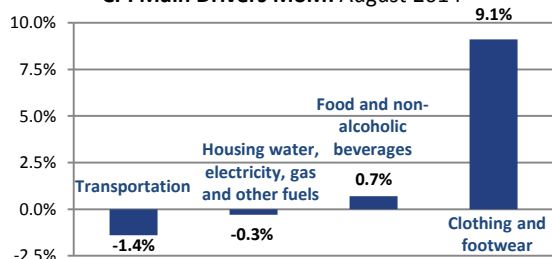
LEBANON INFLATION WATCH: August 2014

LEBANON'S CONSUMER PRICE INDEX (CPI) up 0.2% MoM in August 2014:

Lebanon's Consumer Price Index increased 0.2% MoM from 100.8 in July 2014 to 101.0 in August 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.

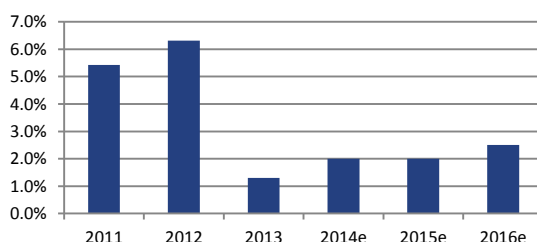
The biggest drivers MoM were clothing and footwear which increased 9.1%, food and non-alcoholic beverages which increased 0.7%, housing water, electricity, gas and other fuels which decreased -0.3% and transportation which decreased -1.4%. The cost of clothing and footwear was the major driver of the index, as it represents 5.4% of the index's weight and changed more over the July-August period than any other component. Other components of the index also changed like communication which increased 0.3%, furnishings, household equipment and routine household maintenance up 0.2%, alcoholic beverages, tobacco up 0.1%, restaurant & hotels up 0.1% and miscellaneous goods & services up 0.1%. Recreation, amusement and culture, and education remained unchanged.

CPI Main Drivers MoM: August 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 0.5% MoM at 174,240 billion Lebanese pounds (USD 115.6 billion) in July 2014 and was up 7.7% YoY from 161,796 billion Lebanese pounds (USD 107.3 billion) in July 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 decreased -2.3% MoM to \$95.96 per barrel. YoY, it decreased -10.9%. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price decreased -2.7% MoM and -9.5% YoY to \$103.19 per barrel.

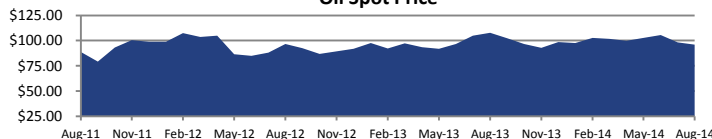
UN FOOD PRICE

UN Food Price Index was down -3.6% MoM to 196.63 and -3.8% YoY. The UN Food Price Index measures the prices of global food staples.

DOLLAR INDEX

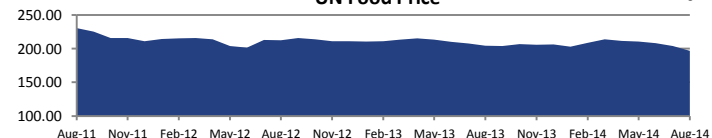
Dollar Index was up 1.6% MoM to \$82.7 and 0.8% YoY. The Dollar Index measures the value of the US Dollar against a basket of the world's most widely held currencies.

Oil Spot Price



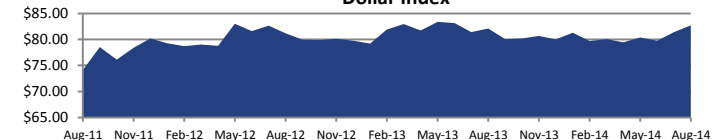
Source: Bloomberg

UN Food Price



Source: Bloomberg

Dollar Index



Source: Bloomberg

Lebanon December 2013 =100	Monthly Change	August 2014 Index	July 2014 Index	Weights
Food and non-alcoholic beverages	0.7%	99.9	99.1	20.6%
Alcoholic beverages, tobacco	0.1%	105.9	105.8	1.6%
Clothing and footwear	9.1%	115.0	105.4	5.4%
Housing water, electricity, gas and other fuels	-0.3%	103.1	103.4	28.5%
Furnishings, household equipment and routine household maintenance	0.2%	101.3	101.1	3.7%
Health	-0.9%	102.3	103.3	7.8%
Transportation	-1.4%	101.3	102.7	13.1%
Communication	0.3%	76.2	76.0	4.6%
Recreation, amusement, and culture	0.0%	101.5	101.5	2.3%
Education	0.0%	100.1	100.1	5.9%
Restaurant & hotels	0.1%	102.2	102.2	2.6%
Miscellaneous goods & services	0.1%	101.5	101.4	4.0%
Consumer Price Index	0.2%	101.0	100.8	100.0%

Source: CAS

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