

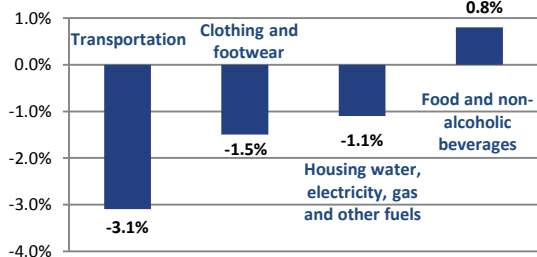
## LEBANON INFLATION WATCH: November 2014

### LEBANON'S CONSUMER PRICE INDEX (CPI) down -0.4% MoM in November 2014:

Lebanon's Consumer Price Index decreased -0.4% MoM from 101.0 in October 2014 to 100.5 in November 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.

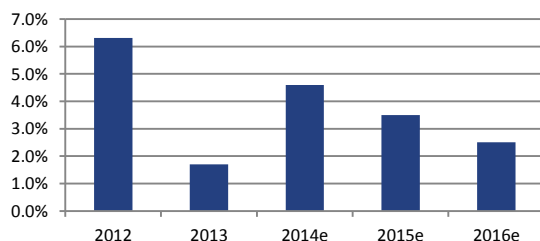
The biggest drivers MoM were transportation which decreased -3.1%, clothing and footwear which decreased -1.5%, housing water, electricity, gas and other fuels which decreased -1.1%, while food and non-alcoholic beverages increased 0.8%. The cost of transportation was the major driver of the index, as it represents 13.1% of the index's weight and changed more over the October-November period than any other component. Other components of the index also declined like communication down -0.3%, recreation, amusement and culture down -0.1%. However alcoholic beverages, tobacco was up 2.3%, restaurant & hotels up 0.5%, and furnishings, household equipment and routine household maintenance up 0.1%. Health, education, and miscellaneous goods & services remained unchanged.

CPI Main Drivers MoM: November 2014



Source: CAS

Annual Inflation: 2012a-2016e



Source: IMF

According to the IMF, inflation in Lebanon was 6.3% for 2012 and 1.7% for 2013, and is estimated at 4.6% for 2014, 3.5% for 2015 and 2.5% for 2016, (using end of period prices).

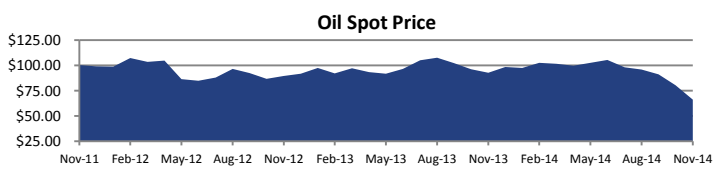
### MONEY SUPPLY IN LEBANON

M3 remained flat MoM at 174,904 billion Lebanese pounds (USD 116.0 billion) in October 2014 and was up 6.4% YoY from 164,348 billion Lebanese pounds (USD 109.0 billion) in October 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

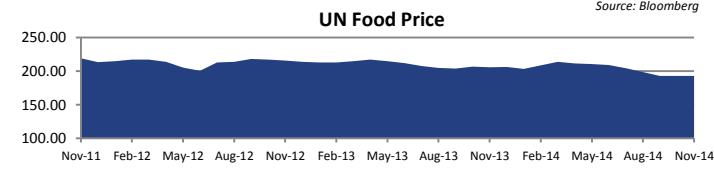
WTI Cushing spot price decreased -7.9% MoM to \$66.15 per barrel. YoY, it decreased -28.7%. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price decreased -18.3% MoM and -36.0% YoY to \$70.15 per barrel. Oil prices declined further in November, following the OPEC meeting to a 5-year low, on account of maintaining production in the wake of slowing global demand and non-OPEC oil increases.



Source: Bloomberg

#### UN FOOD PRICE

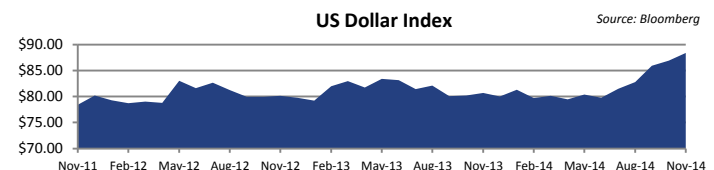
UN Food Price Index was down -0.1% MoM to 192.60 and -6.4% YoY. The UN Food Price Index measures the prices of global food staples. Food prices stabilized at its lowest levels since summer 2010, underpinned by stronger crop forecasts, abundant inventories and uncertain global economic prospects.



Source: Bloomberg

#### US DOLLAR INDEX

US Dollar Index was up 1.7% MoM to \$88.4 and 9.5% YoY. The US Dollar Index measures the value of the US Dollar against a basket of the world's most widely held currencies. The stronger dollar hit a 4-year high towards the end of November, supported by stronger US macro data, tighter relative monetary policy, and expectations of higher rates.



Source: Bloomberg

Lebanon December 2013 =100	Monthly Change	November 2014 Index	October 2014 Index	Weights
Food and non-alcoholic beverages	0.8%	102.3	101.4	20.6
Alcoholic beverages, tobacco	2.3%	108.4	106.0	1.6
Clothing and footwear	-1.5%	118.4	120.2	5.4
Housing water, electricity, gas and other fuels	-1.1%	101.1	102.2	28.5
Furnishings, household equipment and routine household maintenance	0.1%	101.6	101.5	3.7
Health	0.0%	101.2	101.2	7.8
Transportation	-3.1%	95.7	98.8	13.1
Communication	-0.3%	76.0	76.2	4.6
Recreation, amusement, and culture	-0.1%	101.9	102.0	2.3
Education	0.0%	104.6	104.6	5.9
Restaurant & hotels	0.5%	103.2	102.6	2.6
Miscellaneous goods & services	0.0%	101.6	101.6	4.0
<b>Consumer Price Index</b>	<b>-0.4%</b>	<b>100.5</b>	<b>101.0</b>	<b>100.0</b>

Source: CAS

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