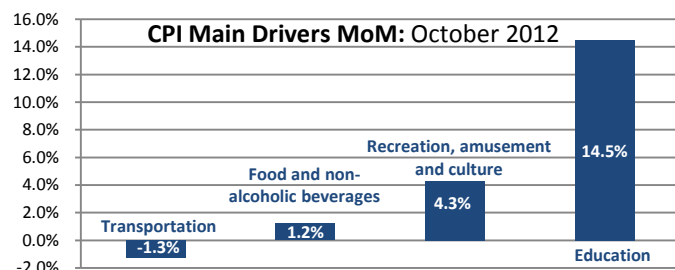
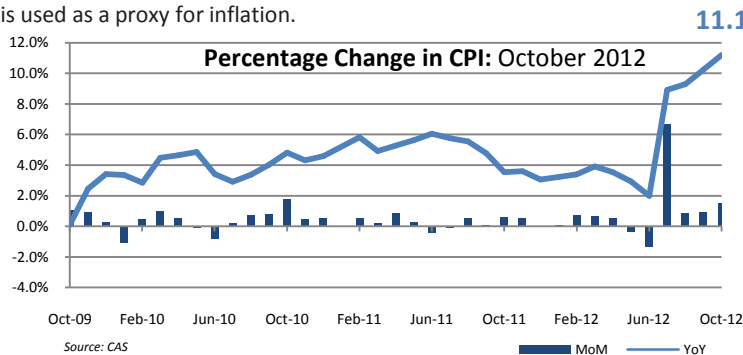


# LEBANON INFLATION WATCH: October 2012

## LEBANON'S CONSUMER PRICE INDEX (CPI) up 11.1%\* YoY in October 2012:

October 2012 saw Lebanon's Consumer Price Index increase **11.1%\*** YoY from 117.0 in October 2011 to 130.1 in October 2012. The index increased 1.5% MOM from 128.2 in September 2012. 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.



\*Housing adjusted in July 2012 and not revised for the prior three years overstates YoY calculations.

According to the IMF, the inflation in Lebanon is estimated at 3.1% for 2011, 10.1% for 2012 and 2.0% for the following four years until 2016.

The biggest changers were education which increased 14.5% MoM, recreation, amusement and culture which increased 4.3%, food and non-alcoholic beverages which increased 1.2%, transportation which decreased -1.3% MoM, The cost of education was the major driver of the index, as it represents 7.7% of the index's weight and changed more over the September-October period than any other component. Other components of the index also changed, like clothing and footwear up 1.2%, health up 1.1%, restaurant and hotels up 0.3%, water, electricity, gas and other fuels up 0.1%, furnishings, household equipment and routine household maintenance up 0.1%, alcoholic beverages, tobacco down -0.2%. Housing, communication and miscellaneous goods & services remained unchanged.

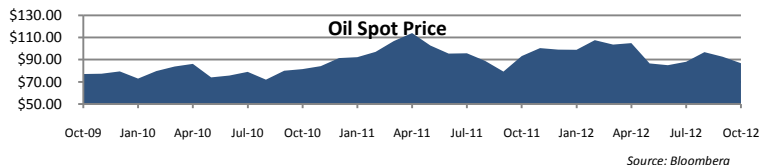
## MONEY SUPPLY IN LEBANON

M3 increased by 0.4% MoM to 153,006 billion Lebanese pounds (USD 101.5 billion) in September 2012 and was up 6.1% YoY from 144,158 billion Lebanese pounds (USD 95.6 billion) in September 2011. 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

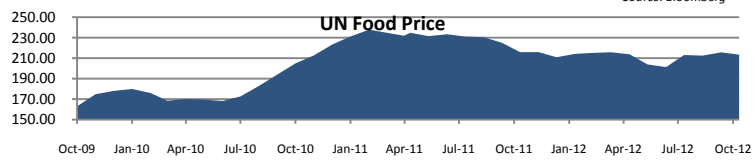
### OIL SPOT PRICE

WTI Cushing Spot Price decreased -6.3% MoM to \$86.7 per barrel from \$92.6 per barrel in September 2012. YoY, it decreased -6.9%. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price decreased -3.6% MoM but increased 3.2% YoY to \$107.6 per barrel.



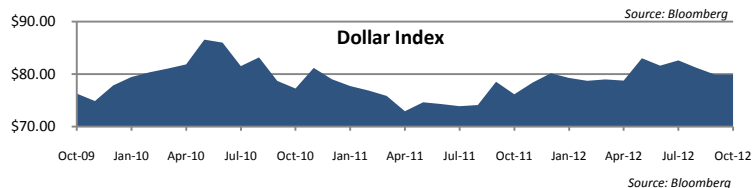
### UN FOOD PRICE

UN Food Price Index was down -1.1% MoM to 213.5 from 215.8 in September 2012 and down -1.2% YoY. The UN Food Price Index measures the prices of global food staples.



### DOLLAR INDEX

Dollar Index was stable MoM at \$79.9 but up 4.9% YoY. The Dollar Index measures the value of the US Dollar against a basket of the world's most widely held currencies.



### SEASONALLY ADJUSTED CHANGES FROM PREVIOUS MONTHS

### UNADJUSTED 12-MO. ENDED OCT-12

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	
<b>LEBANON CONSUMER PRICE INDEX</b>	<b>0.5%</b>	<b>-0.3%</b>	<b>-1.3%</b>	<b>6.6%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>1.5%</b>	<b>11.1%*</b>
Food and non-alcoholic beverages	0.5%	0.3%	-1.6%	1.0%	0.3%	0.6%	1.2%	6.3%
Alcoholic beverages, tobacco	0.0%	0.0%	0.0%	0.1%	4.9%	2.7%	-0.2%	9.0%
Clothing and footwear	0.8%	0.5%	-0.3%	0.1%	0.0%	0.2%	1.2%	5.0%
Housing*	0.0%	0.0%	0.0%	44.1%	0.00%	0.00%	0.0%	44.1%
Water, electricity, gas and other fuels	-0.7%	-1.5%	-3.6%	5.9%	3.0%	2.6%	0.1%	7.7%
Furnishings, household equipment and routine household maintenance	0.2%	0.0%	0.0%	0.0%	0.2%	0.1%	0.1%	1.5%
Health	0.0%	0.1%	-1.4%	-0.2%	0.4%	0.3%	1.1%	0.5%
Transportation	2.9%	-2.2%	-4.6%	-2.1%	3.5%	3.7%	-1.3%	4.8%
Communication	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Recreation, amusement and culture	0.0%	0.1%	0.9%	0.0%	0.1%	0.1%	4.3%	7.1%
Education	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.5%	14.5%
Restaurant & hotels	0.3%	0.3%	0.2%	0.9%	0.2%	0.1%	0.3%	4.7%
Miscellaneous goods & services	0.5%	0.7%	0.1%	0.0%	0.2%	0.3%	0.0%	3.7%

\*Housing adjusted in July 2012 and not revised for the prior three years overstates YoY calculations.

Source: CAS

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