

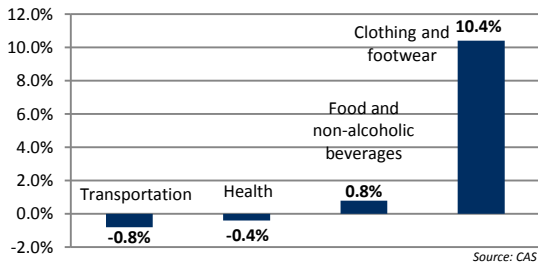
Lebanon Inflation Watch – October 2015

LEBANON'S CONSUMER PRICE INDEX (CPI) up +0.8% MoM in October 2015:

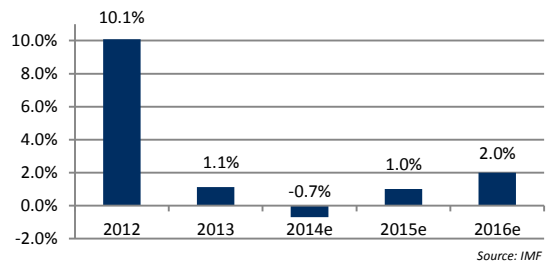
Lebanon's Consumer Price Index up +0.8% MoM to 96.8 in October 2015 from 96.1 in September 2015 (according to newly revised version from CAS). CPI measures the price of goods in an economy by tracking the cost of a basket of goods over time and is used as a proxy for inflation.

The biggest drivers MoM were clothing and footwear which increased +10.4%, non-alcoholic beverages which increased +0.8%, while health decreased -0.4% and transportation decreased -0.8%. 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 September-October period than any other component. Other components of the index increased like education up +1.5%, housing water, electricity, gas and other fuels up +0.3%, miscellaneous goods & services up +0.2%, furnishing, household equipment and routine household maintenance up +0.1% and restaurant & hotels up +0.1% while recreation, amusement and culture was down -0.6%. Communication and alcoholic beverages, tobacco remained unchanged.

CPI Main Drivers MoM: October 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, +1.0% for 2015 and +2.0% for 2016 (using end of period prices).

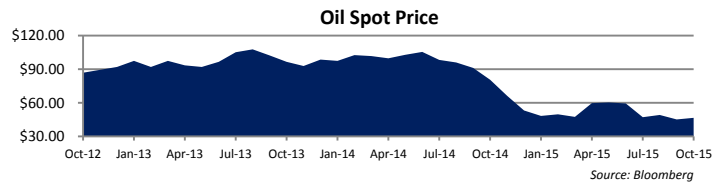
MONEY SUPPLY IN LEBANON

M3 was up +0.5% MoM to 184,035 billion Lebanese pounds (USD 122.1 billion) in September 2015 and was up +5.2% YoY from 174,969 billion Lebanese pounds (USD 116.1 billion) in September 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

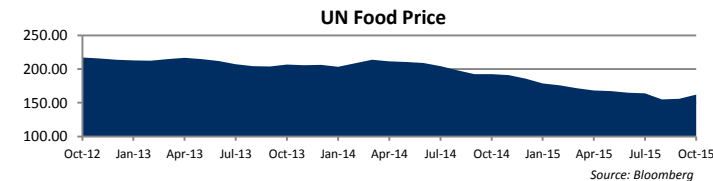
OIL SPOT PRICE

WTI Cushing spot price increased +3.3% MoM yet decreased -42.2% YoY to \$46.59 per barrel. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price increased +2.5% MoM yet declined -42.3% YoY to \$49.56 per barrel. Oil prices rose in October supported by improved risk tolerance, reduced rig counts and inventory buildups.



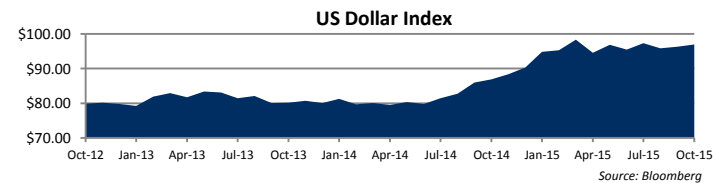
UN FOOD PRICE

UN Food Price Index increased +3.9% MoM yet declined -15.9% YoY to 162.0. The UN Food Price Index measures the prices of global food staples. The index saw its sharpest increase since July 2012 as sugar, vegetable oil and dairy price indices rose significantly and cereal increased to a lesser extent, while meat remained unchanged.



US DOLLAR INDEX

US Dollar Index increased +0.6% MoM and +11.5% YoY to \$96.9. 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 edged higher following increased expectations of a December rate hike and as investors continue to move to safety at the expense of riskier EM FX and assets.



Lebanon December 2013 =100	Monthly Change	October 2015 Index	September 2015 Index	Weights
Food and non-alcoholic beverages	0.8%	100.6	99.8	20.6
Alcoholic beverages, tobacco	0.0%	111.2	111.2	1.6
Clothing and footwear	10.4%	121.9	110.4	5.4
Housing water, electricity, gas and other fuels	0.3%	95.0	94.8	28.5
Furnishings, household equipment and routine household maintenance	0.1%	101.7	101.7	3.7
Health	-0.4%	94.3	94.6	7.8
Transportation	-0.8%	86.2	86.9	13.1
Communication	0.0%	75.9	75.9	4.6
Recreation, amusement, and culture	-0.6%	100.8	101.4	2.3
Education	1.5%	106.1	104.6	5.9
Restaurant & hotels	0.1%	104.7	104.6	2.6
Miscellaneous goods & services	0.2%	102.9	102.8	4.0
Consumer Price Index	0.8%	96.8	96.1	100.0

Source: CAS

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