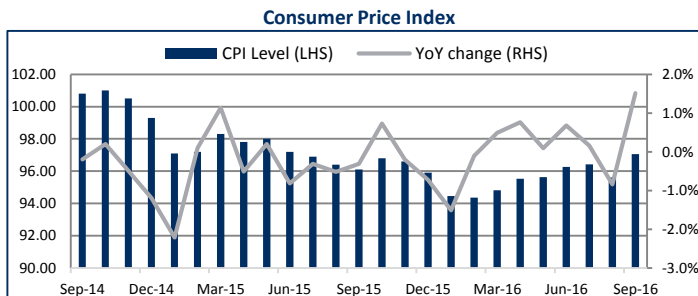


Lebanon Inflation Watch – September 2016

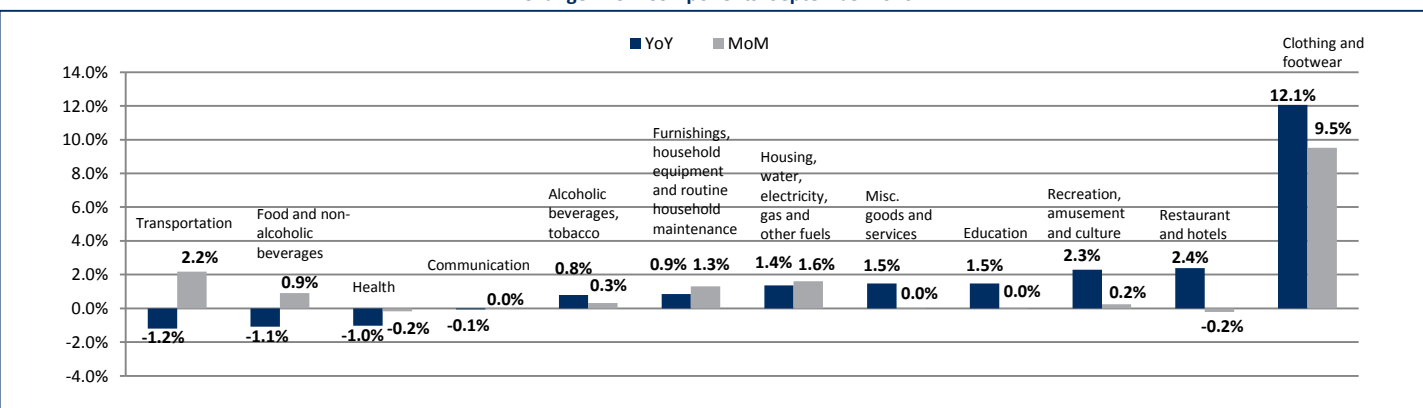
LEBANON'S CONSUMER PRICE INDEX (CPI) up +1.0% YoY in September 2016:

Lebanon's Consumer Price Index up +1.0% YoY to 97.06 in September 2016 from 96.07 in September 2015 and up +1.5% MoM from 95.61 in August 2016 (according to a revised version from CAS). The biggest drivers YoY were clothing and footwear which increased +12.1% (+9.5% MoM), education which increased +1.5% (flat MoM), housing, water, electricity, gas and other fuels which increased +1.4% (+1.6% MoM) and food and non-alcoholic beverages which decreased -1.1% (+0.9% MoM).

According to the IMF, inflation in Lebanon was +4.8% for 2013, +1.9% for 2014 and -3.7% for 2015 and estimated at -0.7% for 2016 and +2.0% for 2017 (using end of period prices).

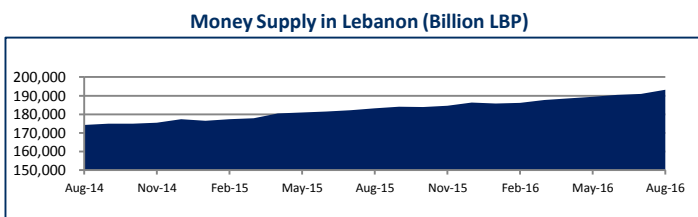


Change in CPI Components: September 2016



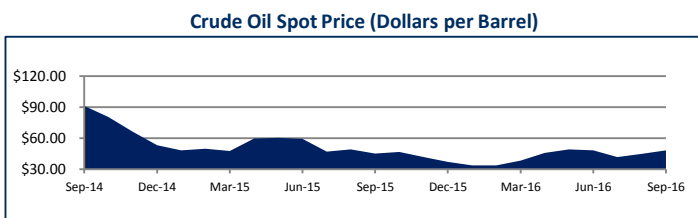
MONEY SUPPLY IN LEBANON

M3 increased +5.5% YoY to LBP 193,180 billion (USD 128.1 billion) in August 2016 from LBP 183,185 billion (USD 121.5 billion) in August 2015 and up +1.2% MoM from LBP 190,891 billion (USD 126.6 billion) in July 2016. 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. Net foreign assets were up +1.1% YoY (+5.3% MoM), net claims on public sector were up +11.8% YoY (-2.9% MoM) and claims on private sector were up +7.0% YoY (+0.8% MoM).



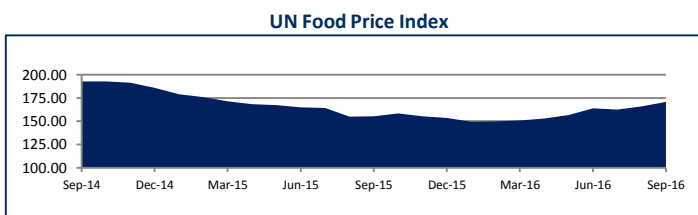
CRUDE OIL SPOT PRICE

WTI Cushing spot price increased +7.0% YoY and +7.9% MoM to \$48.24 per barrel in September 2016. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price was up +1.4% YoY and +4.3% MoM to \$49.06 per barrel. Oil prices rose in September after OPEC members reached an agreement to cut output as well as large drawdown in crude inventories throughout the month despite IEA report indicating that global oil demand growth is slowing at a faster-than-expected pace.



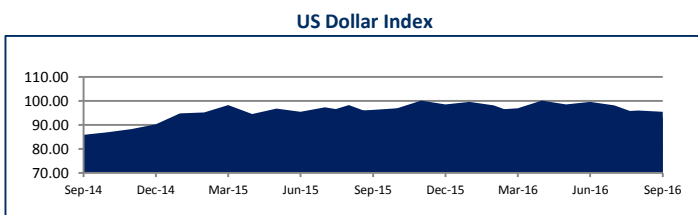
UN FOOD PRICE INDEX

UN Food Price Index increased +10.0% YoY in September 2016 to 170.86 from 155.27 in September 2015 and +2.9% from its August value. The UN Food Price Index measures the price of global food staples. The price of sugar was up +81.0% YoY followed by oil up +28.1% and dairy up +23.7%, while the price of cereals was down -8.9% and meat down -2.4%. The price of dairy rose by +13.8% in September resulting from worries around declining production, while the price of sugar increased +6.7% on the back of bad weather conditions in Brazil and weaker supplies in other countries.



US DOLLAR INDEX

US Dollar Index decreased -0.9% YoY and -0.6% MoM to \$95.46 in September 2016. The US Dollar Index measures the value of the US Dollar against a basket of the world's most widely held currencies. The US Dollar Index softened in September following Fed's decision to keep interest rates unchanged yet lowering federal funds rate projections in addition to weaker-than-expected US macro data. A stronger Yen after the BoJ's decision to take control of long-term yields also weighed on the US Dollar Index.



Source: CAS, BDL, Bloomberg



Contacts

Head of Research: Nadim Kabbara, CFA

n.kabbara@ffapivatebank.com +961 1 985195

Analyst: Anna Maria Chaaoui

a.chaaoui@ffapivatebank.com +961 1 985195

Analyst: Nadine Mezher

n.mezher@ffapivatebank.com +961 1 985195

Sales and Trading, FFA Private Bank (Beirut)

+961 1 985225

Sales and Trading, FFA Dubai Ltd (DIFC)

+971 4 3230300

FFA Private Bank s.a.l.

One FFA Gate - Marfaa 128 - Foch Street
Beirut Central District
PO Box 90-1283 - Beirut - Lebanon
Tel: +961.1.985 195
Fax: +961.1.985 193
<http://www.ffapivatebank.com>

FFA Dubai Ltd

Building 5 – Office 410
Gate Precinct
Dubai International Financial Centre (DIFC)
PO Box 506567 - Dubai - UAE
Tel: +971.4.363 74 70
Fax: +971.4.363 74 71
<http://www.ffadubai.com>

Disclaimer

This document has been issued by FFA Private Bank ("FFA") for informational purposes only. It does not constitute an offer or a solicitation to buy or sell the securities mentioned or to participate in any particular trading or investment strategy. Although the information herein is believed to be reliable and has been obtained from sources believed to be reliable, FFA makes no guarantee or warranty to the accuracy and thoroughness of the information mentioned and accepts no responsibility or liability for damages incurred as a result of opinions formed and decisions made based on information or opinions presented in this document. FFA makes reasonable efforts to provide accurate information and projections. However, certain statements in this document may constitute forward-looking statements or statements which may be deemed or construed to be forward-looking statements. These forward-looking statements involve, and are subject to known and unknown risks, uncertainties and other factors which could cause the actual results, performance (financial or operating) or achievements to differ from the future results, performance (financial or operating) or achievements expressed or implied by such forward-looking statements. Therefore, FFA accepts no responsibility or liability for damages incurred as a result of opinions formed and decisions made based on these forward-looking statements, estimates and projections. The financial instruments discussed in this document may not be suitable for all investors and this document does not take into account particular investment objectives, financial situation or specific needs. Therefore, investors must make their own informed investment decisions. Investment transactions can lead to losses as a result of price fluctuations and other factors. One should therefore consider the appropriateness of the information provided herein in light of his own objectives, financial situation or needs before acting on the information. Opinions, estimates and projections expressed herein constitute the current judgment of the author as of the date of this document. They are subject to change without prior notice. FFA has no obligation to update, modify or amend this document or to otherwise notify a recipient thereof if any opinion, forecast, projection or estimate contained herein changes or subsequently becomes inaccurate.