

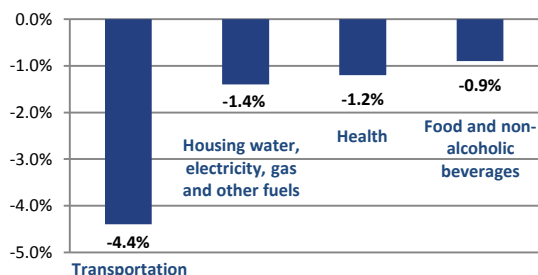
LEBANON INFLATION WATCH: December 2014

LEBANON'S CONSUMER PRICE INDEX (CPI) down -1.2% MoM in December 2014:

Lebanon's Consumer Price Index decreased -1.2% MoM from 100.5 in November 2014 to 99.3 in December 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.

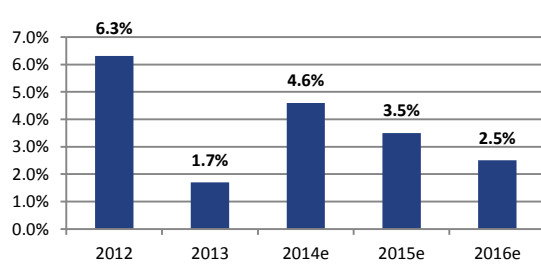
The biggest drivers MoM were transportation which decreased -4.4%, housing water, electricity, gas and other fuels which decreased -1.4%, health which decreased -1.2%, and food and non-alcoholic beverages which decreased -0.9%. The cost of transportation was the major driver of the index, as it represents 13.1% of the index's weight and changed more over the November-December period than any other component. However, other components of the index increased like alcoholic beverages, tobacco up 2.1%, clothing and footwear up 0.6%, communication up 0.5%, recreation, amusement and culture up 0.2%, restaurant & hotels up 0.2%, and miscellaneous goods & services up 0.1%. Furnishings, household equipment and routine household maintenance, and education remained unchanged.

CPI Main Drivers MoM: December 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).

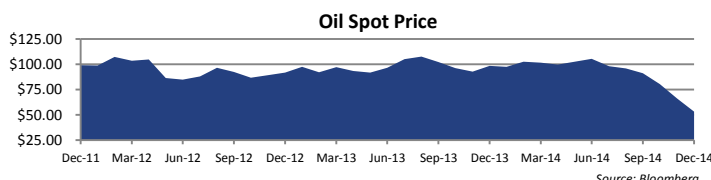
MONEY SUPPLY IN LEBANON

M3 remained flat MoM at 175,573 billion Lebanese pounds (USD 116.5 billion) in November 2014 and was up 6.5% YoY from 164,827 billion Lebanese pounds (USD 109.3 billion) in November 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

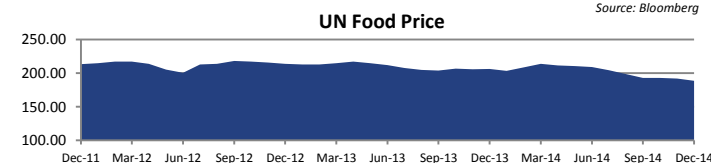
OIL SPOT PRICE

WTI Cushing spot price decreased -19.5% MoM and -45.9% YoY to \$53.27 per barrel. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price decreased -18.3% MoM and -48.3% YoY to \$57.33 per barrel. Oil prices declined, as improved refinery throughput could not offset rising production and macroeconomic weakness driving the supply/demand imbalance higher.



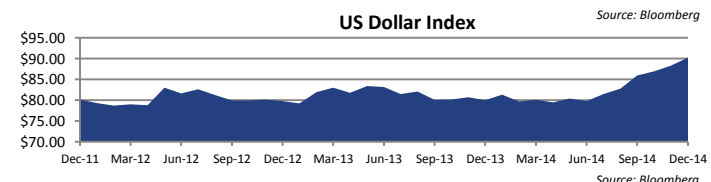
UN FOOD PRICE

UN Food Price Index declined further -1.7% MoM and -8.5% YoY to 188.63. The UN Food Price Index measures the prices of global food staples. Food prices reached their lowest levels, underpinned by strong harvests, large inventories and stronger US dollar.



US DOLLAR INDEX

US Dollar Index was up 2.2% MoM and 12.8% YoY to \$90.27. 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 continued to strengthen in December, supported by stronger US macro data, tighter relative monetary policy, and expectations of higher rates.



Lebanon December 2013 =100	Monthly Change	December 2014 Index	November 2014 Index	Weights
Food and non-alcoholic beverages	-0.9%	101.3	102.3	20.6
Alcoholic beverages, tobacco	2.1%	110.7	108.4	1.6
Clothing and footwear	0.6%	119.2	118.4	5.4
Housing water, electricity, gas and other fuels	-1.4%	99.6	101.1	28.5
Furnishings, household equipment and routine household maintenance	0.0%	101.5	101.5	3.7
Health	-1.2%	100.0	101.2	7.8
Transportation	-4.4%	91.5	95.7	13.1
Communication	0.5%	76.4	76.0	4.6
Recreation, amusement, and culture	0.2%	102.1	101.9	2.3
Education	0.0%	104.5	104.5	5.9
Restaurant & hotels	0.2%	103.3	103.2	2.6
Miscellaneous goods & services	0.1%	101.7	101.6	4.0
Consumer Price Index	-1.2%	99.3	100.5	100.0

Source: CAS

For more information, please contact:

FFA Private Bank - Beirut
Research Department
+961 1 985 195

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