

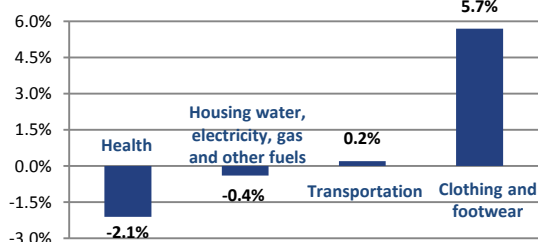
LEBANON INFLATION WATCH: February 2015

LEBANON'S CONSUMER PRICE INDEX (CPI) up 0.1% MoM in February 2015:

Lebanon's Consumer Price Index up 0.1% MoM from 97.1 in January 2015 to 97.2 in February 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.

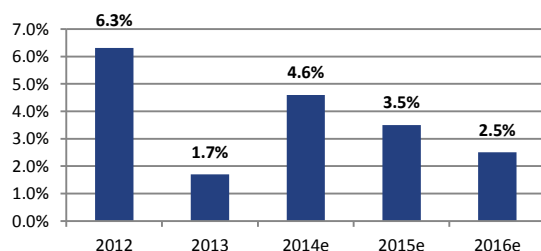
The biggest drivers MoM were clothing and footwear which increased 5.7%, transportation which increased 0.2%, housing water, electricity, gas and other fuels which decreased -0.4%, and health which decreased -2.1%. The cost of clothing and footwear was the major driver of the index, as it represents 5.4% of the index's weight and changed more over the January-February period than any other component. Other components of the index increased like furnishings, household equipment and routine household maintenance up 0.3%, recreation, amusement, and culture up 0.3%, food and alcoholic beverages up 0.1%, restaurant & hotels up 0.1%, and miscellaneous goods & services up 0.1%. Alcoholic beverages, tobacco, education and communication remained unchanged.

CPI Main Drivers MoM: February 2015



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).

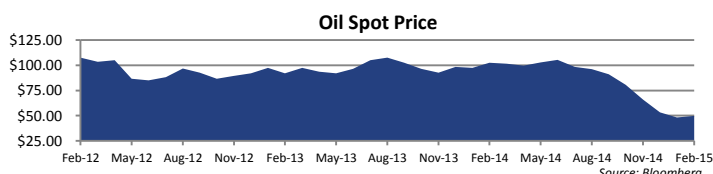
MONEY SUPPLY IN LEBANON

M3 remained almost flat MoM at 176,583 billion Lebanese pounds (USD 117.1 billion) in January 2015 and was up 5.6% YoY from 167,232 billion Lebanese pounds (USD 110.9 billion) in January 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

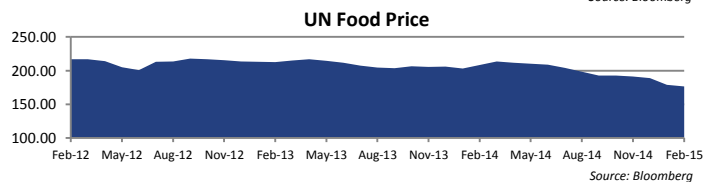
OIL SPOT PRICE

WTI Cushing spot price increased 3.2% MoM yet decreased -51.5% YoY to \$48.24 per barrel. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price increased 18.1% MoM yet decreased -42.6% YoY to \$62.58 per barrel. Oil prices moved up for the first time since June 2014 from news of continued declines in crude oil rig counts and capex reductions by major oil producers.



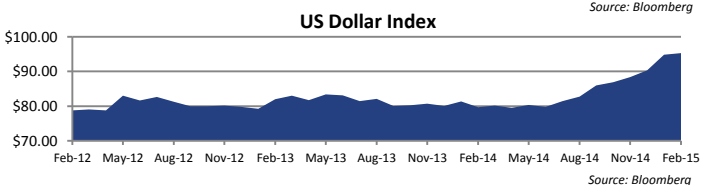
UN FOOD PRICE

UN Food Price Index declined further -1.4% MoM and -15.4% YoY to 176.43. The UN Food Price Index measures the prices of global food staples. Food prices reached their lowest levels, underpinned by robust inventories, weak oil prices and stronger US dollar.



US DOLLAR INDEX

US Dollar Index nudged up 0.5% MoM and increased 19.6% YoY to \$95.29. 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 February (hitting an 11-year high), supported by stronger US macro data, tighter relative monetary policy, and expectations of higher rates.



Lebanon December 2013 =100	Monthly Change	February 2015 Index	January 2015 Index	Weights
Food and non-alcoholic beverages	0.1%	102.9	102.8	20.6
Alcoholic beverages, tobacco	0.0%	110.8	110.8	1.6
Clothing and footwear	5.7%	109.1	103.2	5.4
Housing water, electricity, gas and other fuels	-0.4%	96.5	96.9	28.5
Furnishings, household equipment and routine household maintenance	0.3%	102.0	101.7	3.7
Health	-2.1%	97.0	99.0	7.8
Transportation	0.2%	86.0	85.8	13.1
Communication	0.0%	76.3	76.3	4.6
Recreation, amusement, and culture	0.3%	102.2	101.9	2.3
Education	0.0%	104.6	104.5	5.9
Restaurant & hotels	0.1%	103.9	103.8	2.6
Miscellaneous goods & services	0.1%	102.5	102.3	4.0
Consumer Price Index	0.1%	97.2	97.1	100.0

Source: CAS

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