

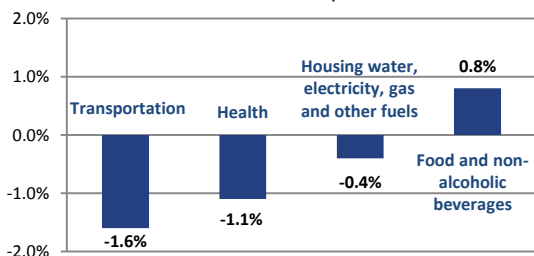
LEBANON INFLATION WATCH: September 2014

LEBANON'S CONSUMER PRICE INDEX (CPI) down -0.2% MoM in September 2014:

Lebanon's Consumer Price Index decreased -0.2% MoM from 101.0 in August 2014 to 100.8 in September 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.

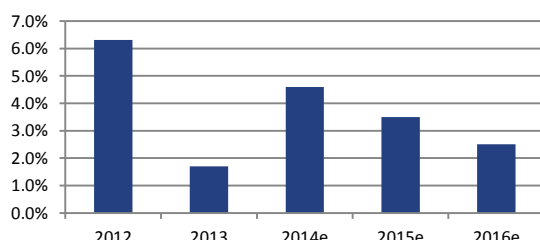
The biggest drivers MoM were food and non-alcoholic beverages which increased 0.8%, housing water, electricity, gas and other fuels which decreased -0.4%, health which decreased -1.1% and transportation which decreased -1.6%. The cost of transportation was the major driver of the index, as it represents 13.1% of the index's weight and changed more over the August-September period than any other component. Other components of the index also changed like restaurant & hotels which increased 0.3%, communication up 0.2%, recreation, amusement and culture up 0.1%, miscellaneous goods & services up 0.1%, and clothing and footwear down -0.6%. Alcoholic beverages, tobacco, furnishings, household equipment and routine household maintenance, and education remained unchanged.

CPI Main Drivers MoM: September 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).

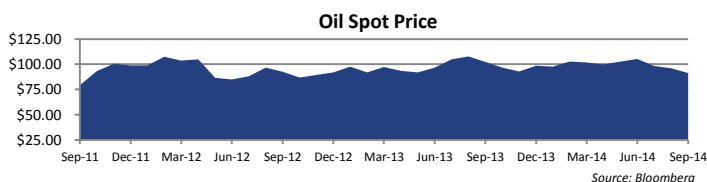
MONEY SUPPLY IN LEBANON

M3 edged up 0.04% MoM at 174,302 billion Lebanese pounds (USD 115.6 billion) in August 2014 and was up 6.8% YoY from 163,227 billion Lebanese pounds (USD 108.3 billion) in August 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

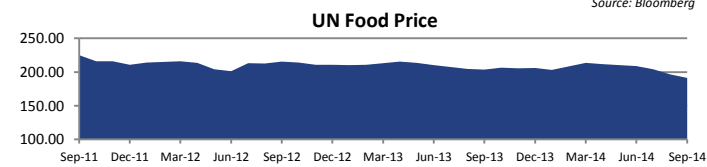
OIL SPOT PRICE

WTI Cushing spot price decreased -5.0% MoM to \$91.16 per barrel. YoY, it decreased -10.9%. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price decreased -8.3% MoM and -12.6% YoY to \$94.67 per barrel. Oil saw a steep decline in September on account of fears including a slowing global economy, increased oil production by key energy players, and refinery turnarounds.



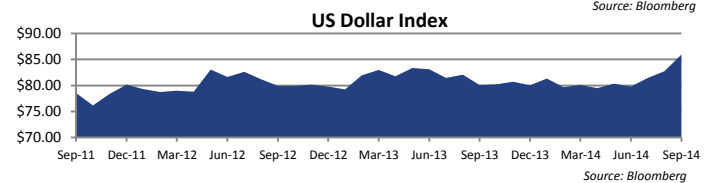
UN FOOD PRICE

UN Food Price Index was down -2.6% MoM to 191.51 and -6.0% YoY. The UN Food Price Index measures the prices of global food staples. Falling food prices underpinned by stronger crop forecasts and abundant inventories.



US DOLLAR INDEX

US Dollar Index was up 3.9% MoM to \$85.9 and 7.3% YoY. The US Dollar Index measures the value of the US Dollar against a basket of the world's most widely held currencies. The stronger dollar has been supported by stronger US macro data and prospects of higher rates.



Lebanon December 2013 =100	Monthly Change	September 2014 Index	August 2014 Index	Weights
Food and non-alcoholic beverages	0.8%	100.7	99.9	20.6
Alcoholic beverages, tobacco	0.0%	105.9	105.9	1.6
Clothing and footwear	-0.6%	114.3	115.0	5.4
Housing water, electricity, gas and other fuels	-0.4%	102.8	103.2	28.5
Furnishings, household equipment and routine household maintenance	0.0%	101.4	101.3	3.7
Health	-1.1%	101.2	102.3	7.8
Transportation	-1.6%	99.7	101.3	13.1
Communication	0.2%	76.3	76.2	4.6
Recreation, amusement, and culture	0.1%	101.6	101.5	2.3
Education	0.0%	100.1	100.1	5.9
Restaurant & hotels	0.3%	102.5	102.2	2.6
Miscellaneous goods & services	0.1%	101.5	101.5	4.0
Consumer Price Index	-0.2%	100.8	101.0	100.0

Source: CAS

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