

News Release

Purchasing Managers' Index™

MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI™

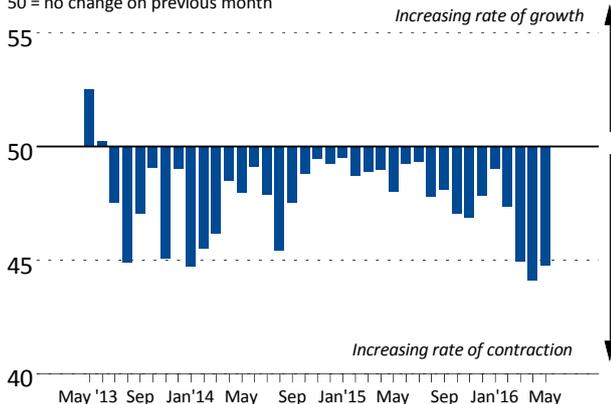
PMI signals further sharp deterioration in business conditions

Data collected 12-24 May

- **Output falls at a rate close to April's survey record**
- **Job losses recorded for third month in a row**
- **Weak demand leads to further drop in output prices**

BLOM Lebanon PMI

50 = no change on previous month



This report contains the thirty-second public release of data collected from the monthly survey of business conditions in the Lebanese private sector. The survey, sponsored by Blominvest Bank and compiled by Markit, has been conducted since May 2013 and provides an early indication of operating conditions in Lebanon. The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™).

The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

May saw a further sharp deterioration in the health of Lebanon's private sector economy. The headline

seasonally adjusted BLOM Lebanon PMI registered 44.8 at the mid-way point of the second quarter, up only slightly from April's survey-record low of 44.1. The index has remained below the 50.0 no-change mark for 35 months in a row.

Commenting on the May 2016 PMI results, Maya Mantach, Head of Equity Research at BLOMINVEST Bank, said:

"The long lingering slowdown in the economic situation is starting to show an aggravating cumulative effect. In the last couple of months, the PMI results have clearly drawn a steeper downward trend. Domestic demand is rapidly waning, exports orders are diminishing, and these are in turn affecting pricing and employment levels. This cycle can quickly become vicious in the absence of structural reforms. The private sector has lost its ability to rebound solely on good news or stabilization of security; the government can no longer afford to remain idle."

The main findings of May's survey were as follows:

There were steep contractions in both output and new business in May, which was linked by panel members to ongoing political and security issues, as well as a lack of tourism and generally difficult economic conditions. Although the respective rates of decline eased since April, they remained among the fastest recorded since the survey began in May 2013. New export business dropped for the tenth month in a row.

Weakness on the demand side continued to affect businesses' price setting and employment strategies.

Average prices charged for goods and services fell for the fourteenth consecutive month in May amid attempts to stimulate new work. The rate of decline was moderate and broadly in line with that seen in April.

Meanwhile, job losses were recorded across Lebanon's private sector economy for the third straight month, though the rate of staff shedding remained modest.

May's survey data showed little change in average costs faced by businesses, as a slight fall in staff pay helped to counter a rise in purchase prices – the first in eight months.

Quantities of purchases made by private sector companies in Lebanon decreased in May, continuing the trend seen since February. The reduction in buying activity contributed to a slight improvement in suppliers' delivery times. Inventory levels continued to rise, albeit at the slowest rate seen in three months.

Finally, the amount of work-in-hand (both in progress and not yet started) among private sector companies showed a further marked fall in May, highlighting downside risks to employment and output in the near term.

-Ends-

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Note to Editors:

The BLOM Lebanon Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Lebanese economy, including manufacturing, services, construction and retail. The panel is stratified GDP and company workforce size. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index™ (PMI™) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

About BLOMINVEST BANK

BLOMINVEST BANK, established in 1994, is the investment arm of BLOM Bank SAL, one of the largest banks in Lebanon. As part of its expansionary vision towards the MENA region, the bank has established one investment arm in Saudi Arabia, "BLOMINVEST KSA" and launched three brokerage and trading firms in Egypt, Syria, and Jordan, namely "BLOM Bank Egypt Securities", "Syria and Overseas for Financial Services", and "Financial Services Experts Company". BLOMINVEST BANK is one of few institutions within the greater Levant region that offer Private banking, Investment banking, Asset Management, Brokerage, and Research services under one roof. Based on its track record, BLOMINVEST BANK to date remains the most awarded local investment bank. For more information, see www.blominvestbank.com.

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 30 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics.

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