

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI™

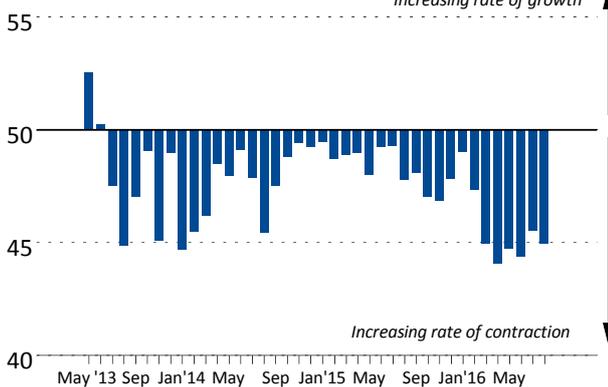
PMI shows further deterioration in private sector business conditions

Data collected 12-24 August

- **Headline PMI at 45.0, down from July's 45.5**
- **Output and new orders fall at faster rates**
- **Businesses continue to trim staff numbers**

BLOM Lebanon PMI

50 = no change on previous month



Sources: IHS Markit, Blominvest Bank

This report contains the thirty-fifth 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.

The headline BLOM Lebanon PMI registered 45.0 in August, down from July's 45.5. That signalled a further

worsening of overall operating conditions across Lebanon's private sector economy, with the rate of deterioration accelerating slightly and remaining faster than the long-run survey average.

Commenting on August's 2016 PMI, Dr Ali Bolbol, Economic Advisor at BLOMINVEST Bank, said:

"There were no surprises in August's 2016 PMI results for Lebanon. Headline PMI fell to 45 from 45.5 recorded in July 2016, signifying a slightly faster deterioration in business conditions. All sub-indices performed badly, with the sharpest declines registered for output and new orders. Particularly worrying was the decrease in the prices for final goods and services, the sharpest since March 2016. This is because it translates to further increases in real interest rates, making it harder for businesses to manage their cash flow and to service their debt. If only politicians can read intelligently these endless deteriorating business conditions, and provide the country with the needed political and economic respite."

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

Private sector companies recorded a drop in business activity in August, in line with the trend observed in each month since June 2013. Survey evidence suggested that political uncertainty and cash flow issues acted to weigh on market demand, which was manifested in a further decrease in the level of new business received by firms. Moreover, both output and new orders fell at slightly faster rates than in July.

Adding to the picture, August saw a reduction in the amount of new work received from abroad, the thirteenth in as many months.

With companies recording falling inflows of new orders as well as lower levels of work-in-hand, further job

losses were reported across the private sector economy in August. The extent of the decrease in employment was only marginal, and the weakest recorded in six months.

Quantities of purchases among Lebanon's businesses fell for a seventh consecutive month in August. That said, similar to employment, the rate of decline was the slowest seen since February. Meanwhile, inventory levels rose at the fastest pace since March.

Lower purchasing activity contributed to an improvement in supplier performance in August, with average lead times now having decreased in four of the past five months.

Elsewhere, August's survey showed a decrease in average prices charged for goods and services, amid reports from panellists of strong competitive pressures and efforts to secure new business. The reduction in output prices was the steepest seen since March, belying a further (albeit slower) increase in input costs, which was in turn partly reflective of higher prices paid for purchases. Average staff costs were broadly unchanged compared with the month before.

-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/product/pmi.

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