

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI®

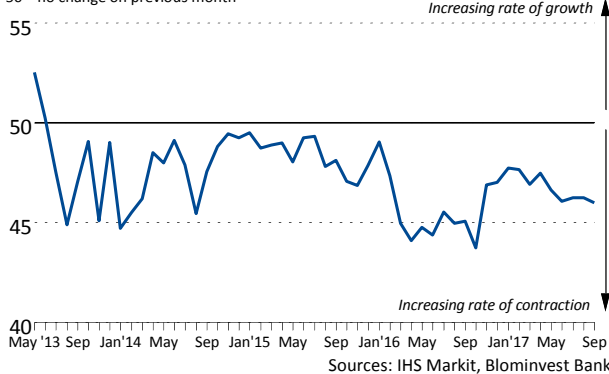
September sees further deterioration in private sector performance

Data collected September 12-25

- **PMI slips to 11-month low of 46.0**
- **Faster falls in output and new orders**
- **Firms' costs show sharpest rise in four years**

BLOM Lebanon PMI

50 = no change on previous month



This report contains the latest 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 IHS 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.

September saw a further deterioration in private sector business performance in Lebanon. This was signalled by the headline BLOM Lebanon PMI registering a reading of 46.0, down slightly from August's 46.3 and its lowest position in 11 months.

Commenting on the September 2017 PMI results, Dr Ali Bolbol, Chief Economist at BLOMINVEST Bank, said:

"PMI was again discouraging in September 2017, recording a level of 46, the lowest in eleven months. Weak demand produced faster declines in the output and new orders indices, and a stronger euro and more expensive material costs increased the input costs indices. Overall, the business environment seems to have been adversely affected by the state of public finances and the uncertainties regarding the new taxes, in addition to the downgrade of sovereign credit rating by Moodys. Reversing all these trends should be the first order of business by the government if the PMI were to assume an upward course in the near future."

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

The level of business activity among Lebanese firms fell sharply at the end of the third quarter, with the rate of contraction accelerating to the fastest seen since October 2016. The downturn reflected a further reduction in demand for goods and services, which the survey's respondents in turn linked to political uncertainty, weakening economic conditions and cash-flow problems.

New export orders also decreased in September – falling for the twenty-sixth month running – to add to the weakness in domestic demand.

With many firms expecting the current challenges to persist, the consensus view remained that business activity would fall further in the next 12 months.

The labour market was again negatively affected by the lack of workplace activity and subdued business confidence, with firms (on average) electing to reduce staffing numbers. That said, the overall extent of the decrease in private sector employment was only slight.

The level of purchasing activity among businesses also fell during the month. However, inventories of raw materials and unsold items continued to accumulate due to falling output and lower sales.

On the price front, September's survey showed a further moderate drop in average prices charged for goods and services, with the rate of decline little-changed since August and broadly in line with the historical trend (since May 2013).

That was despite firms facing a notable increase in cost pressures during the month, linked to higher prices paid for purchases. The overall rate of cost inflation was the fastest seen for four years. Average staff pay was meanwhile unchanged, after having risen fractionally in August.

-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.

IHS 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 IHS Markit. Please contact economics@ihsmarkit.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 40 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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