

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI®

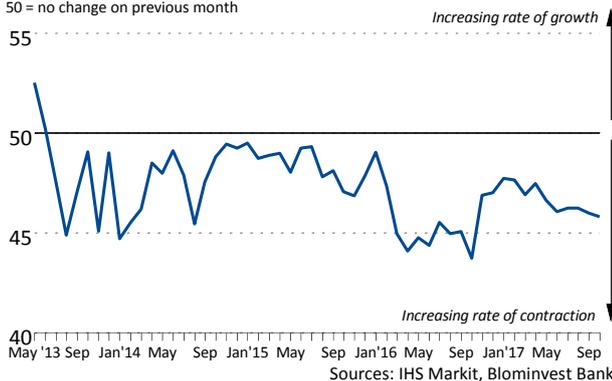
Health of private sector deteriorates at start of fourth quarter

Data collected October 12-25

- **PMI moves to a 12-month low of 45.8**
- **Falls in output and new orders lead to further job losses**
- **Higher purchase prices add to pressure on margins**

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.

The health of Lebanon's private sector economy deteriorated at the start of the fourth quarter. The headline BLOM Lebanon PMI registered its lowest reading for 12 months at 45.8 in October, down from September's 46.0, reflecting faster falls in output, new orders and employment.

Commenting on the October 2017 PMI results, Myrna Chami, Senior Economist at BLOMINVEST Bank, said:

"The lack of business activity persisted during the tenth month of the year on the back of weak domestic demand and confidence levels. In reality, prospects of the Lebanese private companies remained pessimistic in October amidst the prevailing challenges. Concerns related to state finances in line with the salary scale and the accompanying tax hikes seem to have negatively affected the business environment. Structural reforms are crucial now and should be put in place as soon as possible to restore confidence and boost investment."

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

Rates of decline in output and new orders were sharp and the fastest seen since October last year. The survey found that political instability and a difficult economic situation had weighed on demand and activity. Adding to the picture, new export business also fell during the month, albeit only modestly and at the weakest pace since June.

Lower workplace activity in turn led businesses to scale back their workforce numbers during October, marking a twentieth successive month of job losses. Moreover, the extent to which employment fell was the greatest seen for a year.

Purchasing activity among Lebanese businesses also decreased during the month, though inventory levels continued to rise in line with weaker sales. Suppliers' delivery times meanwhile increased slightly on average and for the first time since June, which anecdotal evidence attributed to delays in clearing goods at harbours.

Elsewhere, October's survey showed an easing in the rate of decline in prices charged for goods and services, to the weakest seen in almost two years. A number of businesses offered discounts amid strong competitive pressures and generally weaker demand, but an added squeeze on margins from rising costs restricted firms' ability to lower charges.

Average input costs rose for the second month in a row in October. This reflected an increase in purchase prices, which was in turn linked to fiscal pressures and higher merchant charges. Although moderate, the overall rate of cost inflation was the highest seen since September 2013.

Meanwhile, firms' expectations towards future output grew increasingly pessimistic, with many foreseeing the continuation of current challenges.

-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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