

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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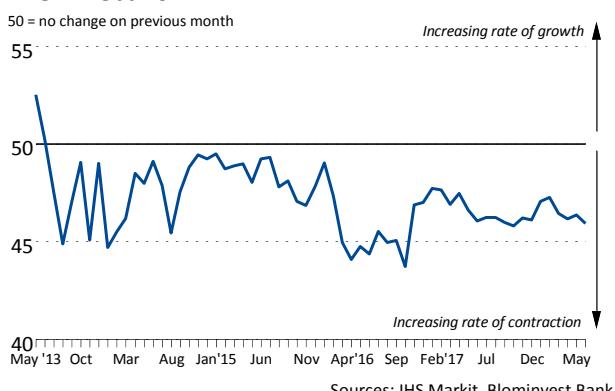
BLOM Lebanon PMI®

Lebanon PMI drops to eight-month low of 46.0 in June

Data collected June 12-25

- **Faster contractions in output and new orders recorded**
- **Employment shows fourth straight monthly fall**
- **Rate of decline in output prices eases**

BLOM Lebanon PMI



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.

Business conditions continued to worsen across Lebanon's private sector economy at the end of the second quarter. This was signalled by the headline BLOM Lebanon PMI registering a reading of 46.0, down from 46.4 in May and the lowest figure seen since October 2017.

Commenting on the June 2018 PMI results, Marwan Mikhael, Head of Research at BLOMINVEST Bank, said:

"Private sector activity continues to deteriorate. The implied real GDP growth rate derived from the PMI is a mere 1.3% for the first half of 2018, coupled with a crowding out of the private sector reflected by a decline in the value of loans to the private sector up to April. This highlights the importance of a quick formation of a new government and the kick-off of reforms in order to restore confidence in the economy and attract investors."

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

The challenging business environment was underlined by a sharp and accelerated drop in inflows of new orders in June. Reports from surveyed businesses indicated that political instability continued to curb demand, while there were also reports of cash flow problems exacerbating the situation. Furthermore, reflecting instability in the wider region, the level of new orders from abroad also fell during the month.

As was the case for new orders, the level of total output across Lebanon's private sector economy contracted at a faster rate in June. The pace at which business activity declined was in fact the quickest seen in 2018 so far.

The survey also revealed a gloomy outlook for output in the year ahead, with firms in general expecting a drop in business activity over the next 12 months.

With activity in contraction and fewer new orders received, companies continued to scale back both their employment and purchasing during June. Whereas staffing levels fell only slightly, the rate of decline in buying activity was the quickest seen since October 2016.

Subdued demand conditions also resulted in a further decrease in average prices charged for goods and services in June, the fourth in as many months. That said, the rate of decline was the weakest in this sequence and only marginal overall. Cost pressures faced by businesses meanwhile remained subdued, with input prices up only slightly amid a fractional increase in the cost of purchased items. Average salaries were unchanged on the month.

Elsewhere, latest survey data showed a third consecutive monthly improvement in supplier delivery times, which panellists attributed to a lack of demand for inputs.

-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 <https://ihsmarkit.com/products/pmi.html>.

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