

## News Release

### Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

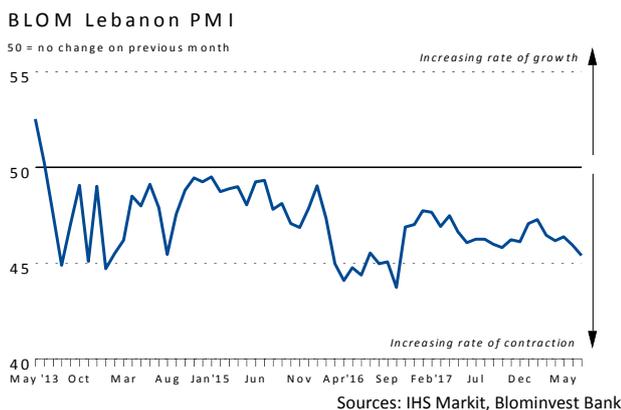
EMBARGOED UNTIL: 11:00 (BEIRUT) / 08:00 (UTC), August 3<sup>rd</sup> 2018

## BLOM Lebanon PMI®

### Private sector economy shrinks at fastest pace since October 2016

Data collected July 12-25

- **Output and new business fall at faster rates**
- **Regional instability weighs on export demand**
- **Pessimistic outlook towards future business activity retained**



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 in Lebanon's private sector economy deteriorated to a sharper extent at the start of

the third quarter. This was signalled by the headline BLOM Lebanon PMI falling from 46.0 in June to 45.4 in July, marking the lowest reading since October 2016.

**Dr Ali Bolbol, Chief Economist at BLOM Bank, commented the following on BLOM Lebanon PMI's July 2018 result:**

*"The July 2018 BLOM Lebanon PMI makes for a depressive reading of the index. The PMI fell to 45.4, its lowest since October 2016; and what is equally discouraging is that all sub-indices settled at below 50, with the exception of the Stocks of Purchases Index. Not surprisingly, to be blamed are cash flow problems, regional instability, and an uncertain domestic political climate. Hopefully, at least the latter could be turned around with the urgent formation of a new government and the serious tackling of the dire economic conditions."*

#### The main findings of July's survey were as follows:

According to panellists, the uncertain political landscape, combined with cash flow issues, reportedly weighed on demand conditions in July. Survey data signalled the sharpest decline in new business for 21 months. Sales to international clients were also reduced, as instability at a broader regional level impacted foreign demand.

With order book volumes declining at a more rapid pace, Lebanese private sector businesses reduced output accordingly. July's fall in activity was the strongest since October 2016.

In line with falling workloads, pressures on the supply chain were vacant during July, with average lead times for the delivery of inputs falling. Backlogs of work were also cleared as a result of reduced new business inflows.

Looking ahead, surveyed companies were largely pessimistic regarding future output prospects. Panellists anticipate that political uncertainty will continue to impact business activity.

Projections of weaker output coincided with another month of job shedding. Employment has now fallen for five successive survey periods. Businesses also pared back their purchasing activity in line with subdued demand. Input buying was reduced at the quickest pace since April 2016.

Average prices charged for goods and services were reduced by Lebanese private sector firms in July, in line with lacking demand pressures. That said, the rate of decrease eased for a third month running and was only fractional overall. Meanwhile, overall prices paid for inputs declined at a similar pace to that of output charges. Furthermore, the cost for staff and purchased items were both reported to have fallen marginally.

-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](mailto: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](http://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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