

News Release

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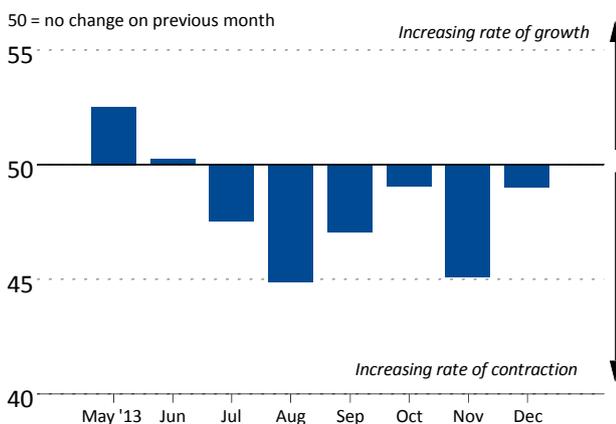
BLOM Lebanon PMI™

Downturn in Lebanese economy continues at end of 2013

Data collected 5-16 December

- **BLOM PMI™ rises to 49.0 in December**
- **Rates of contraction in output and new orders slow sharply**
- **Employment falls following recent economic contraction**

BLOM Lebanon PMI



This report contains the third public release of data collected from the new 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 December survey signalled a substantial easing in the rate of contraction of the Lebanese economy. This was highlighted by the seasonally adjusted BLOM PMI™ rising to 49.0, up from 45.1 in November. Although the PMI remained below the 50.0 no-change mark – signalling a deterioration in the health of the economy – it now stands at a level indicative of only a modest pace of decline.

Commenting on the latest survey findings, Marwan Mikhael, Head of research at BLOMINVEST Bank said:

“Although the PMI reading of 49 for December, below the 50 mark, does not mean an end to the deterioration in overall business conditions that has now stretched to six months, it does however suggest that the recession may be almost over. Many sub-indices of the survey were above the 50 mark, including output prices, backlogs of work, new export orders, etc. Moreover the official data had started to indicate some pick-up in economic activity, however the recent security incidents may again hinder the nascent recovery.”

The main findings of the December survey were as follows:

December data signalled a slight fall in overall economic output, a stark contrast to the severe reduction reported in the prior month. Companies indicated that although political and security concerns were still having a noticeable impact, they had weighed less heavily on business activity than during November. However, panellists also noted that weak demand continued to undermine output.

The level of incoming new orders declined at a solid pace during the latest survey period, albeit to a much lesser extent than one month earlier. The difficult political and economic situation in the north of the country continued to be felt in the domestic market. A relatively brighter note was struck by the trend in new export orders, which stabilised following a seven-month period of continuous decline.

The recent poor trends in output and new orders filtered through to the labour market. Lebanese companies reported a reduction in employment for the first time in the eight months of survey data collection. However, the rate of job loss was only marginal, as some firms continued to raise capacity in order to help launch new product lines.

For the first time in the short survey history, Lebanese companies raised their average selling prices. The rate of output charge inflation was only minor, however, and reflected a combination of rising input costs and the launch of new improved product lines.

Average purchase prices rose on the back of a stronger euro on currency markets during December. In contrast, average wages and salaries fell slightly for the first time in the series history.

-Ends-

For further information, please contact:

BLOMINVEST Bank:

Marwan Mikhael, Head of Research

Telephone +961-173-7247

Fax +961-175-1953

Email marwan.mikhael@blominvestbank.com

Markit:

Rob Dobson, Senior Economist

Telephone +44-1491-461-095

Email rob.dobson@markit.com

Caroline Lumley, Director, Corporate Communications

Telephone +44-20-7260-2047

Mobile +44-781-581-2162

Email caroline.lumley@markit.com

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 by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. 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.

About Markit

Markit is a leading, global financial information services company with over 3,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial marketplace. For more information, see www.markit.com.

About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for 32 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/economics.

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