

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 11:00 (BEIRUT), 5<sup>th</sup> March 2014**

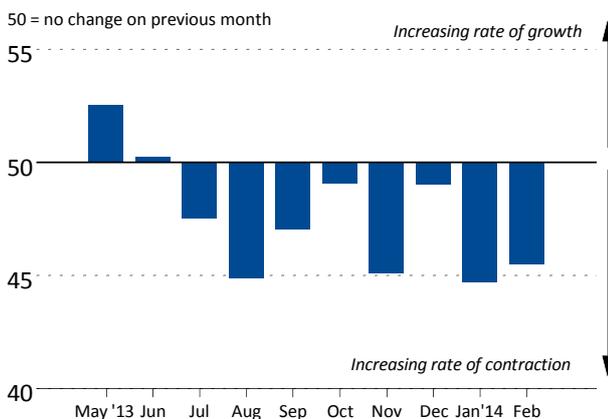
### BLOM Lebanon PMI™

#### PMI signals contraction in private sector economy

Data collected 12-24 February

- **BLOM PMI™ remains firmly in contraction territory, at 45.5**
- **Output and new order levels drop amid security issues**
- **Prices charged fall at faster rate**

#### BLOM Lebanon PMI



This report contains the fifth 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 health of Lebanon's private sector economy worsened during February, with the seasonally adjusted BLOM Lebanon PMI™ remaining well below the neutral 50.0 mark, at 45.5. Although this was higher than January's record low of 44.7, the reading nevertheless signalled a marked deterioration in overall performance.

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

*"Investors and private sector agents remain on the sidelines as political and security situations did not improve, and the new government is still not fully functional. As a result, the PMI continues to show a contraction in private sector activity with weakness in tourism, retail, and construction sectors pulling down the index. The number of tourists is falling and Arab investors in real estate are shying away following repetitive security warnings from their governments."*

**The main findings of the February survey were as follows:**

Security issues further dampened output levels during February, stretching the current sequence of contraction to nine months. The degree to which business activity decreased was sharp, albeit slightly less marked than in the preceding survey period. New order intakes were also much lower than one month before, in part reflecting a second straight monthly decrease in new export orders. Moreover, the latest drop in foreign sales was the sharpest since last September.

February also saw a return to net job shedding in the private sector economy after a slight rise in employment at the start of the year. Despite this (albeit only slight) loss of staffing capacity, outstanding business decreased to the greatest extent in the survey's ten-month history.

The quantity of items bought by private sector companies in Lebanon contracted for the third time in the past fourth months in February, falling in line with reduced output requirements and weaker inflows of new work. In turn, inventories decreased for the first time since the survey's inception in May 2013, albeit only fractionally. Suppliers' delivery times lengthened on average, which anecdotal evidence suggested was partly due to heightened security checks at borders and internal check points.

Finally, there was little change on the costs front in February. Average purchase prices increased fractionally, while staff costs were marginally lower than in January. The net impact was broadly no change in overall operating costs. Prices charged by private sector firms on the other hand fell at the fastest rate in five months. Discounting was primarily a consequence of attempts to boost new business.

-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 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](mailto: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](http://www.blominvestbank.com).

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**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](http://www.markit.com/economics).

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