

PMI signals marked contraction of private sector in November

Key findings:

- **Sharp declines in output and new orders**
- **New export orders fall further**
- **Companies reduce their selling prices**

This report contains the second 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.

November data signalled the fifth consecutive deterioration in overall operating conditions at Lebanon's private sector companies, with the BLOM PMI™ posting below the neutral 50.0 mark. Falling from October's 49.1 to 45.1, the rate of contraction picked up to the quickest in three months.

Lebanese private sector companies reported sharp declines in activity and new orders in November with rates of contraction accelerating markedly since October. Anecdotal evidence suggested that fragile economic and political conditions in the country accounted for most of the deterioration in these variables.

Client demand from foreign markets also weakened in November, with 10% of panellists indicating a drop in new export business.

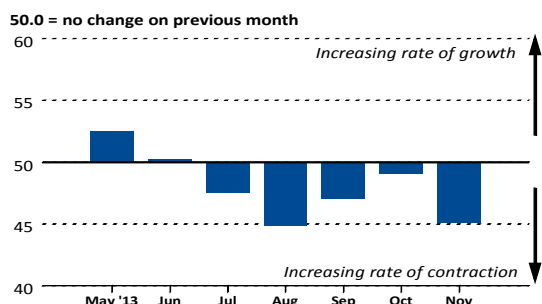
Staffing costs rose for the seventh successive month in November, albeit fractionally. Moreover, the vast majority of survey respondents reported no change to their staffing levels in the latest survey period.

Meanwhile, backlogs of work declined for the sixth month running in November. However, the rate of depletion eased to a marginal pace that was the weakest in the current sequence. A number of panellists suggested excess resources led to lower levels of work-in-hand.

Input costs rose fractionally in Lebanon's private sector, mainly linked to increased staff costs. Meanwhile, purchase prices were unchanged since the previous survey period. Despite a marginal rise in input costs, companies lowered their output charges amid reports of increased market competition.

Reduced volumes of new work led to a contraction of purchasing activity in November. Furthermore, the degree to which input buying fell was the sharpest in three months. In contrast, stocks of inputs continued to increase in November, though the rate of accumulation eased to a fractional pace and was the weakest in the short survey history.

Lebanon Purchasing Managers' Index™ (PMI™)



Purchasing Managers' Index			
		Unadj.	Seas. Adj.
2013	Sep	47.8	47.0
	Oct	48.6	49.1
	Nov	44.7	45.1

Index Summary

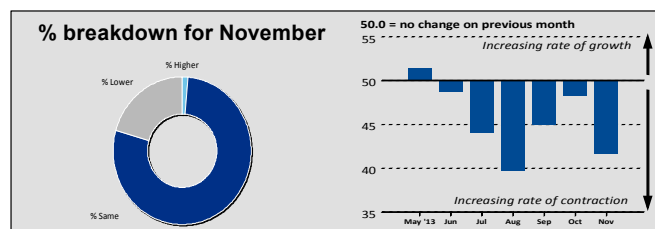
(seasonally adjusted, 50 = no change on previous month)

	PMI	Output	New Orders	Export Orders	Backlogs of Work	Employment	Output Prices	Overall Input Costs	Purchase Costs	Staff Costs	Delivery Times	Quantity of Purchases	Stocks of Purchases
Sep'13	47.0	45.0	43.0	43.1	46.8	50.5	46.3	52.7	53.0	50.1	48.9	49.9	51.3
Oct	49.1	48.3	47.2	47.1	48.9	50.1	49.8	51.3	51.5	50.4	49.7	50.8	53.0
Nov	45.1	41.6	40.3	46.4	49.4	50.2	48.2	50.2	50.0	50.7	49.6	48.4	50.2

Output Index

Q. Please compare your production/output this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2013	Jul	15.4	58.3	26.3	-10.9	44.5	44.1
	Aug	14.3	54.5	31.2	-16.9	41.5	39.8
	Sep	11.9	68.2	19.9	-8.0	46.0	45.0
	Oct	6.4	82.3	11.3	-4.8	47.6	48.3
	Nov	1.3	78.3	20.4	-19.2	40.4	41.6

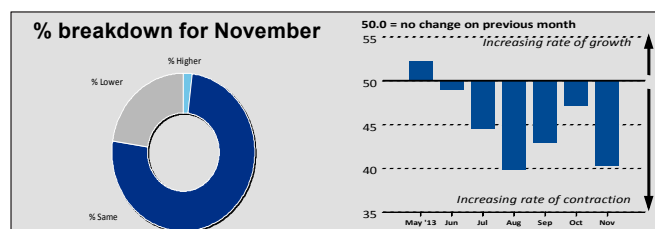


The seasonally adjusted Output Index signalled a further contraction of output across Lebanon's private sector economy in November, extending the current trend to six months. Furthermore, the rate of reduction accelerated from October to the sharpest in three months. According to anecdotal evidence, activity levels declined due to ongoing political and economic instability in the country and wider region.

New Orders Index

Q. Please compare the level of new orders received this month with the situation of one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2013	Jul	14.7	61.2	24.1	-9.4	45.3	44.6
	Aug	17.8	48.0	34.2	-16.4	41.8	39.9
	Sep	12.6	64.4	23.0	-10.3	44.8	43.0
	Oct	7.6	77.2	15.2	-7.6	46.2	47.2
	Nov	2.1	75.2	22.7	-20.7	39.7	40.3

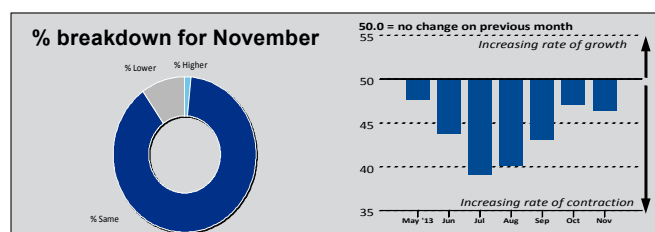


The amount of new business placed at Lebanese private sector companies decreased for the sixth month in a row during November. As was the case with output, the rate at which new orders declined accelerated and was the sharpest since August. Approximately 23% of panellists noted a reduced amount of new work, which was generally attributed to fragile economic and political conditions.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2013	Jul	5.2	62.9	31.9	-26.7	36.6	39.1
	Aug	8.2	67.8	24.0	-15.9	42.1	40.1
	Sep	3.9	80.0	16.2	-12.3	43.9	43.1
	Oct	4.8	87.8	7.4	-2.6	48.7	47.1
	Nov	1.5	88.6	9.9	-8.4	45.8	46.4

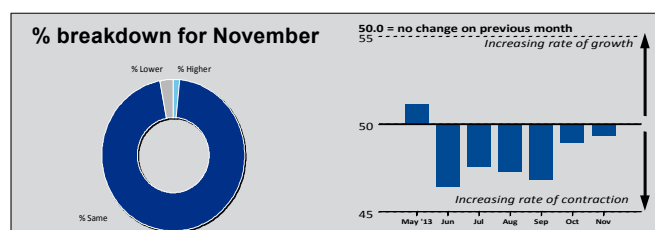


As has been the case since data collection began in May, new export orders declined at Lebanese private sector companies in November. After adjusting for seasonal factors, the degree to which new business from abroad fell quickened slightly to a solid pace. According to anecdotal evidence, reduced demand from overseas stemmed from deteriorating political conditions in the country.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2013	Jul	7.5	82.1	10.4	-3.0	48.5	47.6
	Aug	14.0	71.1	15.0	-1.0	49.5	47.3
	Sep	6.4	81.3	12.3	-5.9	47.0	46.8
	Oct	1.4	95.4	3.1	-1.7	49.2	48.9
	Nov	0.0	97.4	2.6	-2.6	48.7	49.4

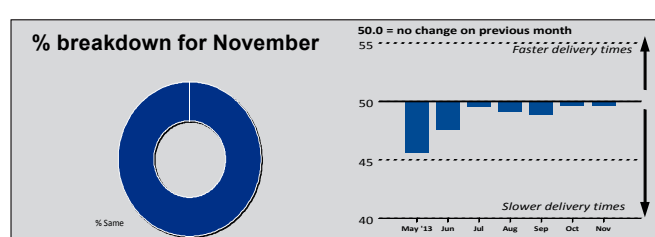


The volume of outstanding business at private sector companies in Lebanon fell for the sixth consecutive month in November. However, the rate of depletion eased to a marginal pace that was the weakest in the current sequence. A number of surveyed firms suggested that excess capacity enabled companies to reduce their level of work-in-hand over the month.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

		Faster %	Same %	Slower %	Net +/-	Index	S.Adj. Index
2013	Jul	3.3	93.7	3.1	0.2	50.1	49.5
	Aug	3.7	89.2	7.2	-3.5	48.2	49.1
	Sep	0.0	98.4	1.6	-1.6	49.2	48.9
	Oct	0.0	99.3	0.7	-0.7	49.7	49.7
	Nov	0.0	100.0	0.0	0.0	50.0	49.6

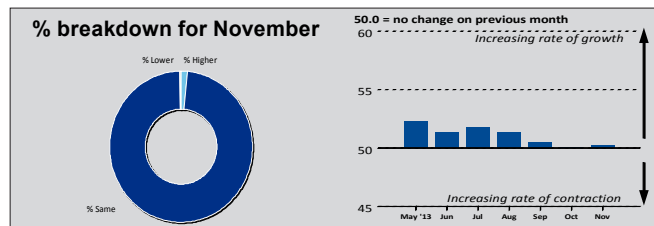


After adjusting for seasonal variation, the Suppliers' Delivery Times Index posted below the 50.0 no-change mark in November, signalling a further deterioration of vendor performance in Lebanon's private sector economy. That said, the degree to which times lengthened was little-changed from the previous month and only fractional.

Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2013	Jul	7.1	90.5	2.3	4.8	52.4	51.8
	Aug	6.0	91.3	2.8	3.2	51.6	51.4
	Sep	2.3	95.8	1.9	0.4	50.2	50.5
	Oct	0.5	99.1	0.4	0.1	50.1	50.1
	Nov	1.3	98.5	0.2	1.1	50.5	50.2

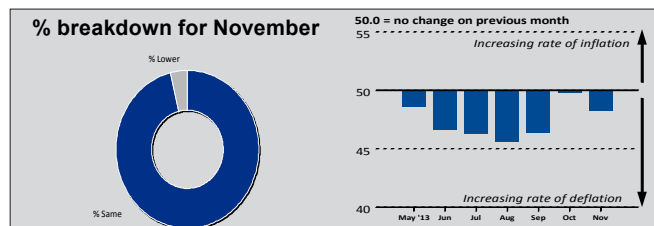


Despite sharp declines in activity and new orders, employment levels in the Lebanese private sector were broadly unchanged in November. This was highlighted by the seasonally adjusted Employment Index registering close to the neutral 50.0 threshold. The vast majority of companies reported unchanged workforce numbers.

Output Prices Index

Q. Please compare the average prices you charged this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2013	Jul	2.4	88.1	9.6	-7.2	46.4	46.3
	Aug	4.8	79.7	15.6	-10.8	44.6	45.6
	Sep	4.8	84.1	11.1	-6.3	46.8	46.3
	Oct	2.2	95.6	2.3	-0.1	49.9	49.8
	Nov	0.0	96.1	3.9	-3.9	48.1	48.2

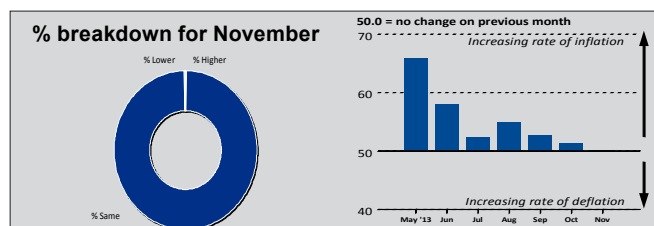


Following a trend observed throughout the seven-month survey history, Lebanese private sector firms lowered their charges in November. The rate of price reduction picked up since October, but was modest overall. Where lower charges were reported, survey respondents linked this to increased market competition.

Overall Input Prices Index

Q. Please compare your overall average input prices this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2013	Jul	7.0	92.6	0.4	6.5	53.3	52.4
	Aug	11.3	88.4	0.3	11.0	55.5	55.0
	Sep	5.5	93.6	0.9	4.7	52.3	52.7
	Oct	2.5	97.4	0.2	2.3	51.1	51.3
	Nov	0.2	99.6	0.2	0.0	50.0	50.2

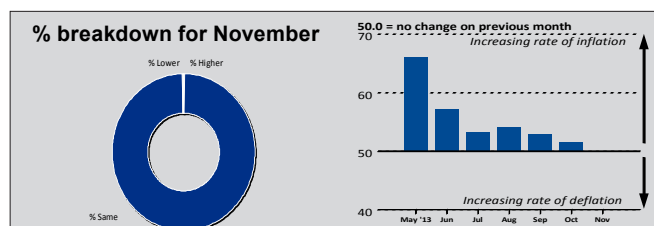


The seasonally adjusted Overall Input Prices Index posted just above the no-change mark of 50.0, signalling a fractional increase in input costs in Lebanon's private sector. The rise in overall input prices was attributed to a marginal rise in staff costs, while purchase prices were unchanged since the previous month.

Input Costs: Purchase Prices Index

Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2013	Jul	6.0	93.6	0.4	5.5	52.8	53.4
	Aug	10.9	88.6	0.5	10.4	55.2	54.1
	Sep	5.5	93.6	0.8	4.7	52.3	53.0
	Oct	2.5	97.4	0.2	2.3	51.1	51.5
	Nov	0.4	99.4	0.2	0.2	50.1	50.0

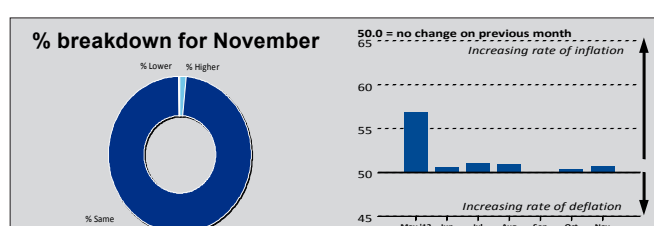


After adjusting for seasonal factors, purchase prices in Lebanon's private sector were unchanged in November. The latest reading followed six months of rising costs, with nearly all panellists (99%) recording unchanged purchase prices. According to anecdotal evidence, the muted trend was linked to recent events in the country.

Input Costs: Staff Costs Index

Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.

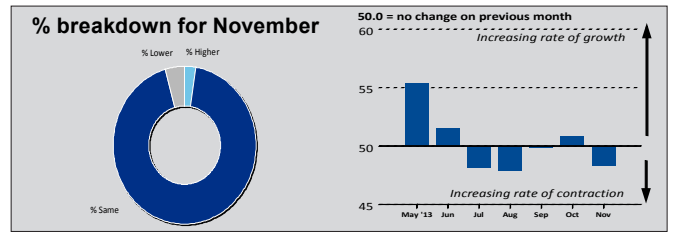
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2013	Jul	4.4	93.8	1.8	2.6	51.3	51.1
	Aug	3.2	94.9	1.8	1.4	50.7	50.9
	Sep	1.9	97.2	0.9	1.1	50.5	50.1
	Oct	0.7	98.7	0.6	0.1	50.1	50.4
	Nov	1.3	98.5	0.2	1.1	50.6	50.7



Average staff costs at Lebanese private sector companies rose further in November, as highlighted by the seasonally adjusted Staff Costs Index posting above the neutral 50.0 mark. The rate of wage inflation was up slightly from October, but marginal overall, as the vast majority of panel members reported unchanged costs. Where an increase was reported, panellists linked this to increased workforce numbers.

Quantity of Purchases Index Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

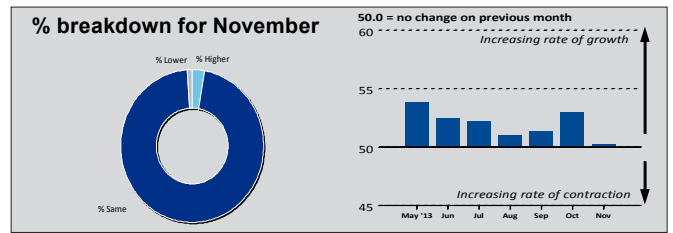
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2013	Jul	11.4	74.1	14.5	-3.1	48.4	48.2
	Aug	15.0	70.2	14.9	0.1	50.1	47.9
	Sep	11.4	79.3	9.3	2.1	51.1	49.9
	Oct	7.4	85.2	7.4	0.0	50.0	50.8
	Nov	2.4	93.1	4.5	-2.1	49.0	48.4



November saw a drop in purchasing activity at Lebanese private sector firms, highlighted by the seasonally adjusted Quantity of Purchases Index posting below the no-change mark of 50.0. Moreover, input purchasing fell for the fourth time in the past five months. Anecdotal evidence suggested that a lack of incoming new orders was the main reason for the decline in buying activity.

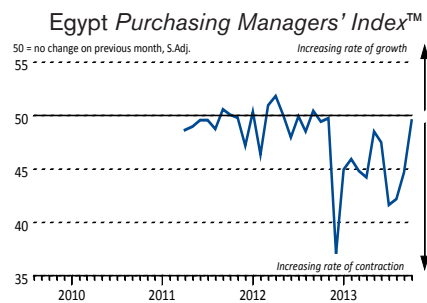
Stocks of Purchases Index Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2013	Jul	12.0	81.3	6.7	5.3	52.6	52.2
	Aug	14.8	76.8	8.5	6.3	53.2	51.0
	Sep	6.8	90.5	2.7	4.1	52.1	51.3
	Oct	6.8	92.1	1.1	5.7	52.9	53.0
	Nov	2.9	96.0	1.1	1.8	50.9	50.2

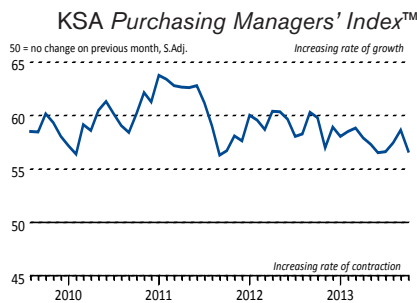


Private sector companies in Lebanon signalled a further accumulation of stocks of purchases in November. Input stocks have risen in every month of the seven-month survey history, although in November to only a fractional degree. The vast majority of survey respondents indicated unchanged inventory holdings.

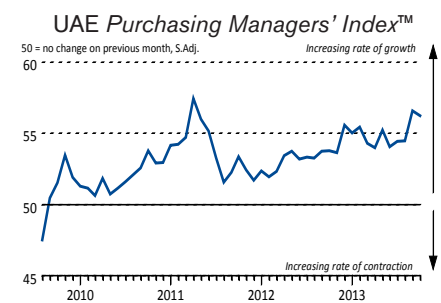
International PMI summary



Sources: Markit, HSBC.



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Egypt's non-oil producing private sector edged closer to stabilisation in October with the headline PMI posting 49.5, up from September's 44.7. While operating conditions have now deteriorated for 13 straight months, the latest rate of deterioration was the weakest since last November.

October data signalled a further improvement in operating conditions at Saudi Arabian non-oil producing private sector companies, with the headline index posting 56.7, down from 58.7 in September. The rate of improvement in October was the weakest in three months. Output growth slowed to the second-weakest recorded in the 51-month survey history.

The headline seasonally adjusted HSBC United Arab Emirates PMI™ signalled a further solid improvement in operating conditions in the UAE non-oil producing private sector, with the headline index inching down fractionally from September's 56.6 to 56.3 in October. New export orders rose at the quickest pace since data collection began in August 2009.

Notes on the Data and Method of Presentation

The *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.

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