

News Release

Purchasing Managers' Index™

MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI™

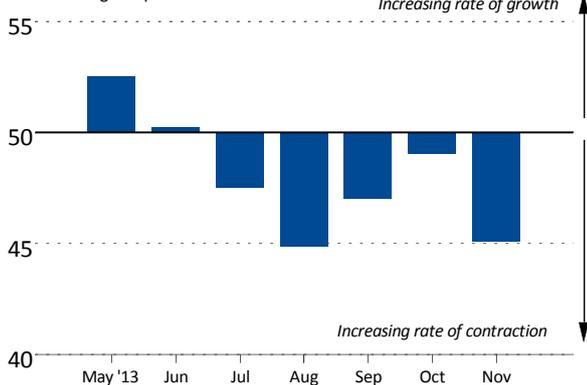
PMI signals marked contraction of private sector in November

Data collected 12-25 November

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

BLOM Lebanon PMI

50 = no change on previous month



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.

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

"The contraction in economic activity seen in November was aggravated by the suicide bombing that took place during the month as confirmed by the comparison of data collected before and after the bombing. The deterioration in operating conditions was mainly due to the declines in output and new orders, while most of the other indicators stabilized. Hope is that next month will be positive, for the country to avoid an official recession that is widely defined as two consecutive quarters of economic contraction."

The main findings of the November survey were as follows:

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.

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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 month-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 PMIs

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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