

## PMI shows economic downturn easing

### Key findings:

- **November sees slower falls in output and new orders**
- **Exports rise for first time since April**
- **Output prices hold broadly steady**

This report contains the fourteenth 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 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 headline BLOM Lebanon PMI climbed to a 17-month high of 49.5 in November, from 48.8 in October. The headline index has now risen in each of the past three months, signalling a sustained slowing of the rate of economic contraction. The latest reading was consistent with only a marginal deterioration in overall business conditions.

Businesses recorded a slower decrease in output in November, the weakest in 2014 so far. This was in line with the rate of contraction in new orders having eased for the third straight month. Nevertheless, both output and new orders have now decreased for 18 months in a row.

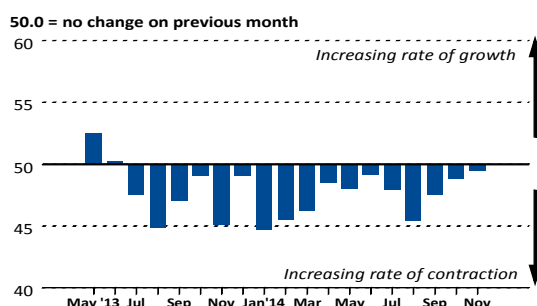
Helping to support total inflows of new business in the Lebanese private sector economy during November was a slight rise in the level of new export orders. The increase in new orders from abroad, albeit only marginal, was the first in seven months.

November saw employment rise for a third straight month, although the pace of job creation was weakest in this sequence and only marginal. Businesses also raised buying levels, contributing to a further, albeit slower, increase in stocks of purchases. Pre-production inventories have now risen in five of the past six months.

Corresponding with stronger demand for inputs, supplier delivery performance deteriorated during November. Lead times lengthened for the third month in a row, and at a marginal rate that was little-changed from that recorded in the preceding survey period.

Prices paid for purchased items were meanwhile virtually stable, following modest inflation in the prior two months. However, average staffing costs increased slightly in November, leading to a marginal overall rise in cost burdens at Lebanese businesses. This placed further pressure on profit margins as businesses kept output prices broadly unchanged amid competitive pressures. The stabilisation in output prices followed four months of decline.

### Lebanon Purchasing Managers' Index™ (PMI™)



Purchasing Managers' Index			
		Unadj.	Seas. Adj.
2014	Sep	48.3	47.6
	Oct	49.1	48.8
	Nov	48.8	49.5

### Index Summary

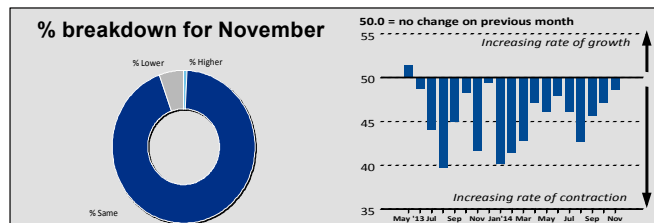
(seasonally adjusted, 50 = no change on previous month)

	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'14	47.6	45.6	44.3	46.7	49.4	50.8	49.1	51.0	51.3	49.5	49.6	49.9	51.7
Oct	48.8	47.1	47.5	46.9	49.7	50.4	48.7	50.2	50.6	51.1	49.5	50.3	51.3
Nov	49.5	48.7	48.7	50.4	50.4	50.3	49.9	50.2	49.9	50.5	49.6	50.7	50.7

## Output Index

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

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2014</b>	Jul	5.0	77.8	17.2	-12.2	<b>43.9</b>	<b>46.2</b>
	Aug	3.5	81.0	15.5	-12.0	<b>44.0</b>	<b>42.7</b>
	Sep	3.7	85.7	10.6	-6.8	<b>46.6</b>	<b>45.6</b>
	Oct	3.2	89.7	7.1	-3.9	<b>48.0</b>	<b>47.1</b>
	Nov	0.8	93.7	5.5	-4.8	<b>47.6</b>	<b>48.7</b>

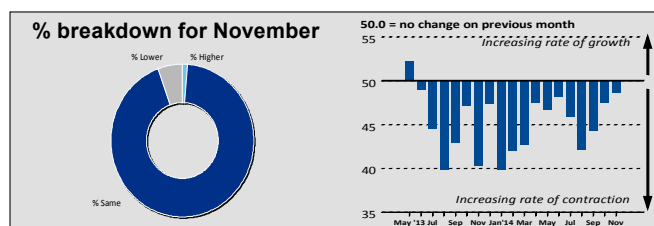


November saw the level of output in Lebanon's private sector economy decrease modestly, with the rate of contraction the slowest in 11 months. The vast majority of surveyed businesses (close to 94%) registered no change in their output compared with the situation one month earlier. Those that did record a contraction often linked this to security issues.

## 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
<b>2014</b>	Jul	5.0	78.5	16.6	-11.6	<b>44.2</b>	<b>46.0</b>
	Aug	3.4	80.0	16.6	-13.2	<b>43.4</b>	<b>42.1</b>
	Sep	3.6	85.0	11.4	-7.8	<b>46.1</b>	<b>44.3</b>
	Oct	3.0	89.6	7.4	-4.3	<b>47.8</b>	<b>47.5</b>
	Nov	1.1	93.4	5.4	-4.3	<b>47.8</b>	<b>48.7</b>

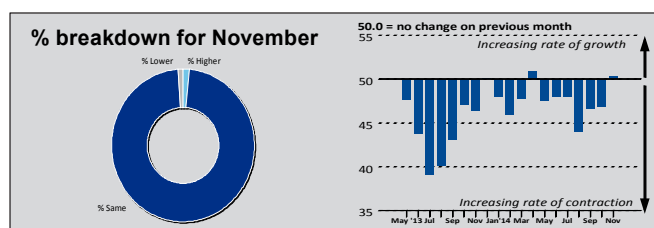


Accounting for the influence of seasonal factors, the New Orders Index climbed closer to the neutral 50.0 threshold in November, signalling a slower decrease in incoming new work at companies operating in Lebanon. In fact, the index registered at a level that was consistent with only a modest rate of decline, and the slowest since June 2013.

## 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
<b>2014</b>	Jul	3.5	89.3	7.2	-3.7	<b>48.1</b>	<b>48.0</b>
	Aug	5.6	79.8	14.6	-8.9	<b>45.5</b>	<b>44.1</b>
	Sep	0.8	93.4	5.8	-5.1	<b>47.5</b>	<b>46.7</b>
	Oct	4.1	88.6	7.3	-3.2	<b>48.4</b>	<b>46.9</b>
	Nov	1.5	97.4	1.1	0.4	<b>50.2</b>	<b>50.4</b>

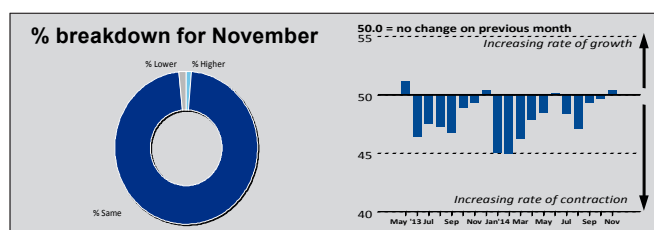


The level of new export orders at Lebanese private sector companies increased in November, thereby ending a six-month sequence of contraction. Albeit only marginal, the increase in new orders from abroad was in stark contrast to the solid rate of contraction registered in the preceding survey period.

## 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
<b>2014</b>	Jul	4.2	88.9	6.9	-2.7	<b>48.6</b>	<b>48.4</b>
	Aug	2.7	91.9	5.4	-2.7	<b>48.7</b>	<b>47.1</b>
	Sep	4.1	91.0	4.9	-0.8	<b>49.6</b>	<b>49.4</b>
	Oct	2.8	94.7	2.5	0.3	<b>50.1</b>	<b>49.7</b>
	Nov	1.2	97.1	1.8	-0.6	<b>49.7</b>	<b>50.4</b>

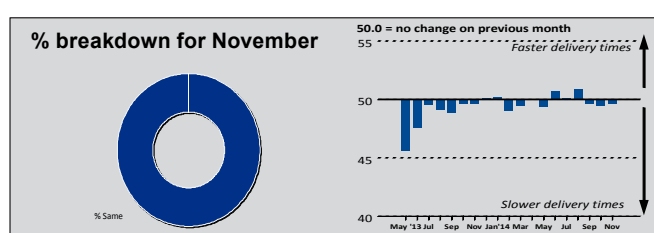


As well as a return to growth in new export orders, November's survey also signalled a rise in the level of work-in-hand (both in progress and not yet started) in Lebanon's private sector economy for the first time in five months. Although only marginal, the rate of growth in backlogs of work was the joint-fastest in the past year-and-a-half.

## 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
<b>2014</b>	Jul	0.7	99.3	0.0	0.7	<b>50.3</b>	<b>50.2</b>
	Aug	0.5	99.2	0.2	0.3	<b>50.2</b>	<b>50.9</b>
	Sep	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.6</b>
	Oct	0.0	99.7	0.3	-0.3	<b>49.8</b>	<b>49.5</b>
	Nov	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.6</b>

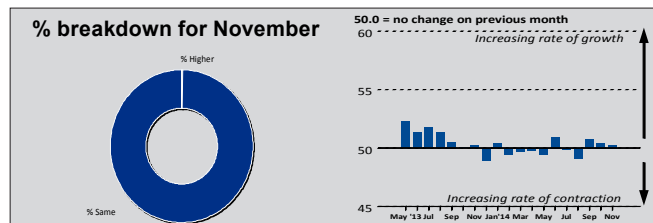


In line with the trend throughout the past three months, suppliers' delivery times increased on average in November. That said, as was the case in both September and October, the degree to which vendor performance deteriorated was only marginal. Latest data pointed to a rise in pressure on supplier capacity due to higher levels of buying activity among Lebanese businesses.

## 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
<b>2014</b>	Jul	0.8	99.0	0.2	0.6	<b>50.3</b>	<b>49.9</b>
	Aug	0.1	98.4	1.5	-1.4	<b>49.3</b>	<b>49.1</b>
	Sep	0.9	99.1	0.0	0.9	<b>50.4</b>	<b>50.8</b>
	Oct	1.2	98.8	0.0	1.2	<b>50.6</b>	<b>50.4</b>
	Nov	0.3	99.7	0.0	0.3	<b>50.1</b>	<b>50.3</b>

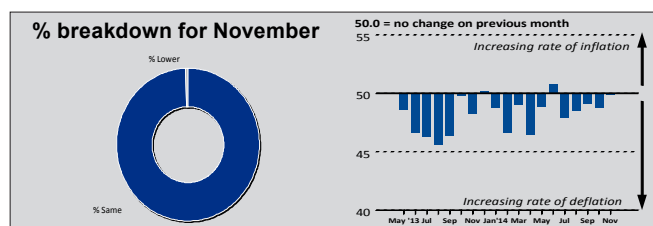


The level of employment in Lebanon's private sector economy increased for the third straight month in November. That said, the rate of job creation was the weakest in this sequence and only marginal, with the corresponding seasonally adjusted index registering only just above the 50.0 no-change mark.

## 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
<b>2014</b>	Jul	0.0	94.0	6.0	-6.0	<b>47.0</b>	<b>47.9</b>
	Aug	0.1	95.8	4.1	-3.9	<b>48.0</b>	<b>48.5</b>
	Sep	2.7	93.9	3.4	-0.7	<b>49.7</b>	<b>49.1</b>
	Oct	0.5	97.4	2.1	-1.6	<b>49.2</b>	<b>48.7</b>
	Nov	0.0	99.4	0.6	-0.6	<b>49.7</b>	<b>49.9</b>

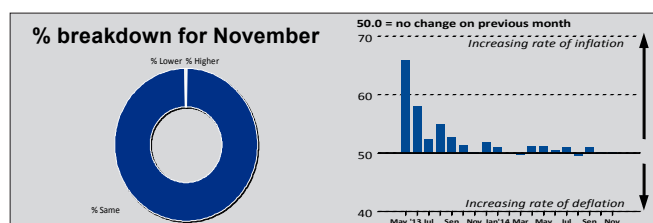


Latest data showed virtually no change in average output prices. Prior to November, charges had fallen in nine of the previous ten months – June saw a slight increase. Anecdotal evidence suggested that competitive pressures had prevented firms from passing on the burden of higher costs to clients.

## 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
<b>2014</b>	Jul	2.5	97.3	0.2	2.4	<b>51.2</b>	<b>51.0</b>
	Aug	0.1	99.9	0.0	0.1	<b>50.1</b>	<b>49.5</b>
	Sep	1.5	98.5	0.0	1.5	<b>50.7</b>	<b>51.0</b>
	Oct	0.1	99.5	0.4	-0.3	<b>49.8</b>	<b>50.2</b>
	Nov	0.3	99.6	0.2	0.1	<b>50.0</b>	<b>50.2</b>

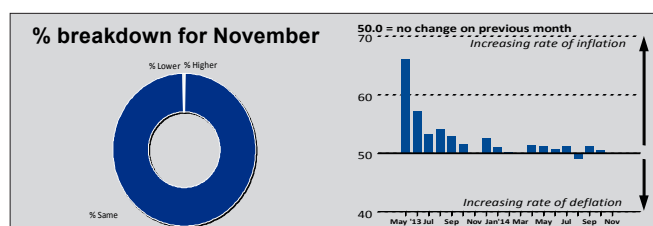


Average input prices increased in November, although the rate of inflation was unchanged from the marginal pace recorded in the preceding survey period. Higher average input costs have now been recorded in seven of the past eight months. One factor leading cost burdens to rise was modest growth in prices paid for salaries/wages.

## 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
<b>2014</b>	Jul	1.7	98.1	0.2	1.5	<b>50.8</b>	<b>51.2</b>
	Aug	0.6	99.4	0.0	0.6	<b>50.3</b>	<b>49.0</b>
	Sep	1.6	98.4	0.0	1.6	<b>50.8</b>	<b>51.3</b>
	Oct	1.2	97.9	0.9	0.3	<b>50.1</b>	<b>50.6</b>
	Nov	0.3	99.6	0.2	0.1	<b>50.0</b>	<b>49.9</b>

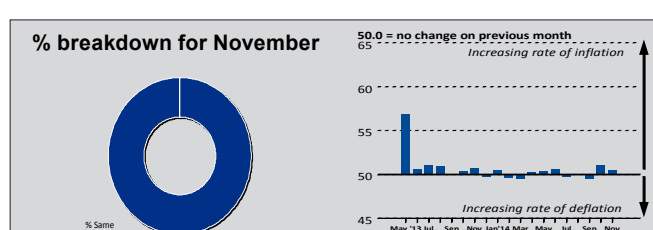


Purchase prices faced by companies operating in Lebanon's private sector economy were broadly unchanged in November, following marginal inflation throughout the past two months. This was highlighted by the seasonally adjusted Purchase Prices Index registering broadly in line with the neutral 50.0 threshold.

## 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
<b>2014</b>	Jul	0.0	99.8	0.2	-0.2	<b>49.9</b>	<b>49.7</b>
	Aug	0.1	99.1	0.8	-0.7	<b>49.7</b>	<b>49.9</b>
	Sep	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.5</b>
	Oct	1.6	98.4	0.0	1.6	<b>50.8</b>	<b>51.1</b>
	Nov	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>50.5</b>

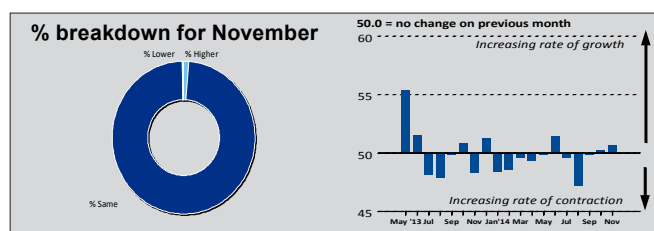


November's survey showed a rise in average staffing costs at Lebanese private sector businesses for the second month in succession. That said, having eased from October's 15-month high, the rate of growth in staffing costs was only marginal and fractionally below the average recorded over the short series history.

## 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
<b>2014</b>	Jul	4.9	90.5	4.7	0.2	<b>50.1</b>	<b>49.6</b>
	Aug	3.9	90.2	5.9	-2.0	<b>49.0</b>	<b>47.2</b>
	Sep	5.2	91.4	3.4	1.8	<b>50.9</b>	<b>49.9</b>
	Oct	3.8	93.5	2.7	1.1	<b>50.5</b>	<b>50.3</b>
	Nov	1.0	98.7	0.3	0.8	<b>50.4</b>	<b>50.7</b>

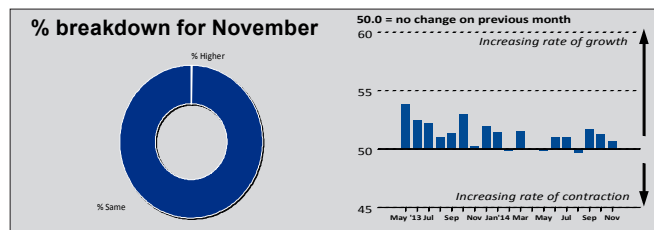


Buying levels among Lebanese businesses increased for the second consecutive month in November. This marked the first back-to-back increases in purchasing activity in almost one-and-a-half years. The rate of growth was slightly faster than in October, but nevertheless only marginal overall.

## Stocks of Purchases Index

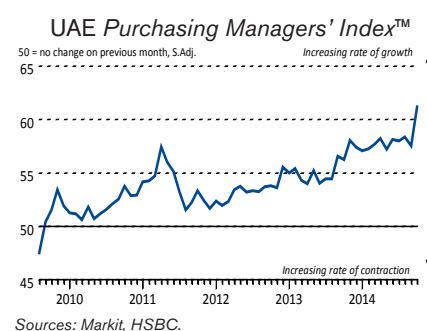
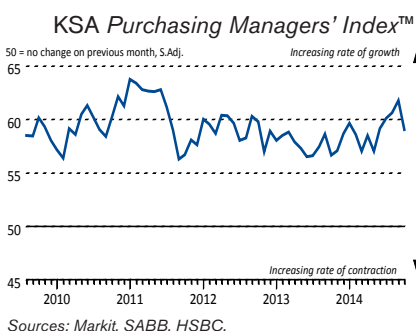
Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2014</b>	Jul	3.9	94.9	1.2	2.7	<b>51.3</b>	<b>51.1</b>
	Aug	2.7	96.2	1.1	1.7	<b>50.8</b>	<b>49.7</b>
	Sep	5.1	94.9	0.0	5.1	<b>52.6</b>	<b>51.7</b>
	Oct	2.6	96.6	0.8	1.8	<b>50.9</b>	<b>51.3</b>
	Nov	0.3	99.7	0.0	0.3	<b>50.1</b>	<b>50.7</b>



Private sector companies operating in Lebanon registered a further increase in their stocks of purchases in November, thereby stretching the current sequence of expansion to three months. However, having eased further from September's recent high, the rate of accumulation was only modest.

## International PMI summary



Operating conditions in Egypt's non-oil private sector continued to improve in October, as highlighted by the seasonally adjusted headline HSBC Egypt PMI posting above the neutral 50.0 threshold. At 51.0, down from September's near-record high of 52.4, the latest figure signalled the weakest rate of improvement in three months.

Saudi Arabia's non-oil private sector continued to grow markedly in October, despite the rate of growth easing sharply on September's 39-month peak. After accounting for seasonal factors, the headline SABB HSBC Saudi Arabia PMI recorded 59.1, down from 61.8 in the previous month and led lower by reduced contributions from the new orders, output and stocks of purchases components.

The headline HSBC UAE PMI rose sharply to 61.2 in October, from 57.6 in September, signalling a rapid improvement in business conditions at non-oil private sector firms. The latest figure was the highest since the survey started in August 2009, and the month-on-month gain since September was also a survey record.

## 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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