BLOM Lebanon PMI™

BLOM Purchasing Managers' Index™

compiled by markit

7 January 2015

Private sector economy continues to contract at modest rate

Key findings:

- ***Further slight falls in output and new orders***
- ***Employment returns to contraction, falling marginally***
- ***Some relief for businesses on costs front***

This report contains the fifteenth 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 slid slightly lower to 49.3 in December, from November's 17-month high 49.5, signalling a further modest deterioration of business conditions in Lebanon's private sector economy. Nevertheless, at 49.2, the average for the final quarter as a whole was the best since Q2 2013*.

Private sector output fell at a modest rate that was similar to that recorded in November. The trend in total new work at businesses echoed this. On the export front, new order inflows were stable after having grown slightly in November.

* *Data only available for May and June 2013.*

The recent upturn in employment as signalled by PMI data ended in December, with companies reducing their staffing numbers marginally on average for the first time in four months.

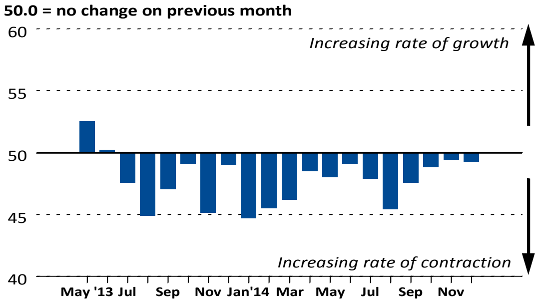
December's survey meanwhile signalled broadly no change in companies' purchasing activity, leading stocks of purchases to accumulate as a result of the concurrent fall in output. The rise in pre-production inventories was the fourth in successive months, albeit marginal.

Reflective of little change in buying levels among businesses, delivery times of purchased items were broadly stable during December. This ended a three-month sequence of lengthening lead times. Prices paid for purchases meanwhile decreased slightly.

Elsewhere on the cost side, average labour costs also fell fractionally in December following two months of modest inflation. Combined with the reduction in purchasing costs, this led overall input prices to decrease for the first time since August.

This lack of cost pressure, alongside faltering sales, encouraged businesses to further reduce their output prices during December, thereby extending the current sequence of decline to six months. The rate at which charges fell was only modest, however.

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



Purchasing Managers' Index

		Unadj.	Seas. Adj.
2014	Oct	49.1	48.8
	Nov	48.8	49.5
	Dec	50.5	49.3

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

	PMI	Output	New Orders	Export Orders	Backlogs of Work	Employ-ment	Output Prices	Overall Input Costs	Purchase Costs	Staff Costs	Delivery Times	Quantity of Purchases	Stocks of Purchases
Oct'14	**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
Dec	**49.3**	48.5	48.7	50.0	50.6	49.8	49.6	49.7	49.5	49.8	50.1	50.1	50.8

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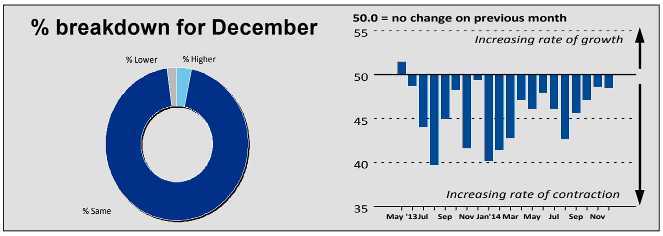
Output Index

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

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2014	Aug	3.5	81.0	15.5	-12.0	**44.0**	**42.7**
	Sep	3.7	85.7	10.6	-6.8	**46.6**	**45.6**
	Oct	3.2	89.7	7.1	-3.9	**48.0**	**47.1**
	Nov	0.8	93.7	5.5	-4.8	**47.6**	**48.7**
	Dec	3.4	94.3	2.2	1.2	**50.6**	**48.5**

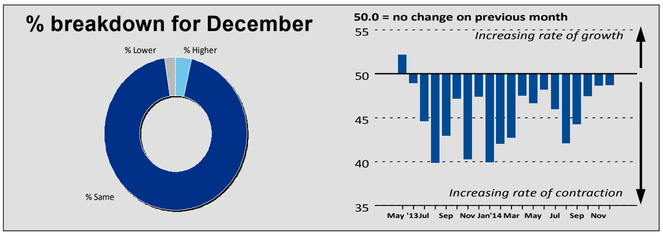


The level of output in Lebanon's private sector economy fell further in December, with the rate of contraction little-changed from the modest pace recorded in the previous month. Adjusted for seasonal influences, the Output Index has now registered below the 50.0 no-change threshold for 19 months in a row.

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
2014	Aug	3.4	80.0	16.6	-13.2	**43.4**	**42.1**
	Sep	3.6	85.0	11.4	-7.8	**46.1**	**44.3**
	Oct	3.0	89.6	7.4	-4.3	**47.8**	**47.5**
	Nov	1.1	93.4	5.4	-4.3	**47.8**	**48.7**
	Dec	3.5	94.1	2.4	1.1	**50.5**	**48.7**

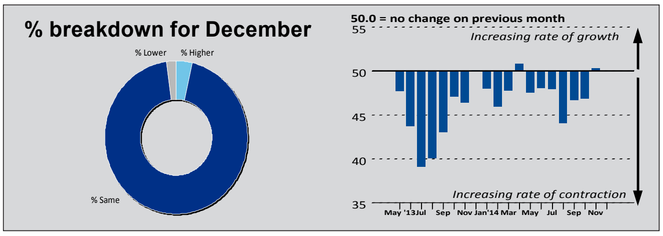


One factor leading output to fall was a decrease in incoming new work at Lebanese private sector companies. December saw the level of new orders contract for the nineteenth month running, although the extent of this latest decrease was only modest by the historical standards of the series.

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
2014	Aug	5.6	79.8	14.6	-8.9	**45.5**	**44.1**
	Sep	0.8	93.4	5.8	-5.1	**47.5**	**46.7**
	Oct	4.1	88.6	7.3	-3.2	**48.4**	**46.9**
	Nov	1.5	97.4	1.1	0.4	**50.2**	**50.4**
	Dec	3.7	93.9	2.3	1.4	**50.7**	**50.0**

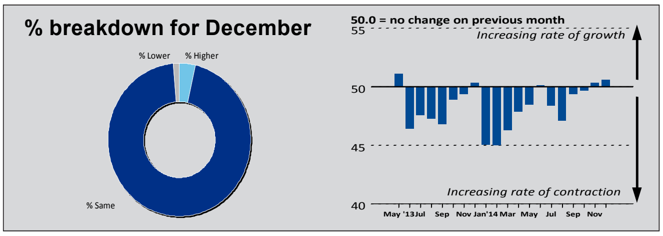


Private sector companies operating in Lebanon recorded no change in their inflows of new business from abroad in December, after a fractional increase – the first for seven months – in the preceding survey period. This was highlighted by the corresponding seasonally adjusted index posting in line with the neutral 50.0 mark.

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
2014	Aug	2.7	91.9	5.4	-2.7	**48.7**	**47.1**
	Sep	4.1	91.0	4.9	-0.8	**49.6**	**49.4**
	Oct	2.8	94.7	2.5	0.3	**50.1**	**49.7**
	Nov	1.2	97.1	1.8	-0.6	**49.7**	**50.4**
	Dec	3.5	95.0	1.5	2.0	**51.0**	**50.6**

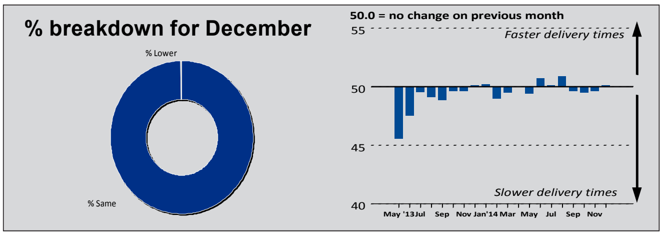


Higher backlogs of work were recorded by private sector Lebanese companies for the second month in succession in December. That said, as was the case in November, the degree to which outstanding business increased was only marginal, with just under 4% of companies reporting growth (95% noted no change).

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
2014	Aug	0.5	99.2	0.2	0.3	**50.2**	**50.9**
	Sep	0.0	100.0	0.0	0.0	**50.0**	**49.6**
	Oct	0.0	99.7	0.3	-0.3	**49.8**	**49.5**
	Nov	0.0	100.0	0.0	0.0	**50.0**	**49.6**
	Dec	0.0	99.7	0.3	-0.3	**49.9**	**50.1**

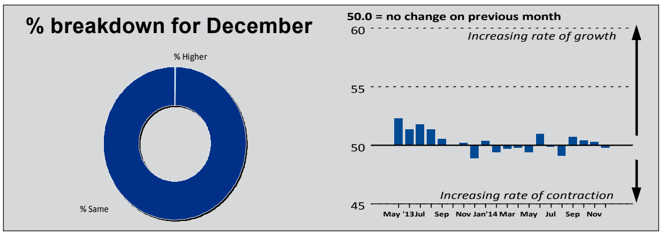


December's survey data signalled little change in suppliers' delivery times in December compared with the situation one month earlier. This ended a sequence of three straight months of deteriorating vendor performance.

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
2014	Aug	0.1	98.4	1.5	-1.4	**49.3**	**49.1**
	Sep	0.9	99.1	0.0	0.9	**50.4**	**50.8**
	Oct	1.2	98.8	0.0	1.2	**50.6**	**50.4**
	Nov	0.3	99.7	0.0	0.3	**50.1**	**50.3**
	Dec	0.4	99.6	0.0	0.4	**50.2**	**49.8**

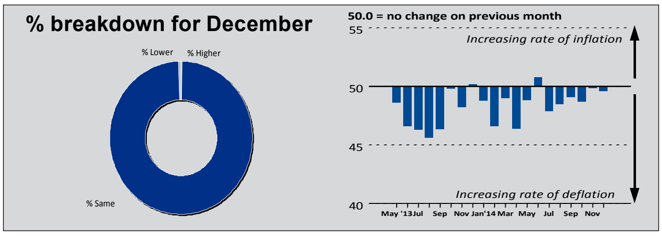


After three consecutive months of marginal job creation in the Lebanese private sector economy, December saw employment return to contraction. That said, the extent to which staffing numbers decreased was only slight. Over the year as whole, the seasonally adjusted Employment Index recorded an average of 50.0, to signal a broadly neutral picture for 2014.

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
2014	Aug	0.1	95.8	4.1	-3.9	**48.0**	**48.5**
	Sep	2.7	93.9	3.4	-0.7	**49.7**	**49.1**
	Oct	0.5	97.4	2.1	-1.6	**49.2**	**48.7**
	Nov	0.0	99.4	0.6	-0.6	**49.7**	**49.9**
	Dec	0.3	99.2	0.5	-0.3	**49.9**	**49.6**

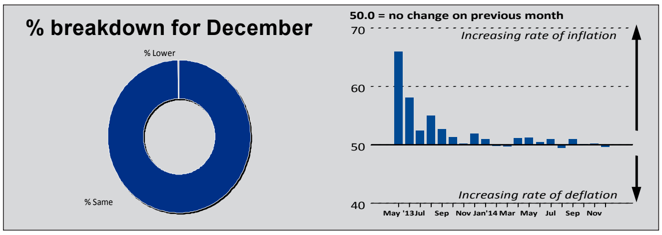


Average output prices in Lebanon's private sector economy decreased during December, continuing the trend observed in 11 of the past 12 months. The rate of decline accelerated slightly since the previous survey period, but nevertheless remained only marginal and slower than the series average.

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
2014	Aug	0.1	99.9	0.0	0.1	**50.1**	**49.5**
	Sep	1.5	98.5	0.0	1.5	**50.7**	**51.0**
	Oct	0.1	99.5	0.4	-0.3	**49.8**	**50.2**
	Nov	0.3	99.6	0.2	0.1	**50.0**	**50.2**
	Dec	0.0	99.8	0.2	-0.2	**49.9**	**49.7**

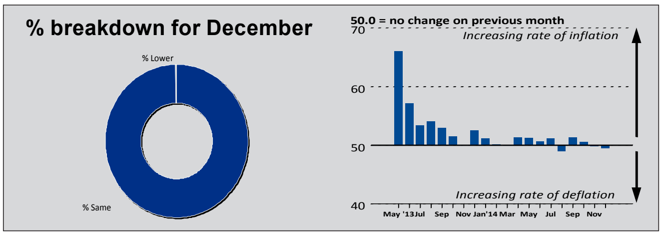


Lebanese businesses reported facing a slight drop in average input prices in December following three months of mild cost inflation. Helping relieve pressure on the cost front was a combination of both lower average purchase prices and decreased average staffing costs, with the former falling at the slightly faster rate.

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
2014	Aug	0.6	99.4	0.0	0.6	**50.3**	**49.0**
	Sep	1.6	98.4	0.0	1.6	**50.8**	**51.3**
	Oct	1.2	97.9	0.9	0.3	**50.1**	**50.6**
	Nov	0.3	99.6	0.2	0.1	**50.0**	**49.9**
	Dec	0.0	99.8	0.2	-0.2	**49.9**	**49.5**

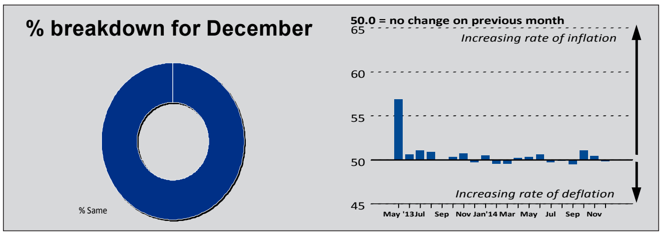


Purchase prices decreased on average during December, marking only the fourth such reduction in the survey's 20-month history. The corresponding seasonally adjusted index dipped further below the neutral 50.0 threshold to its lowest level in four months, albeit still pointing to only a marginal rate of decline.

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
2014	Aug	0.1	99.1	0.8	-0.7	**49.7**	**49.9**
	Sep	0.0	100.0	0.0	0.0	**50.0**	**49.5**
	Oct	1.6	98.4	0.0	1.6	**50.8**	**51.1**
	Nov	0.0	100.0	0.0	0.0	**50.0**	**50.5**
	Dec	0.0	100.0	0.0	0.0	**50.0**	**49.8**

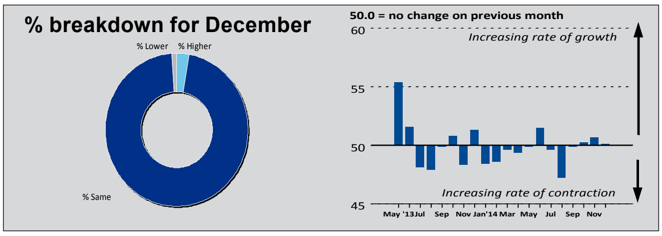


Latest data showed a slight decrease in average staffing costs among businesses operating in the Lebanese private sector economy. The reduction followed back-to-back increases in the first two months of the fourth quarter.

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**
2014	Aug	3.9	90.2	5.9	-2.0	**49.0**	**47.2**
	Sep	5.2	91.4	3.4	1.8	**50.9**	**49.9**
	Oct	3.8	93.5	2.7	1.1	**50.5**	**50.3**
	Nov	1.0	98.7	0.3	0.8	**50.4**	**50.7**
	Dec	2.9	95.9	1.2	1.7	**50.8**	**50.1**

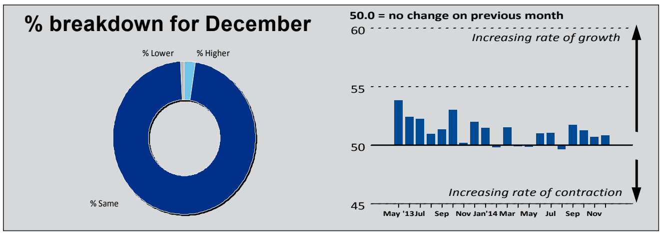


The seasonally adjusted Quantity of Purchases Index registered a three-month low in December and, although remaining just above the no-change mark of 50.0, was indicative of negligible increase in purchasing activity. Indeed, the vast majority of companies (96%) reported no change in their buying levels.

Stocks of Purchases Index

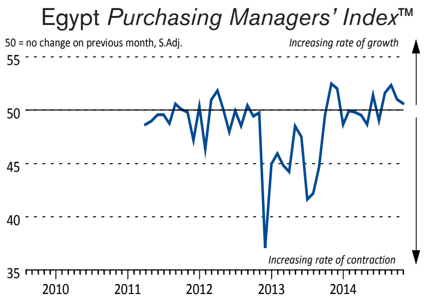
Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	**Index**	**S.Adj. Index**
2014	Aug	2.7	96.2	1.1	1.7	**50.8**	**49.7**
	Sep	5.1	94.9	0.0	5.1	**52.6**	**51.7**
	Oct	2.6	96.6	0.8	1.8	**50.9**	**51.3**
	Nov	0.3	99.7	0.0	0.3	**50.1**	**50.7**
	Dec	2.6	96.4	0.9	1.7	**50.8**	**50.8**

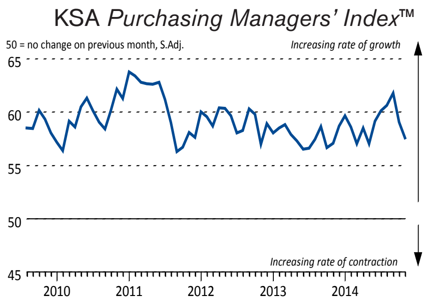


Although purchasing activity among business was virtually stable during December, stocks of inputs (raw materials and semi-finished goods combined) rose for a fourth straight month due to a concurrent fall in production. Little-changed since November, the rate of accumulation was modest.

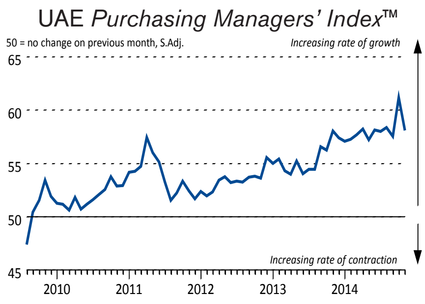
International PMI summary



Sources: Markit, HSBC.



Sources: Markit, SABB, HSBC.



Sources: Markit, HSBC.

November data signalled a fourth successive monthly improvement in operating conditions at Egypt's non-oil private sector companies, as highlighted by the seasonally adjusted headline HSBC Egypt PMI posting above the neutral 50.0 mark. At 50.7, down from 51.0 however, the latest improvement was the weakest in this sequence and marginal overall.

Growth of Saudi Arabia's non-oil private sector economy was sustained during November, but at a slower pace as output, new orders and employment all increased at weaker rates. The headline HSBC Saudi Arabia PMI recorded 57.6, compared to 59.1 in October. The latest reading of the PMI was the lowest for six months.

The HSBC UAE PMI remained well above the neutral threshold in November, posting 58.3. That was down from October's record 61.2, but nonetheless the joint-third highest since the series began in August 2009. The downward movement in the headline figure in November was reflected in four of the PMI's five components, the exception being suppliers' delivery times.

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.

Warning