

Output falls at slowest rate for over a year

Key findings:

- **Slower decreases in output and new orders recorded**
- **Employment stable in January**
- **Purchasing activity rises, leading stocks to grow**

This report contains the sixteenth 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.

January saw the headline BLOM Lebanon PMI rise from December's 49.3 to 49.5. This was its joint-highest reading in the past 19 months (matching that seen in November last year), and indicated only a marginal deterioration in business conditions in the private sector economy.

The headline index rose on the back of slower decreases in output and new orders. Both fell marginally overall, with the former declining at the weakest pace since December 2013. The latest decrease in total new business was meanwhile the least marked in the current 20-month sequence of contraction.

That was despite new business from abroad having returned to contraction, dropping for the first time in three months.

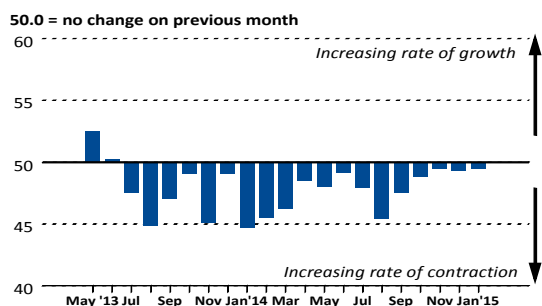
Another factor providing a slight boost to the headline PMI in January was a stabilisation in employment, which during December had dipped slightly and for the first time in four months. Businesses were generally able to keep atop of workloads using their available resources, with backlogs of work falling slightly on the month.

January data showed a rise in the level of input buying among private sector companies, in line with the trend observed throughout the final quarter of last year. Moreover, growth in purchasing activity was at a seven-month high, leading pre-production inventories to rise further (albeit more slowly compared with December).

Prices paid for purchases increased fractionally in January, while delivery times for purchased items were slightly quicker. Overall cost burdens facing businesses decreased, however, the second successive month in which that has been the case.

Businesses again passed on the benefit of lower overall costs to their clients, reducing output charges for the seventh month running. That said, the rate of decline in selling prices eased to only a marginal pace that was slower than the average recorded over this sequence.

Lebanon Purchasing Managers' Index™ (PMI™)



Purchasing Managers' Index			
		Unadj.	Seas. Adj.
2014	Nov	48.8	49.5
	Dec	50.5	49.3
2015	Jan	47.9	49.5

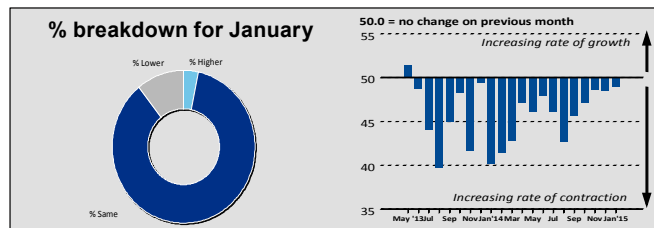
Index Summary

(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
Nov'14	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
Jan'15	49.5	49.0	49.2	48.7	48.8	50.0	49.8	49.8	50.2	50.0	50.3	51.4	50.4

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

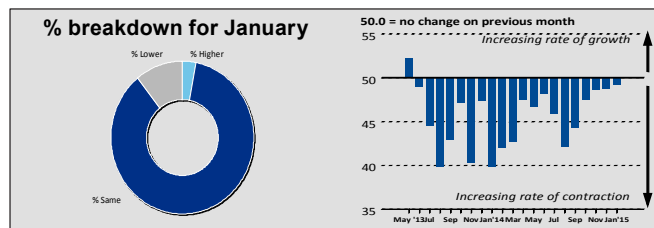
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2014	Sep	3.7	85.7	10.6	-6.8	46.6	45.6
	Oct	3.2	89.7	7.1	-3.9	48.0	47.1
	Nov	0.8	93.7	5.5	-4.8	47.6	48.7
	Dec	3.4	94.3	2.2	1.2	50.6	48.5
2015	Jan	3.2	85.9	10.9	-7.6	46.2	49.0



The seasonally adjusted Output Index rose to its highest level for over a year in January, and signalled only a marginal month-on-month contraction in business activity in Lebanon's private sector economy. Companies that noted a decrease in output often linked this to the security situation in the country.

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

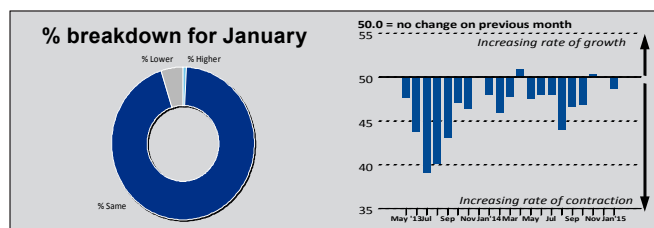
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2014	Sep	3.6	85.0	11.4	-7.8	46.1	44.3
	Oct	3.0	89.6	7.4	-4.3	47.8	47.5
	Nov	1.1	93.4	5.4	-4.3	47.8	48.7
	Dec	3.5	94.1	2.4	1.1	50.5	48.7
2015	Jan	3.1	86.0	10.9	-7.9	46.1	49.2



In line with the trend observed for output, the level of new orders at private sector companies operating in Lebanon also decreased at a slower rate in January. The pace at which new work fell was actually the least marked in the current 20-month sequence of contraction and only marginal overall.

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

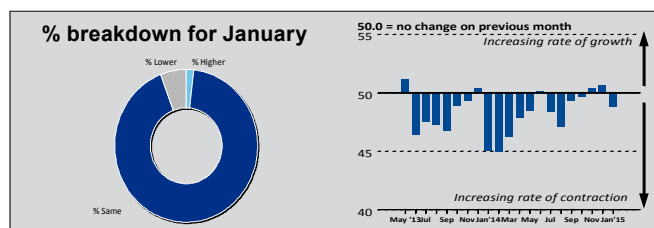
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2014	Sep	0.8	93.4	5.8	-5.1	47.5	46.7
	Oct	4.1	88.6	7.3	-3.2	48.4	46.9
	Nov	1.5	97.4	1.1	0.4	50.2	50.4
	Dec	3.7	93.9	2.3	1.4	50.7	50.0
2015	Jan	0.8	94.2	5.0	-4.2	47.9	48.7



New export orders at Lebanese private sector businesses decreased for the first in three months in January, following a slight increase in November and no change during December. That said, with only 5% of companies recording a decrease (compared with roughly 1% that noted an increase), the overall rate of contraction was modest.

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

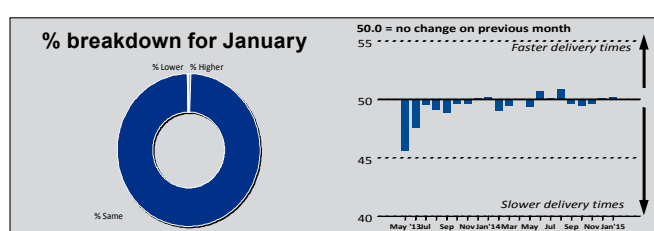
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2014	Sep	4.1	91.0	4.9	-0.8	49.6	49.4
	Oct	2.8	94.7	2.5	0.3	50.1	49.7
	Nov	1.2	97.1	1.8	-0.6	49.7	50.4
	Dec	3.5	95.0	1.5	2.0	51.0	50.6
2015	Jan	1.8	92.4	5.8	-4.0	48.0	48.8



The seasonally adjusted Backlogs of Work Index posted below the neutral 50.0 threshold – signalling falling levels of work-in-hand – for the first time in three months in January. The index's latest reading was its lowest since last August, albeit still pointing to only a modest rate of depletion of outstanding business.

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	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
2015	Jan	0.5	99.3	0.2	0.3	50.2	50.3

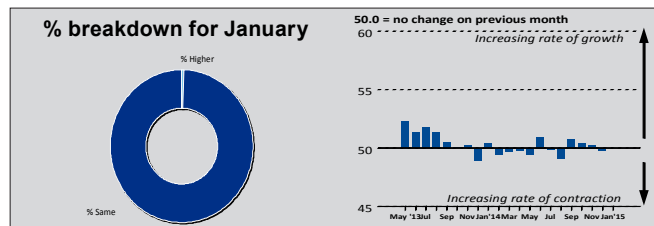


January's survey data indicated an improvement in average suppliers' delivery times for the second month in succession. However, the extent to which lead times shortened was again only marginal, with the vast majority of surveyed businesses (99%) reporting no change in vendor performance.

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	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
2015	Jan	0.7	99.3	0.0	0.7	50.3	50.0

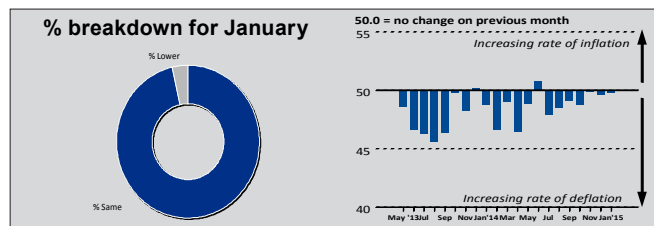


January saw the level of employment in Lebanon's private sector economy remain unchanged. This was highlighted by the respective seasonally adjusted index registering in line with the 50.0 no-change mark, up from a four-month low in December, when it signalled a marginal rate of job losses.

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	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
2015	Jan	0.0	96.5	3.5	-3.5	48.2	49.8

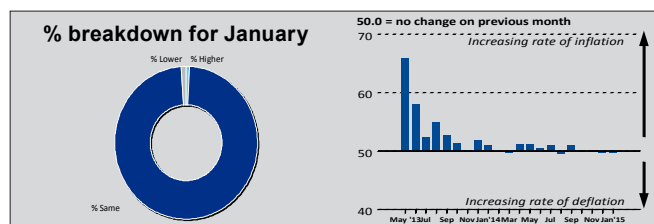


Average prices charged by businesses operating in Lebanon's private sector economy decreased fractionally in January, extending the current sequence of falling output prices to seven months. According to anecdotal evidence, businesses' decisions to lower their charges were sometimes a reflection of competitive pressures.

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	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
2015	Jan	0.7	98.3	1.0	-0.3	49.9	49.8

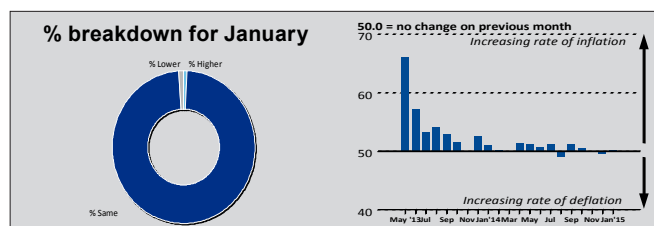


Adjusted for the influence of seasonal variations, the Overall Input Prices Index registered below the critical 50.0 mark separating inflation from deflation for the second consecutive month in January. That said, little-changed since December, the index was at a level indicative of only a marginal rate of decline in overall input costs.

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	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
2015	Jan	0.9	98.0	1.1	-0.2	49.9	50.2

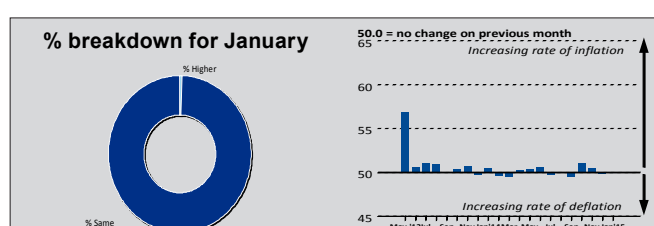


Following back-to-back decreases in the final two months of 2014, prices paid for purchases by Lebanese private sector companies returned to growth in January. The rate of inflation was only marginal, however, and comfortably below the average recorded over the 21 months of data collection.

Input Costs: Staff Costs Index

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

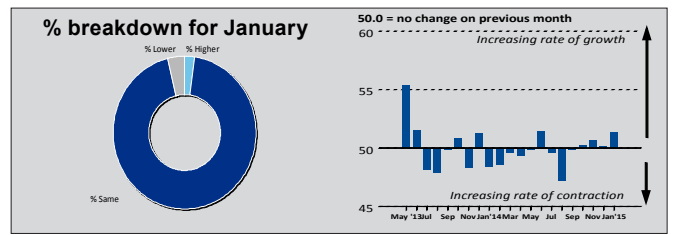
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2014	Sep	0.0	100.0	0.0	0.0	50.0	49.5
	Oct	1.6	98.4	0.0	1.6	50.8	51.1
	Nov	0.0	100.0	0.0	0.0	50.0	50.5
	Dec	0.0	100.0	0.0	0.0	50.0	49.8
2015	Jan	0.7	99.3	0.0	0.7	50.3	50.0



Average staffing costs in Lebanon's private sector economy were unchanged during the opening month of 2015. This was reflected in the fact that the vast majority of companies surveyed reported no change in their labour costs since December, when they had decreased slightly and for the first time in three months.

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

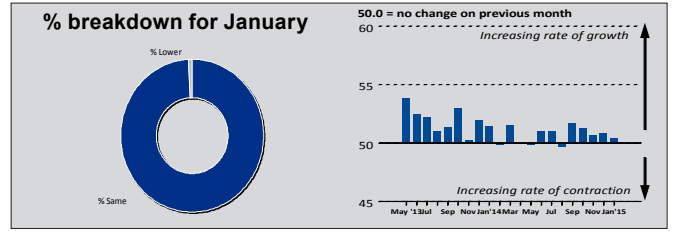
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2014	Sep	5.2	91.4	3.4	1.8	50.9	49.9
	Oct	3.8	93.5	2.7	1.1	50.5	50.3
	Nov	1.0	98.7	0.3	0.8	50.4	50.7
	Dec	2.9	95.9	1.2	1.7	50.8	50.1
2015	Jan	2.2	93.9	4.0	-1.8	49.1	51.4



As has been the case every month since last October, the level of purchasing activity among Lebanese private sector companies increased in January. Furthermore, having accelerated from the previous survey period, the rate of growth in buying levels was the most marked since June 2014.

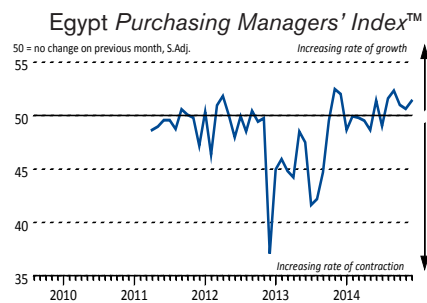
Stocks of Purchases Index Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2014	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
2015	Jan	0.0	99.1	0.9	-0.9	49.5	50.4

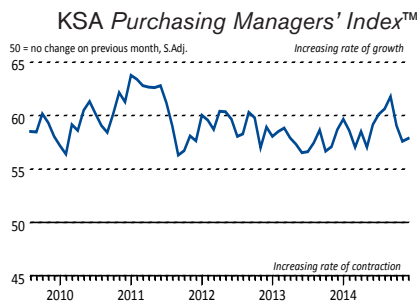


Stocks of purchases held by private sector companies in Lebanon increased further during January. That said, the rate of accumulation was only marginal, with the respective seasonally adjusted index having eased to its lowest level in the current five-month sequence of growth, and one that was below the historical series average of 51.2.

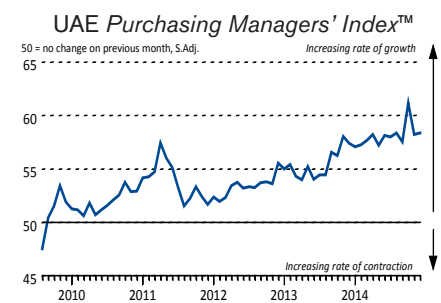
International PMI summary



Sources: Markit, HSBC.



Sources: Markit, SABB, HSBC.



Sources: Markit, HSBC.

December data signalled a continuation of the economic upturn in Egypt's non-oil private sector that started in August, as indicated by the headline HSBC Egypt PMI rising from 50.7 in November to a three-month high of 51.4. Output and new orders both rose at stronger rates and companies increased their purchasing activity further.

Saudi Arabia's non-oil private sector economy continued to register improved operating conditions during December. Moreover, a rise in the headline SABB HSBC Saudi Arabia PMI to 57.9, from 57.6, pointed to a strengthened pace of improvement compared to November. However, the index remained below levels seen earlier in the year.

The headline HSBC UAE PMI remained well above the neutral threshold in December, posting at 58.4 and little-changed from November's reading (58.3), signalling a sustained improvement in business conditions in the UAE non-oil producing economy. Production growth ticked up from the previous month, underpinned by a substantial increase in new orders.

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

The intellectual property rights to the BLOM Lebanon PMI™ provided herein are owned by or licensed to Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. BLOMINVEST Bank use the above marks under licence. Markit is a registered trademark of Markit Group Limited.