

## PMI continues to show private sector economy contracting

### Key findings:

- **Headline PMI rises, but remains below 50.0 no-change mark**
- **Slower falls in output and new orders recorded**
- **Employment decreases for second month in a row**

This report contains the nineteenth 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.

At 49.0 in April, the headline seasonally adjusted BLOM Lebanon PMI signalled a further deterioration in overall private sector business conditions. However, up from 48.9 in March and at its highest level in three months, the index showed an easing in the rate of decline.

The level of output in Lebanon's private sector economy contracted further during April, continuing the trend observed since June 2013. That said, the rate of decline eased to only a modest pace that was the weakest since January.

New business also decreased at the slowest rate in three months, partly reflective of new export orders having broadly

stabilised following a recent downturn. Panellists that recorded lower intakes of new business often attributed this to weakening demand amid ongoing political and security issues.

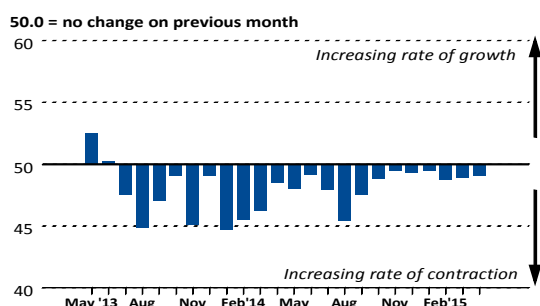
With inflows of new business continuing to fall, April saw a further decrease in backlogs of work at Lebanese private sector firms. The drop in work outstanding was the fourth in successive months and slightly more marked than that recorded in March.

Employment in Lebanon's private sector economy contracted for the second month in a row during April. The rate at which jobs were cut was slightly faster than in the previous month, although still only modest overall. Businesses also pared back their purchasing activity in line with falling workloads, contributing to a drop in stocks of purchases for the second time in three months.

Suppliers' delivery times shortened on average in April, the fourth time in five months in which that has been the case. That said, the extent of the improvement in vendor performance was only fractional.

April's survey showed a modest fall in average output charges, reversing the marginal increase seen one month earlier. Average costs were meanwhile unchanged, with higher staff pay contrasting with a marginal drop in purchase prices.

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



### Purchasing Managers' Index

		Unadj.	Seas. Adj.
2015	Feb	48.9	48.7
	Mar	49.4	48.9
	Apr	49.7	49.0

### Index Summary

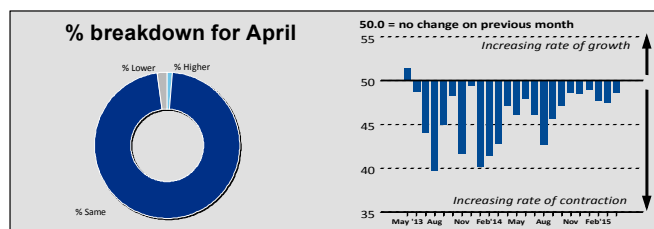
(seasonally adjusted, 50 = no change on previous month)

	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
Feb'15	48.7	47.6	47.7	46.2	48.9	50.5	49.1	49.6	49.7	49.5	50.4	49.5	49.6
Mar	48.9	47.5	48.1	48.9	49.1	49.8	50.6	49.9	49.9	49.4	49.3	49.8	50.5
Apr	49.0	48.6	48.6	49.9	48.9	49.5	49.2	50.0	49.7	50.6	50.2	49.8	49.2

## Output Index

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

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2014</b>	Dec	3.4	94.3	2.2	+1.2	<b>50.6</b>	<b>48.5</b>
<b>2015</b>	Jan	3.2	85.9	10.9	-7.6	<b>46.2</b>	<b>49.0</b>
	Feb	1.3	93.3	5.3	-4.0	<b>48.0</b>	<b>47.6</b>
	Mar	1.8	92.8	5.4	-3.6	<b>48.2</b>	<b>47.5</b>
	Apr	1.0	96.9	2.1	-1.1	<b>49.4</b>	<b>48.6</b>

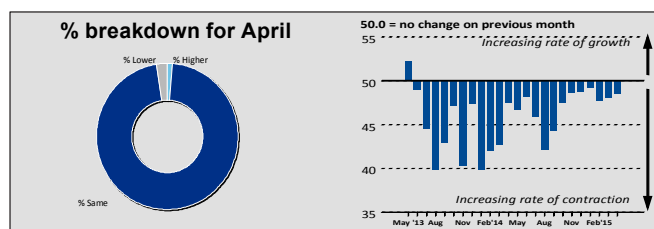


Companies operating in Lebanon's private sector economy recorded a decrease in the level of business activity in April. The rate of decline was moderate, having eased to the weakest in three months. Those panellists that reported a reduction in business activity commented on the effects of security issues and political uncertainty.

## 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>	Dec	3.5	94.1	2.4	+1.1	<b>50.5</b>	<b>48.7</b>
<b>2015</b>	Jan	3.1	86.0	10.9	-7.9	<b>46.1</b>	<b>49.2</b>
	Feb	1.3	93.4	5.3	-3.9	<b>48.0</b>	<b>47.7</b>
	Mar	2.3	92.8	4.8	-2.5	<b>48.8</b>	<b>48.1</b>
	Apr	1.0	96.5	2.5	-1.6	<b>49.2</b>	<b>48.6</b>

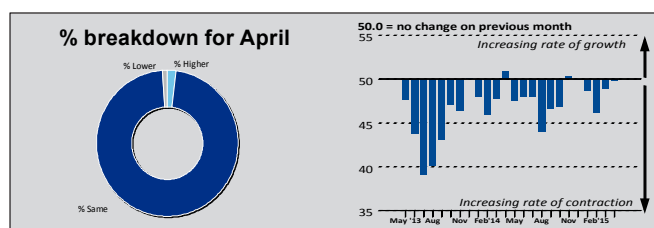


One factor leading business activity to fall in April was a further reduction in the level of new work placed with Lebanese private sector companies. This latest decrease in incoming new business extended the current sequence of decline to 23 months. That said, the rate at which new work contracted was the weakest in three months.

## 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>	Dec	3.7	93.9	2.3	+1.4	<b>50.7</b>	<b>50.0</b>
<b>2015</b>	Jan	0.8	94.2	5.0	-4.2	<b>47.9</b>	<b>48.7</b>
	Feb	0.6	88.6	10.8	-10.3	<b>44.9</b>	<b>46.2</b>
	Mar	1.2	97.9	1.0	+0.2	<b>50.1</b>	<b>48.9</b>
	Apr	1.9	97.0	1.2	+0.7	<b>50.4</b>	<b>49.9</b>

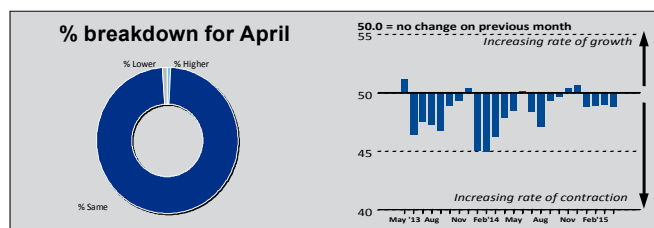


April saw broadly no change in the level of new export orders placed at private sector firms in Lebanon, following decreases in each of the first three months of 2015. This was highlighted by the corresponding seasonally adjusted index registering almost in line with the neutral 50.0 threshold.

## 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>	Dec	3.5	95.0	1.5	+2.0	<b>51.0</b>	<b>50.6</b>
<b>2015</b>	Jan	1.8	92.4	5.8	-4.0	<b>48.0</b>	<b>48.8</b>
	Feb	1.4	95.6	3.0	-1.7	<b>49.2</b>	<b>48.9</b>
	Mar	2.2	94.9	2.9	-0.7	<b>49.7</b>	<b>49.1</b>
	Apr	0.8	98.2	1.0	-0.2	<b>49.9</b>	<b>48.9</b>

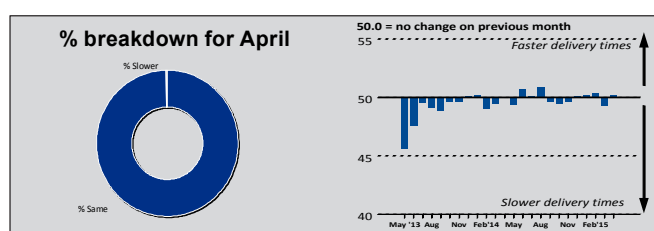


Survey data continued to show a degree of excess capacity at Lebanese private sector firms, with the amount of outstanding business falling for the fourth month in succession during April. The rate at which backlogs decreased remained only modest, however, as has been the case throughout the current sequence of depletion.

## 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>	Dec	0.0	99.7	0.3	-0.3	<b>49.9</b>	<b>50.1</b>
<b>2015</b>	Jan	0.5	99.3	0.2	+0.3	<b>50.2</b>	<b>50.3</b>
	Feb	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>50.4</b>
	Mar	0.0	99.7	0.3	-0.3	<b>49.9</b>	<b>49.3</b>
	Apr	0.0	99.6	0.4	-0.4	<b>49.8</b>	<b>50.2</b>

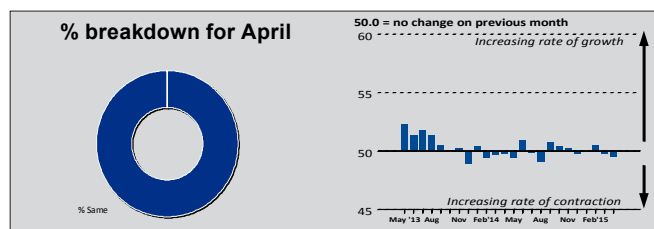


Adjusted for the influence of seasonal factors, the Suppliers' Delivery Times Index registered just above the 50.0 no-change mark in April, pointing to a fractional improvement in lead times faced by private sector Lebanese companies. That compared with a slight deterioration in vendor performance in the preceding survey period.

## 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>	Dec	0.4	99.6	0.0	+0.4	<b>50.2</b>	<b>49.8</b>
<b>2015</b>	Jan	0.7	99.3	0.0	+0.7	<b>50.3</b>	<b>50.0</b>
	Feb	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>50.5</b>
	Mar	0.6	99.4	0.0	+0.6	<b>50.3</b>	<b>49.8</b>
	Apr	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.5</b>

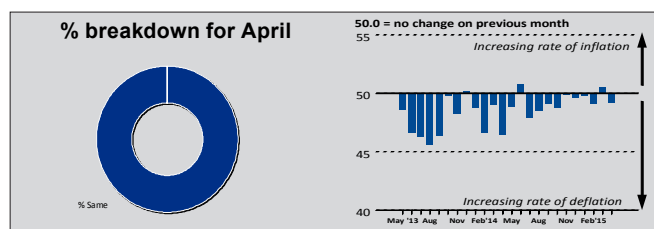


Private sector employment in Lebanon edged lower for the second consecutive month in April. The rate of job shedding remained only modest overall, despite having accelerated slightly since the previous survey period to the fastest since August last year.

## 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>	Dec	0.3	99.2	0.5	-0.3	<b>49.9</b>	<b>49.6</b>
<b>2015</b>	Jan	0.0	96.5	3.5	-3.5	<b>48.2</b>	<b>49.8</b>
	Feb	0.2	97.4	2.4	-2.1	<b>48.9</b>	<b>49.1</b>
	Mar	1.5	98.3	0.3	+1.2	<b>50.6</b>	<b>50.6</b>
	Apr	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.2</b>

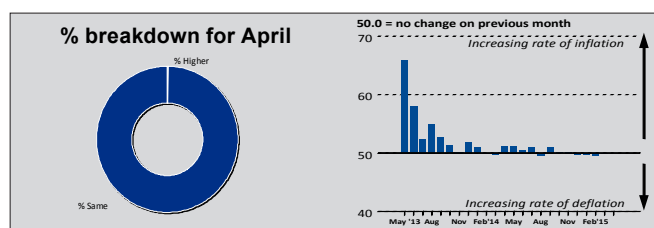


Following a brief rise in March, the first in nine months, average output prices for goods and services in Lebanon's private sector economy decreased during April. That said, the rate of decline was only modest and slower than the average recorded since data collection first began two years ago.

## 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>	Dec	0.0	99.8	0.2	-0.2	<b>49.9</b>	<b>49.7</b>
<b>2015</b>	Jan	0.7	98.3	1.0	-0.3	<b>49.9</b>	<b>49.8</b>
	Feb	0.5	99.5	0.0	+0.5	<b>50.2</b>	<b>49.6</b>
	Mar	0.5	99.5	0.0	+0.5	<b>50.3</b>	<b>49.9</b>
	Apr	0.4	99.6	0.0	+0.4	<b>50.2</b>	<b>50.0</b>

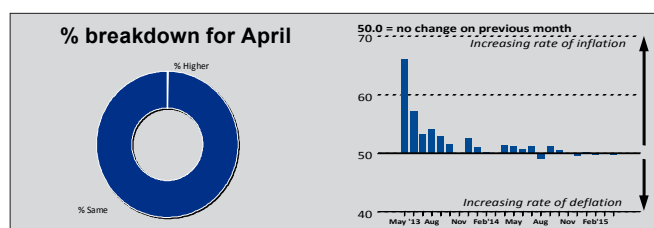


Having decreased marginally in each of the previous four months, average costs faced by private sector Lebanese companies were unchanged during latest survey period. A further fall in purchasing costs on the month was offset by a return to growth in average prices paid for salaries/wages.

## 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>	Dec	0.0	99.8	0.2	-0.2	<b>49.9</b>	<b>49.5</b>
<b>2015</b>	Jan	0.9	98.0	1.1	-0.2	<b>49.9</b>	<b>50.2</b>
	Feb	0.5	99.5	0.0	+0.5	<b>50.2</b>	<b>49.7</b>
	Mar	0.3	99.7	0.0	+0.3	<b>50.1</b>	<b>49.9</b>
	Apr	0.4	99.6	0.0	+0.4	<b>50.2</b>	<b>49.7</b>

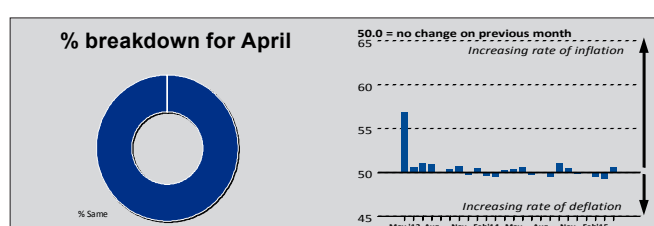


As has been the case in five of the past six months, Lebanese private sector businesses faced a decrease in their average purchase prices in April. The rate of decline was only marginal, however, with the corresponding seasonally adjusted index remaining close to the no-change threshold of 50.0.

## 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>	Dec	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.8</b>
<b>2015</b>	Jan	0.7	99.3	0.0	+0.7	<b>50.3</b>	<b>50.0</b>
	Feb	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.5</b>
	Mar	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.4</b>
	Apr	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>50.6</b>

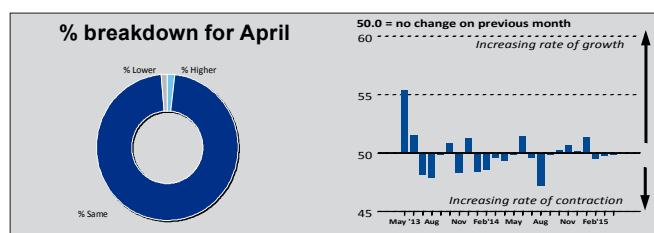


Average prices paid for salaries/wages by Lebanese private sector companies increased for the first time in five months in April. The rise in labour costs was only modest, but nevertheless contrasted with falling average staff pay in each of the previous two months.

## 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
<b>2014</b>	Dec	2.9	95.9	1.2	+1.7	<b>50.8</b>	<b>50.1</b>
<b>2015</b>	Jan	2.2	93.9	4.0	-1.8	<b>49.1</b>	<b>51.4</b>
	Feb	0.5	97.7	1.8	-1.3	<b>49.3</b>	<b>49.5</b>
	Mar	2.6	96.3	1.1	+1.5	<b>50.8</b>	<b>49.8</b>
	Apr	1.6	97.0	1.4	+0.2	<b>50.1</b>	<b>49.8</b>

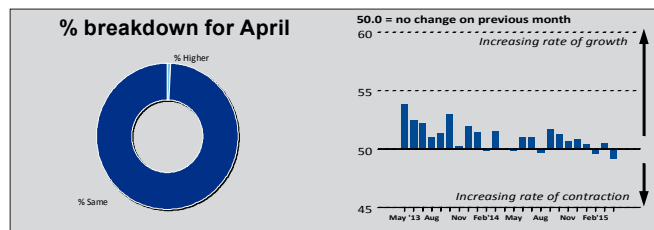


Reflecting the ongoing weakness seen on the demand side and a corresponding downturn in activity, the quantity of purchases made by businesses in Lebanon's private sector economy decreased again in April. That marked the third straight monthly decline in buying levels, though the rate of contraction remained marginal.

## Stocks of Purchases Index

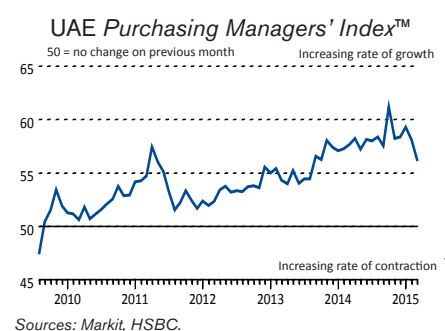
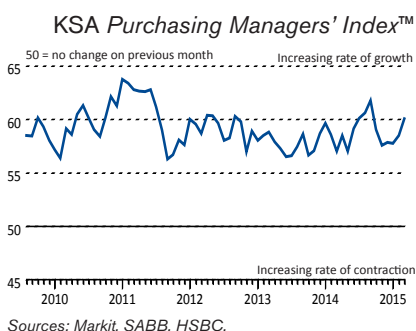
Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2014</b>	Dec	2.6	96.4	0.9	+1.7	<b>50.8</b>	<b>50.8</b>
<b>2015</b>	Jan	0.0	99.1	0.9	-0.9	<b>49.5</b>	<b>50.4</b>
	Feb	0.2	99.1	0.7	-0.5	<b>49.8</b>	<b>49.6</b>
	Mar	2.1	97.8	0.1	+2.0	<b>51.0</b>	<b>50.5</b>
	Apr	0.8	99.2	0.0	+0.8	<b>50.4</b>	<b>49.2</b>



Stocks of purchases held by private sector firms in Lebanon decreased during April, thereby reversing the increase seen during the previous month. The rate of decline in pre-production inventories was the fastest seen in the 24-month survey history, but nevertheless only modest overall.

## International PMI summary



At 49.6, the HSBC Egypt PMI was consistent with a marginal deterioration in operating conditions in March. The latest reading was up from February's 17-month low of 46.8, but below the neutral 50.0 threshold for the third consecutive month. As a result, the average for the first quarter of 2015 (48.6) was the weakest since Q3 2013.

Saudi Arabia's non-oil expansion continued to accelerate in March, as signalled by the seasonally adjusted SABB HSBC Saudi Arabia PMI ticking up from 58.5 in February to a six-month high of 60.1. The latest figure maintained the economy's strong start to the year, with the quarterly average posting 58.8, up from 58.2 in Q4 2014.

The headline seasonally adjusted HSBC UAE PMI dipped to a 17-month low of 56.3 in March, down from 58.1 in February. The latest reading marked a second consecutive slowdown in growth of the UAE's non-oil private sector, although remained consistent with a robust improvement in business conditions.

## 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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