

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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BLOM Lebanon PMI™

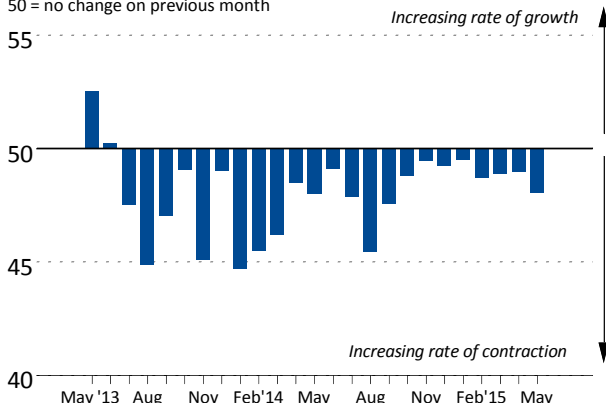
Private sector economy contracts at faster rate in May

Data collected 12-22 May

- **Headline PMI drops to eight-month low**
- **Employment rises slightly despite continuing downturn**
- **Average costs increase for first time in six months**

BLOM Lebanon PMI

50 = no change on previous month



This report contains the twentieth 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 seasonally adjusted BLOM Lebanon PMI slipped to its lowest level for eight months in May. At 48.0, down from 49.0 in April, the index signalled a moderate deterioration in overall private sector business conditions.

Commenting on May's PMI results, Dr Fadi Osseiran, General Manager at BLOMINVEST Bank, said:

"The Lebanese private sector is undergoing an extended period of moderate contraction. Companies' margins are pressured from all sides: lower demand, rising business costs and a downward trend in selling prices. However, May's PMI results show an interesting development: the traders' use of air and sea transport routes seems to have revived foreign demand after a period of contraction, despite the resulting higher purchase prices. Perhaps stirring economic activity will have to depend more on innovative business decisions which look beyond traditional processes."

The main findings of May's survey were as follows:

One factor leading the headline index to fall was a faster rate of contraction in business activity, the most marked recorded since September last year. Anecdotal evidence suggested that demand had generally weakened during the month, partly as a result of ongoing political uncertainty. Indeed, total inflows of new work fell again, and to the greatest extent for eight months. That was despite a fractional uptick in new orders from abroad, the first rise in six months.

The jobs market showed resilience amid the downturn in business activity, with employment rising fractionally following two straight months of job losses. This extra staffing capacity was a contributory factor behind a

further fall in backlogs of work during May, the fifth in consecutive months.

Buying levels were reported to be higher on average than in April, in turn contributing to rising stocks. The extent of the increase in purchasing activity was slight, with some mentions among panel members of new product launches.

May survey data meanwhile showed a lengthening of suppliers' average delivery times for the second time in the past three months, though the deterioration in vendor performance was only marginal.

Businesses' costs rose during May for the first time since last November, albeit only marginally. An increase in average purchase prices, linked to a range of supply-side issues, was a key reason for the overall rise in cost burdens. Staff remuneration was also up in May, but at a slower rate than in April.

Average output prices, on the other hand, decreased again during May, continuing a downward trend in charges seen over ten of the past 11 months.

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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 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. 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.

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 30 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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