

## Private sector economy posts further modest contraction in July

### Key findings:

- **Headline PMI unchanged at 49.3**
- **Output and new orders fall more slowly, though job cutting resumes**
- **Output prices drop at slightly faster rate**

This report contains the twenty-second 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 registered an unchanged reading of 49.3 in July, pointing to a further modest deterioration in overall business conditions in Lebanon's private sector economy.

Output decreased again during July, falling for the twenty-sixth straight month amid a further reduction in incoming new business. However, on both fronts, the rates of decline were only modest and slightly slower than in the preceding survey period.

Mentions of political uncertainty among those reporting lower new business suggested that weaker domestic demand

weighed on overall sales. New orders from abroad were, meanwhile, stable during the month, following gains in both May and June.

One factor imparting a negative directional influence on the headline PMI was employment which, after rising slightly in each of the previous two months, returned to contraction during July. That said, the rate of job cuts was only fractional.

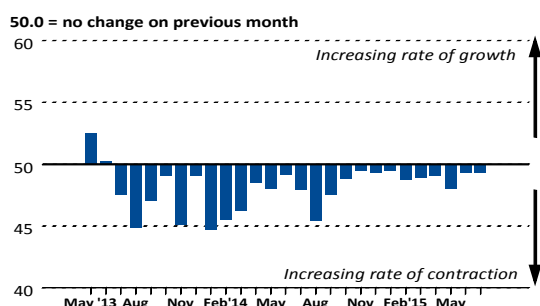
Firms' buying levels, on the other hand, rose in the latest survey period, reversing the marginal decrease recorded at the end of the second quarter. This contributed to a third consecutive monthly increase in stocks of purchases, with the rate of accumulation the fastest since last September.

Lebanese businesses faced a marginal increase in average supplier delivery times in July, marking the second time in the past three months that vendor performance has deteriorated.

Another negative development for firms was an increase in average prices paid for purchased items. However, overall cost burdens fell (on average), partly reflecting a slight drop in staff remuneration.

Companies continued to lower their output charges in order to encourage new business, in line with the trend observed in each of the past four months. Moreover, the rate of decline was the fastest since August 2014.

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



### Purchasing Managers' Index

		Unadj.	Seas. Adj.
2015	May	48.4	48.0
	Jun	49.5	49.3
	Jul	49.9	49.3

### Index Summary

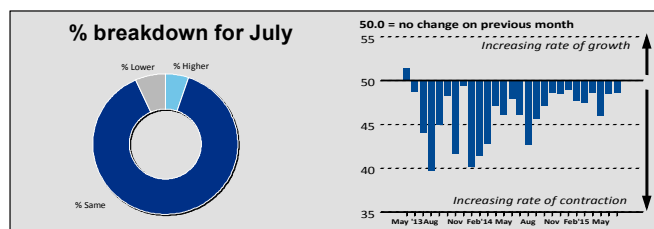
(seasonally adjusted, 50 = no change on previous month)

	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
May'15	48.0	45.9	46.3	51.0	49.8	50.2	49.0	50.4	50.6	50.2	49.7	50.6	50.8
Jun	49.3	48.5	48.4	50.6	50.2	50.8	49.5	49.8	49.7	50.5	50.7	49.8	50.6
Jul	49.3	48.7	48.5	50.0	49.9	49.5	48.6	49.5	50.5	49.8	49.6	50.5	51.5

## 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>2015</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>
	May	3.7	85.6	10.7	-7.0	<b>46.5</b>	<b>45.9</b>
	Jun	3.2	91.1	5.8	-2.6	<b>48.7</b>	<b>48.5</b>
	Jul	5.2	88.2	6.5	-1.3	<b>49.3</b>	<b>48.7</b>

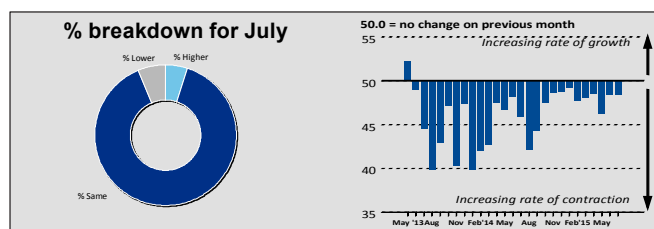


Businesses operating in Lebanon's private sector economy recorded a decrease in output in July, thereby extending the current sequence of contraction to 26 months. That said, the rate of decline in output was only modest, having eased to the weakest since January. The vast majority of firms (88%) recorded no change in their business activity compared with one month earlier.

## 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>2015</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>
	May	3.8	85.7	10.5	-6.6	<b>46.7</b>	<b>46.3</b>
	Jun	3.1	91.3	5.6	-2.5	<b>48.8</b>	<b>48.4</b>
	Jul	5.1	88.5	6.4	-1.3	<b>49.4</b>	<b>48.5</b>

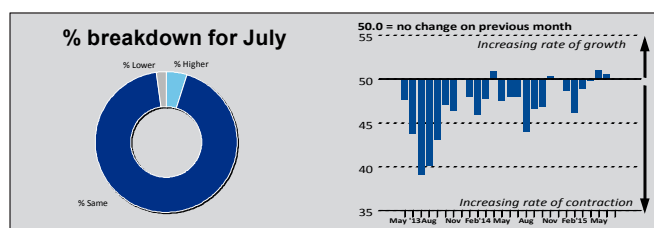


July saw a modest decrease in the level of new work received by Lebanese companies, with the rate of contraction little-changed from that recorded in the preceding survey period. Where a reduction in new work was noted, this was sometimes attributed by panellists to political uncertainty leading to lower demand.

## 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>2015</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>
	May	5.3	93.1	1.5	+3.8	<b>51.9</b>	<b>51.0</b>
	Jun	5.7	93.1	1.1	+4.6	<b>52.3</b>	<b>50.6</b>
	Jul	4.6	93.1	2.3	+2.3	<b>51.1</b>	<b>50.0</b>

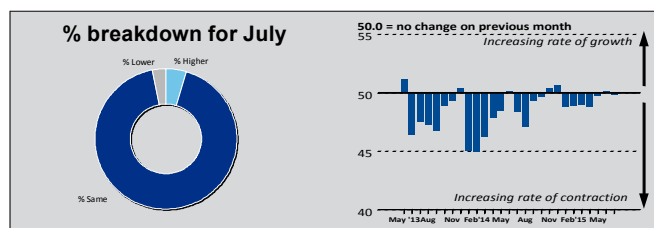


The level of new work from abroad at Lebanese private sector businesses was stable during July, having grown marginally in each of the previous two months. This was highlighted by the seasonally adjusted New Export Orders Index registering in line with the neutral 50.0 threshold, down further from May's survey-record high.

## 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>2015</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>
	May	3.9	91.9	4.2	-0.3	<b>49.8</b>	<b>49.8</b>
	Jun	3.2	94.9	1.9	+1.3	<b>50.6</b>	<b>50.2</b>
	Jul	4.6	92.5	3.0	+1.6	<b>50.8</b>	<b>49.9</b>

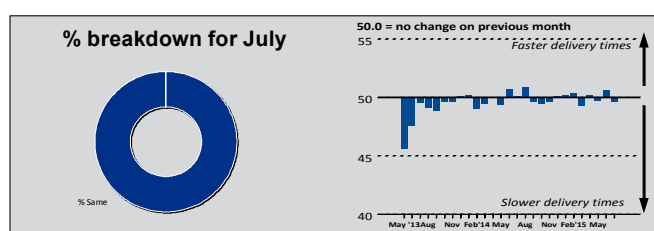


After rising in June for the first time in 2015 so far, backlogs of work at firms in Lebanon were broadly unchanged during the opening month of the third quarter. While a number of companies commented on a lack of incoming new work to replace completed projects, others mentioned having new orders in the pipeline.

## 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>2015</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>
	May	0.0	98.8	1.2	-1.2	<b>49.4</b>	<b>49.7</b>
	Jun	0.3	99.3	0.3	0.0	<b>50.0</b>	<b>50.7</b>
	Jul	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.6</b>

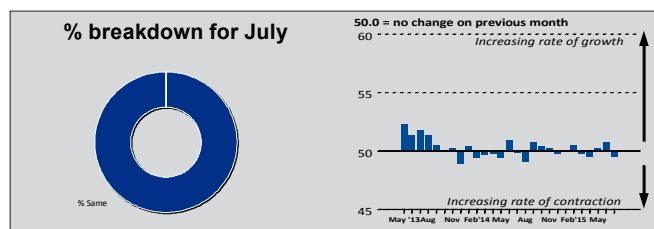


Adjusted for the influence of seasonality, the Supplier's Delivery Times Index registered just below the 50.0 no-change mark in July. This pointed to a slight deterioration in vendor performance, the third in the past five months.

## 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>2015</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>
	May	1.3	98.2	0.5	+0.8	<b>50.4</b>	<b>50.2</b>
	Jun	0.3	99.7	0.0	+0.3	<b>50.2</b>	<b>50.8</b>
	Jul	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.5</b>

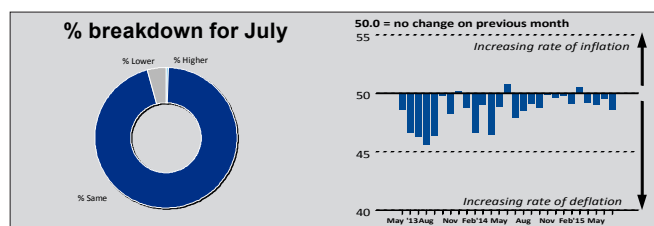


July survey data indicated a renewed decline in the level of employment in Lebanon's private sector economy, following back-to-back increases in each of the previous two months. The rate at which staffing numbers decreased was the joint-fastest seen over the past 11 months, although marginal overall.

## 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>2015</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>
	May	1.6	95.9	2.4	-0.8	<b>49.6</b>	<b>49.0</b>
	Jun	0.3	96.6	3.1	-2.8	<b>48.6</b>	<b>49.5</b>
	Jul	0.6	95.2	4.2	-3.5	<b>48.2</b>	<b>48.6</b>

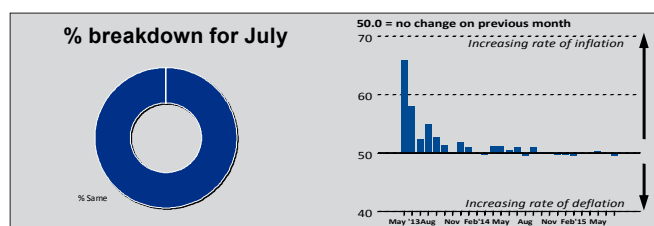


Average prices charged for goods and services decreased for the fourth month in succession during July, amid reports from panellists of attempts to encourage new business. The rate of decline in output prices was the fastest recorded since August last year, but nevertheless only moderate overall.

## 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>2015</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>
	May	0.1	99.9	0.0	+0.1	<b>50.1</b>	<b>50.4</b>
	Jun	0.3	99.7	0.0	+0.3	<b>50.2</b>	<b>49.8</b>
	Jul	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.5</b>

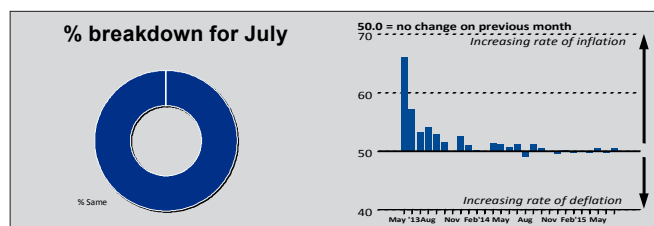


As was the case in June, average costs faced by private sector firms operating in Lebanon decreased during July. The corresponding seasonally adjusted index registered its joint-lowest reading in 27 months of data collection, albeit at a level consistent with only a marginal rate of decline in input prices.

## 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>2015</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>
	May	0.1	99.9	0.0	+0.1	<b>50.1</b>	<b>50.6</b>
	Jun	0.3	99.7	0.0	+0.3	<b>50.2</b>	<b>49.7</b>
	Jul	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>50.5</b>

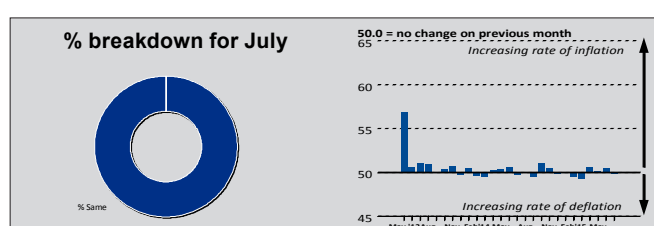


While overall cost burdens at Lebanese businesses decreased in July, average purchase prices for raw materials and semi-completed goods increased slightly during the month. The rise was the second in the past three months, following a fractional decrease during the previous survey period.

## 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>2015</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>
	May	0.1	99.9	0.0	+0.1	<b>50.0</b>	<b>50.2</b>
	Jun	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>50.5</b>
	Jul	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.8</b>

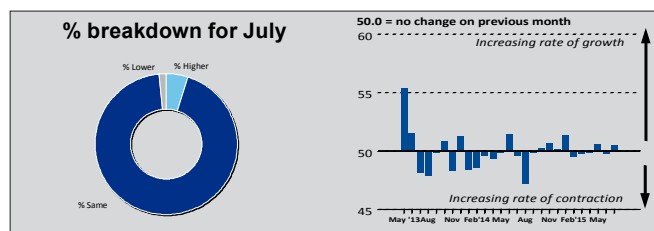


Lower staff pay was one factor leading overall input prices to fall in July. Labour costs decreased for the first time since March, following modest pay growth throughout the second quarter of the year. That said, the extent to which average staff remuneration declined was only marginal.

## 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>2015</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>
	May	3.2	95.7	1.1	+2.0	<b>51.0</b>	<b>50.6</b>
	Jun	3.3	95.7	1.0	+2.3	<b>51.2</b>	<b>49.8</b>
	Jul	5.1	93.2	1.7	+3.4	<b>51.7</b>	<b>50.5</b>

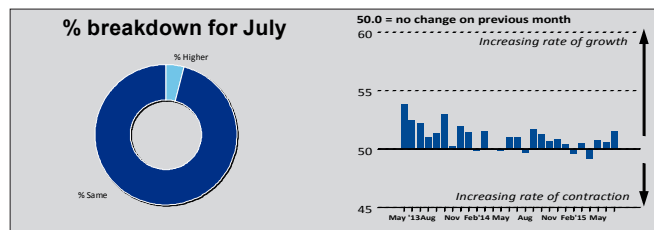


Buying levels among Lebanese businesses returned to growth in July, rising for the second time in the past three months following a fractional downturn at the end of the second quarter. Just over 5% of surveyed firms recorded a rise in their purchasing activity, compared with 2% that registered a contraction.

## Stocks of Purchases Index

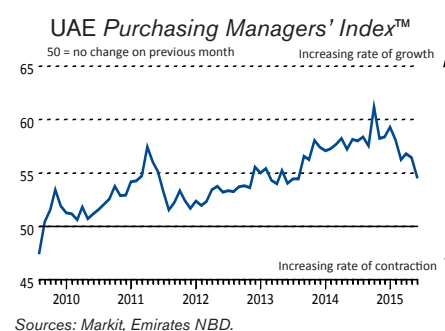
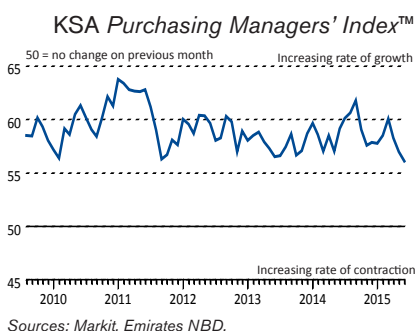
Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2015</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>
	May	1.8	98.2	0.0	+1.8	<b>50.9</b>	<b>50.8</b>
	Jun	2.7	97.3	0.0	+2.7	<b>51.4</b>	<b>50.6</b>
	Jul	4.3	95.7	0.0	+4.3	<b>52.1</b>	<b>51.5</b>



Albeit only slight, the rise in buying levels in July contributed to further growth of stocks of purchases at Lebanese firms as production requirements decreased. The increase in pre-production inventories was the third in successive months and the most marked since September last year.

## International PMI summary



Adjusted for seasonal factors, the headline Emirates NBD Egypt Purchasing Managers' Index™ (PMI) posted 50.2 in June, up from 49.9 in May and above the 50.0 no-change mark for the first time this year. The latest figure was above the series average and consistent with a marginal improvement during the month.

The headline seasonally adjusted Emirates NBD Saudi Arabia Purchasing Managers' Index™ (PMI) slipped from 57.0 in May to a survey-record low of 56.1 in June. Growth of the sector as a whole has eased throughout the second quarter of 2015, mirroring the trends observed for output and new work intakes.

After adjusting for seasonality, the headline Emirates NBD UAE Purchasing Managers' Index™ (PMI) dropped to a 22-month low of 54.7 in June. Down from 56.4 in May, the latest reading contributed to the weakest quarter of growth since Q3 2013 (56.0). That said, the rate of improvement remained faster than the series average and solid overall.

## 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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