

## Private sector economy contracts at faster pace in August

### Key findings:

- **Headline PMI dips to 11-month low of 47.8**
- **New orders post sharpest fall since September 2014**
- **Employment decreases slightly for second straight month**

This report contains the twenty-third 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 health of business conditions in Lebanon's private sector economy deteriorated at a faster rate in August. This was signalled by the headline seasonally adjusted BLOM Lebanon PMI registering 47.8, down from 49.3 in July. This was its lowest reading since September 2014, and the twenty-sixth successive month in which the headline index has posted below the neutral 50.0 level.

The drop in the headline PMI partly reflected a faster fall in output levels among businesses. New orders also decreased at a quicker pace – the sharpest in 11 months – amid reports from panellists of a difficult operating environment, in turn linked to political uncertainty in a number of cases.

Weakness in the domestic market was exacerbated by a drop in new work from abroad, the first for four months.

The downturn in economic activity continued to filter through to the jobs market, with firms reporting a fall in employment for the second month running in August, albeit only marginal.

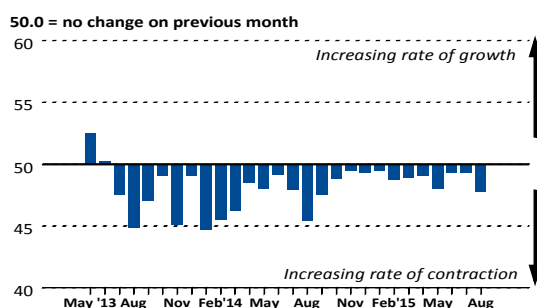
As well as staffing levels, firms operating in Lebanon's private sector economy also pared back their purchasing activity in August, reversing a marginal gain the month before. Stocks of purchases meanwhile held steady, ending a three-month sequence of accumulation.

The lack of pressure on businesses' resources was further highlighted by a decrease in backlogs of work during August, the seventh in the past eight months and the fastest for one year.

Elsewhere, August data pointed to an improvement in suppliers' delivery times. Prices paid for purchased items meanwhile decreased, leading to an overall fall in cost burdens faced by Lebanese firms for the third consecutive month. Average salaries were broadly stable, however.

Lower input prices were passed on by businesses to their clients, with output charges down for the fifth consecutive month in August. That said, the rate of decline was the weakest in this sequence and only marginal.

Lebanon Purchasing Managers' Index™ (PMI™)



Purchasing Managers' Index

		Unadj.	Seas. Adj.
2015	Jun	49.5	49.3
	Jul	49.9	49.3
	Aug	48.7	47.8

Index Summary

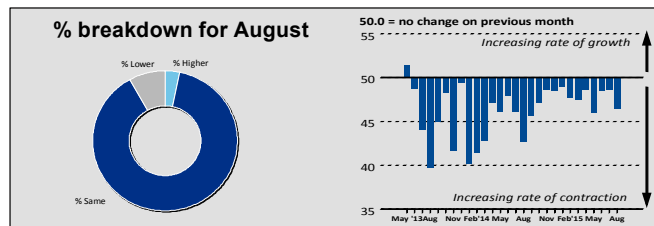
(seasonally adjusted, 50 = no change on previous month)

	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
Jun'15	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
Aug	47.8	46.5	46.2	47.1	48.3	49.7	49.6	49.6	49.1	49.9	50.7	48.6	50.0

## 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>	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>
	Aug	3.4	88.4	8.2	-4.8	<b>47.6</b>	<b>46.5</b>

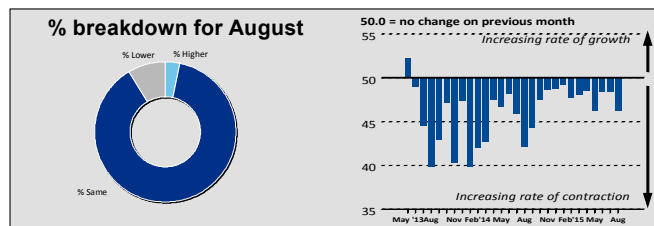


August saw a further decrease in the level of business activity in Lebanon's private sector economy, extending the current sequence of contraction to 27 months. Furthermore, the rate of decline was solid, having accelerated to the fastest in three months. One factor leading business activity to fall in the latest survey period was a further reduction in incoming new work.

## 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>	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>
	Aug	3.3	88.0	8.7	-5.3	<b>47.3</b>	<b>46.2</b>

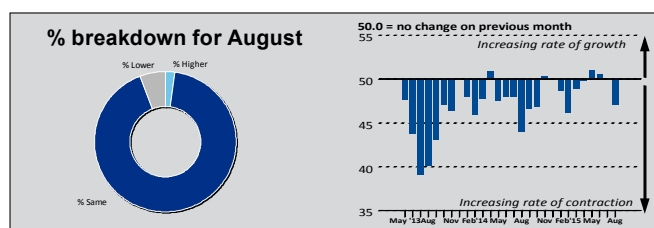


The volume of new orders placed with private sector firms operating in Lebanon decreased at a faster rate in August. This was highlighted by the corresponding seasonally adjusted index falling further below the 50.0 no-change mark, to its lowest level since September 2014. Firms recording a decrease in new business often commented on a difficult operating environment.

## 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>	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>
	Aug	2.4	91.8	5.9	-3.5	<b>48.2</b>	<b>47.1</b>

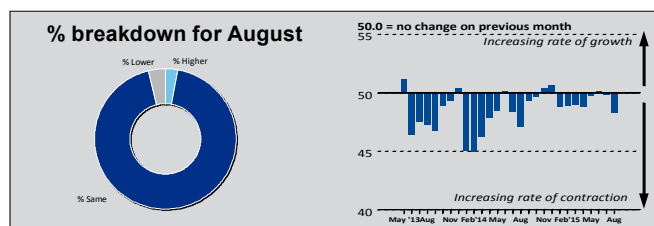


Lebanese private sector companies recorded a decrease in new export business for the first time in four months in August. The rate of decline was solid and the most marked since February. Approximately 6% of surveyed companies recorded a drop in their new work from abroad, against 2% registering an increase.

## 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>	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>
	Aug	2.7	93.5	3.8	-1.0	<b>49.5</b>	<b>48.3</b>

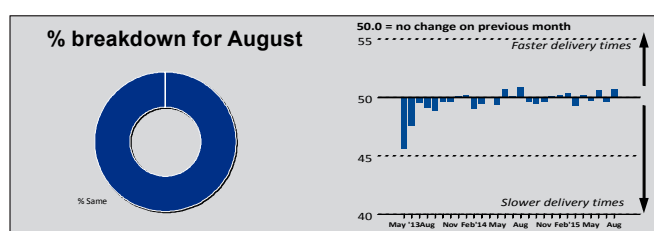


Reflective of weak inflows of new business at private sector companies in Lebanon, backlogs of work decreased for the seventh time in the past eight months during August. Although only modest, the rate at which work-in-hand (both in progress and not yet started) decreased was the most marked since the corresponding month of last year.

## 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>	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>
	Aug	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>50.7</b>

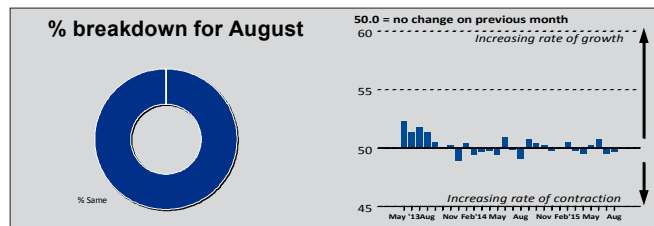


The seasonally adjusted Suppliers' Delivery Times Index moved back above the neutral 50.0 threshold in August, signalling a marginal improvement in vendor performance for the second time in the past three months. In July, the index had pointed to a slight lengthening of suppliers' lead times.

## 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>	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>
	Aug	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.7</b>

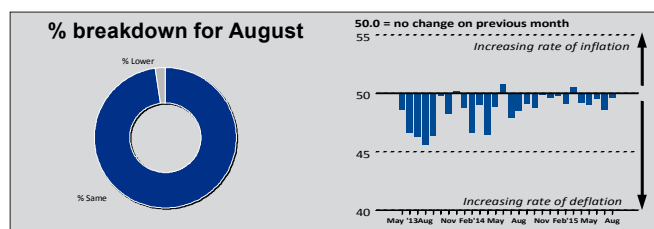


The level of employment in Lebanon's private sector economy decreased for the second month in succession during August, as shown by the seasonally adjusted index remaining below the 50.0 no-change mark. That said, the rate at which staffing numbers contracted was only fractional and little-changed from that recorded in the preceding survey period.

## 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>	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>
	Aug	0.0	97.7	2.3	-2.3	<b>48.8</b>	<b>49.6</b>

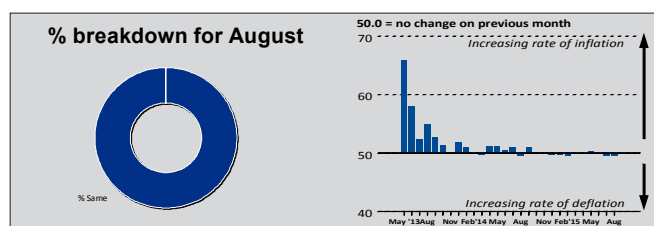


As has been the case every month since April, average prices charged for goods and services in the Lebanese private sector economy decreased during August. However, having eased since July to the weakest in this sequence, the rate of decline in prices charged was only slight and slower than the long-run 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
<b>2015</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>
	Aug	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.6</b>

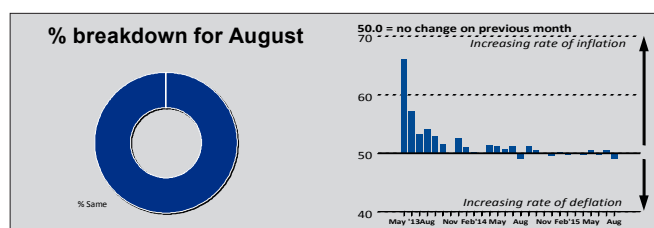


Adjusted for the influence of seasonal factors, the Overall Input Prices Index posted below the 50.0 no-change threshold for the third month in succession in August, weighted on by lower prices paid for purchases. The rate of decline in total input prices as signalled by the index was only fractional, however.

## 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>	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>
	Aug	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.1</b>

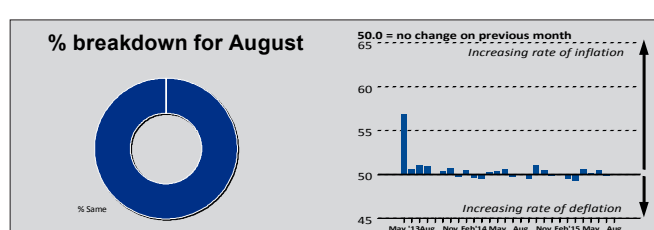


August survey data indicated a decrease in average prices paid by Lebanese companies for their purchases, reversing the marginal increase recorded in the previous survey period. The degree to which purchasing costs fell was the most marked for 12 months, although still only modest overall.

## 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>	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>
	Aug	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.9</b>

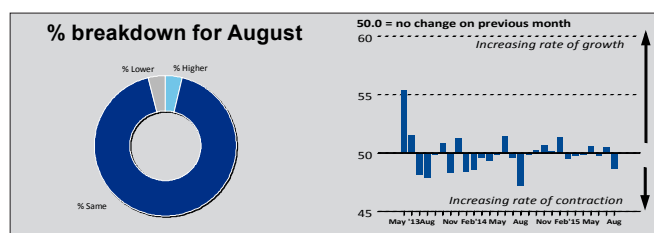


Unlike purchase prices, average staff costs at Lebanese private sector businesses were broadly unchanged in August, following a marginal decrease during the previous month. This was signalled by the corresponding seasonally adjusted index posting almost in line with the 50.0 no-change mark.

## 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>	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>
	Aug	3.9	92.3	3.9	0.0	<b>50.0</b>	<b>48.6</b>

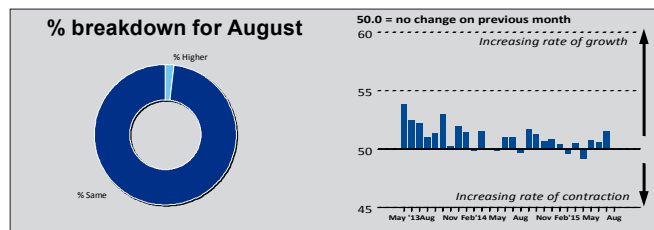


The volume of inputs (raw materials and semi-completed goods) bought by Lebanese private sector companies decreased during August, which a number of panel members linked to a lack of incoming work. Moreover, the rate at which buying levels contracted was the fastest seen since August 2014.

## Stocks of Purchases Index

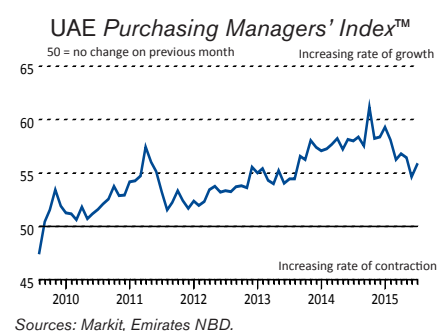
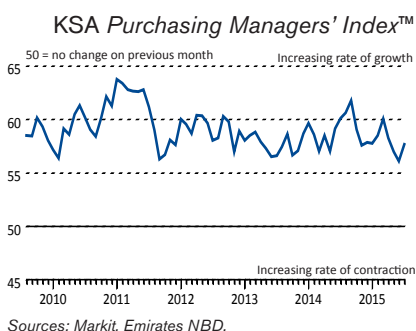
Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2015</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>
	Aug	1.9	98.1	0.0	+1.9	<b>50.9</b>	<b>50.0</b>



After rising in July at the fastest rate for ten months, stocks of purchases at Lebanese private sector businesses were static during August. This ended a three-month sequence of accumulation of pre-production inventories. The vast majority of respondents (98%) indeed reported no change in their stocks of purchases.

## International PMI summary



The headline seasonally adjusted Emirates NBD Egypt Purchasing Managers' Index™ (PMI) slipped below the neutral 50.0 mark to 49.2 in July. The latest figure signalled a return to contraction for Egypt's non-oil private sector, following the first improvement of 2015 seen in the previous month (50.2). That said, it remained above the long-run series average.

After adjusting for seasonality, the headline Emirates NBD Saudi Arabia Purchasing Managers' Index™ (PMI) posted 57.7 in July, up from a survey-record low of 56.1 in June. The latest figure was the highest in three months, and consistent with a robust improvement in business conditions. It was also broadly in line with the average recorded so far this year (57.9).

Rising from June's 22-month low of 54.7 to 55.8, the headline seasonally adjusted Emirates NBD UAE Purchasing Managers' Index™ (PMI) was consistent with a robust improvement in business conditions in July. Growth at the start of Q3 was broadly in line with the average seen over the second quarter (56.0), but remained weaker than the trend recorded so far this year (56.8).

## 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, and by company workforce size. 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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