

PMI falls further to signal deepening downturn

Key findings:

- **Business activity contracts as new orders drop at fastest rate in 15 months**
- **Employment decreases marginally for second month running**
- **Deflationary pressures persist as input and output prices fall**

This report contains the twenty-sixth 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 rate of deterioration in business conditions in Lebanon accelerated further during November. At 46.9, down from October's 47.1, the headline seasonally adjusted BLOM Lebanon PMI showed the sharpest deterioration in the health of the private sector economy for 15 months.

The lower PMI reading was largely reflective of a faster decrease in new orders received by businesses, the sharpest since August 2014. Panellists mentioned that the unstable situation in the country – linked to security, political and economic issues – led to lower demand for goods and services. Moreover, new orders from abroad fell for a fourth straight month.

The level of private sector output in Lebanon contracted again in November, marking a two-and-a-half year sequence of continuous decline. The rate at which output fell was little-changed from the sharp pace recorded in October.

Employment decreased for a second successive month in November. That said, the rate of job cuts remained only marginal, leaving businesses with ample resources to make further inroads into their backlogs of work, which declined for a fifth month running.

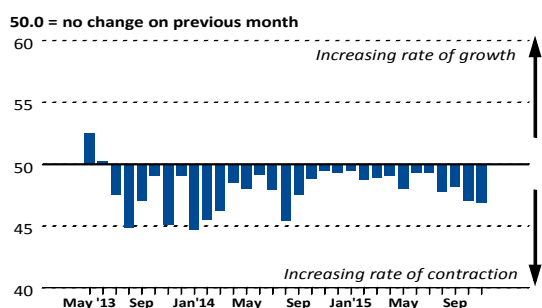
Companies' purchasing activity also remained in contraction, dropping for the third time in the past four months. The extent to which buying levels were scaled back was much less marked than the concurrent fall in business activity, however, leading to a modest build up of inventories.

Average supplier delivery times increased slightly in November, as has been the case in four of the past five months.

Elsewhere, data showed a further decrease in average prices paid for purchases, linked by respondents to the effects of a weak euro and lower commodity prices. Although only slight, the decrease in purchase prices was sufficient to offset marginally higher average salaries/wages, leading to a drop in overall cost burdens.

Meanwhile, average prices charged for goods and services fell for the eighth straight month, albeit only fractionally.

Lebanon Purchasing Managers' Index™ (PMI™)



Purchasing Managers' Index			
		Unadj.	Seas. Adj.
2015	Sep	48.9	48.1
	Oct	47.0	47.1
	Nov	46.4	46.9

Index Summary

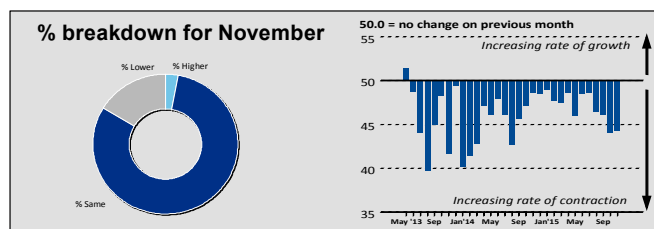
(seasonally adjusted, 50 = no change on previous month)

	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
Sep'15	48.1	46.1	45.2	49.2	49.6	50.9	49.4	51.4	51.8	49.5	49.6	50.4	53.0
Oct	47.1	44.1	45.1	46.5	46.1	49.7	47.3	49.1	48.9	50.1	49.1	49.3	49.7
Nov	46.9	44.3	43.8	48.9	47.2	49.7	49.6	49.8	49.4	50.3	49.5	49.1	51.2

Output Index

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

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2015	Jul	5.2	88.2	6.5	-1.3	49.3	48.7
	Aug	3.4	88.4	8.2	-4.8	47.6	46.5
	Sep	6.3	81.6	12.1	-5.7	47.1	46.1
	Oct	5.2	77.9	16.9	-11.7	44.1	44.1
	Nov	2.7	80.9	16.4	-13.7	43.1	44.3

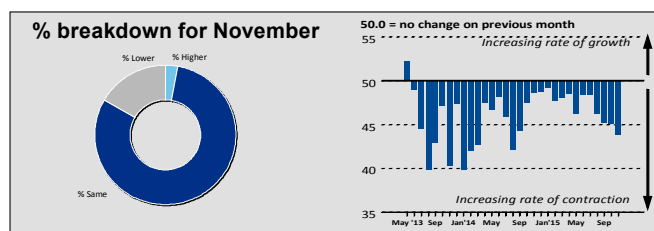


November survey data signalled another sharp decrease in the level of private sector business activity in Lebanon. This was highlighted by the corresponding seasonally adjusted index posting well below the critical 50.0 threshold that separates growth from contraction, up only slightly from October's 14-month low.

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
2015	Jul	5.1	88.5	6.4	-1.3	49.4	48.5
	Aug	3.3	88.0	8.7	-5.3	47.3	46.2
	Sep	6.2	81.8	12.0	-5.8	47.1	45.2
	Oct	6.5	76.6	16.9	-10.5	44.8	45.1
	Nov	2.9	80.5	16.6	-13.8	43.1	43.8

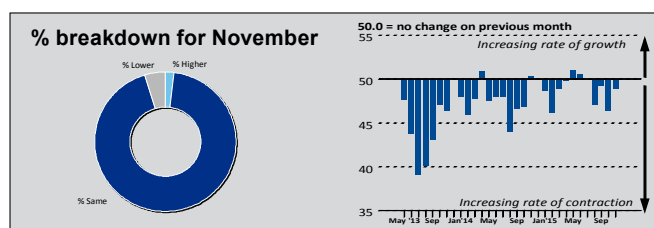


Lebanese businesses continued to report shrinking demand for their goods and services in November. The level of new orders received by firms decreased in line with the trend observed in every month throughout the past two-and-a-half years. Furthermore, having accelerated for the fourth month running, the rate of decline in the latest period was the most marked since August 2014.

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
2015	Jul	4.6	93.1	2.3	+2.3	51.1	50.0
	Aug	2.4	91.8	5.9	-3.5	48.2	47.1
	Sep	2.9	94.6	2.5	+0.4	50.2	49.2
	Oct	0.0	91.2	8.8	-8.8	45.6	46.5
	Nov	1.8	93.4	4.8	-2.9	48.5	48.9

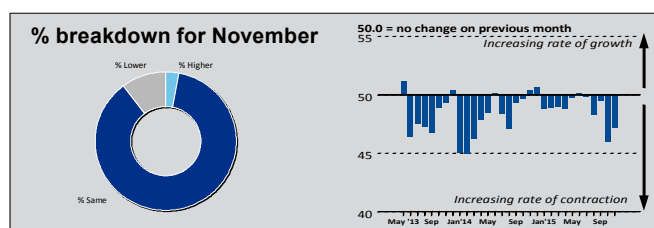


The level of new export orders received by private sector firms in Lebanon decreased during November, extending the current sequence of contraction to four months. However, in contrast with the trend in total new business, orders from abroad fell at a slower rate than in October, and one that was only modest overall.

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
2015	Jul	4.6	92.5	3.0	+1.6	50.8	49.9
	Aug	2.7	93.5	3.8	-1.0	49.5	48.3
	Sep	7.4	85.3	7.3	+0.1	50.1	49.6
	Oct	4.1	84.6	11.3	-7.2	46.4	46.1
	Nov	3.0	86.8	10.1	-7.1	46.4	47.2

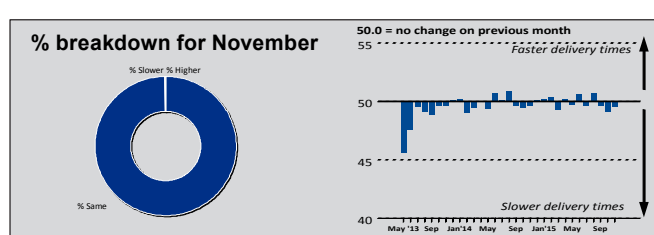


As has been the case in ten of the past 11 months, the amount of outstanding business at Lebanese companies decreased in November. Although slower than in October, the rate of backlog depletion remained solid and faster than the series average. Where a fall in work-in-hand was recorded (at approximately 10% of panellists), this was generally linked to lower inflows of new work.

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
2015	Jul	0.0	100.0	0.0	0.0	50.0	49.6
	Aug	0.0	100.0	0.0	0.0	50.0	50.7
	Sep	0.0	100.0	0.0	0.0	50.0	49.6
	Oct	0.4	97.9	1.8	-1.4	49.3	49.1
	Nov	0.1	99.6	0.3	-0.2	49.9	49.5

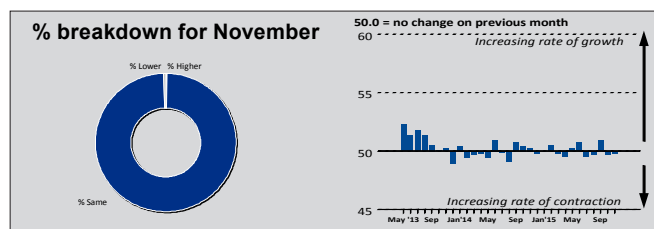


November saw a further increase in average supplier delivery times faced by Lebanese private sector companies, marking a third straight monthly deterioration in vendor performance. However, as highlighted by the corresponding seasonally adjusted index posting close to the 50.0 no-change mark, the extent to which lead times lengthened was only marginal.

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
2015	Jul	0.0	100.0	0.0	0.0	50.0	49.5
	Aug	0.0	100.0	0.0	0.0	50.0	49.7
	Sep	2.4	96.3	1.2	+1.2	50.6	50.9
	Oct	2.6	94.6	2.8	-0.2	49.9	49.7
	Nov	0.3	99.2	0.5	-0.2	49.9	49.7

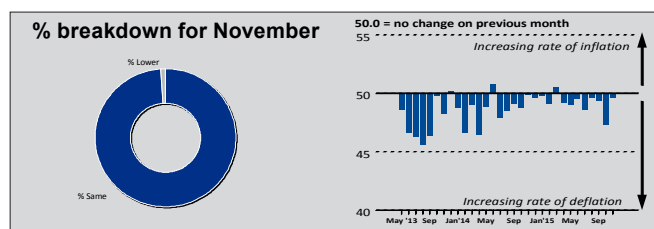


The number of people employed at businesses in Lebanon's private sector economy decreased for the fourth time in the past five months during November. That said, the rate of job losses was only marginal and unchanged since October, with the vast majority of companies maintaining a constant level of staff numbers.

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
2015	Jul	0.6	95.2	4.2	-3.5	48.2	48.6
	Aug	0.0	97.7	2.3	-2.3	48.8	49.6
	Sep	3.6	92.6	3.8	-0.2	49.9	49.4
	Oct	0.2	94.9	5.0	-4.8	47.6	47.3
	Nov	0.0	98.9	1.1	-1.1	49.5	49.6

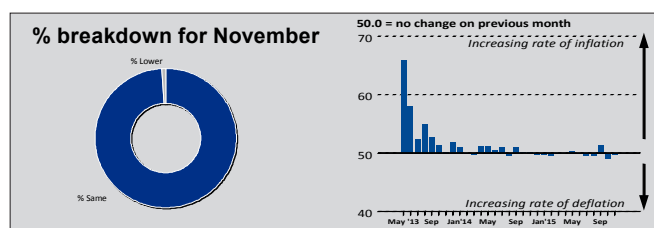


Latest data showed a slowdown in the rate of decline in average prices charged for goods and services. Adjusted for the influence of seasonal variations, the Output Prices Index climbed from October's one-and-a-half year low to a level that was consistent with only a marginal reduction in selling prices. According to anecdotal evidence, competitive pressures were partly behind discounts.

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
2015	Jul	0.0	100.0	0.0	0.0	50.0	49.5
	Aug	0.0	100.0	0.0	0.0	50.0	49.6
	Sep	2.2	97.8	0.0	+2.2	51.1	51.4
	Oct	0.2	96.3	3.4	-3.2	48.4	49.1
	Nov	0.0	99.2	0.8	-0.8	49.6	49.8

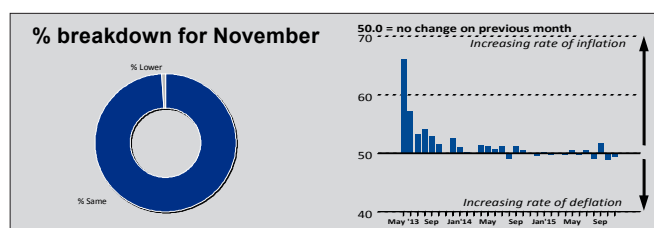


Businesses operating in Lebanon's private sector economy recorded a reduction in total cost burdens for a second consecutive month in November, but the rate of decline eased and was only marginal. One factor leading overall input costs to fall was a reduction in average prices paid for purchases.

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
2015	Jul	0.0	100.0	0.0	0.0	50.0	50.5
	Aug	0.0	100.0	0.0	0.0	50.0	49.1
	Sep	2.2	97.8	0.0	+2.2	51.1	51.8
	Oct	0.2	96.3	3.5	-3.2	48.4	48.9
	Nov	0.0	99.2	0.8	-0.8	49.6	49.4

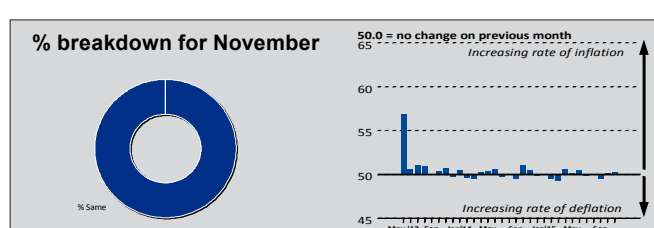


Citing a weak euro and falling global commodity prices, Lebanese private sector companies recorded a second straight monthly decrease in average purchasing costs in November. The rate of decline was only marginal, however, having eased from that registered in the preceding survey period.

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
2015	Jul	0.0	100.0	0.0	0.0	50.0	49.8
	Aug	0.0	100.0	0.0	0.0	50.0	49.9
	Sep	0.0	100.0	0.0	0.0	50.0	49.5
	Oct	0.0	99.6	0.4	-0.4	49.8	50.1
	Nov	0.0	100.0	0.0	0.0	50.0	50.3

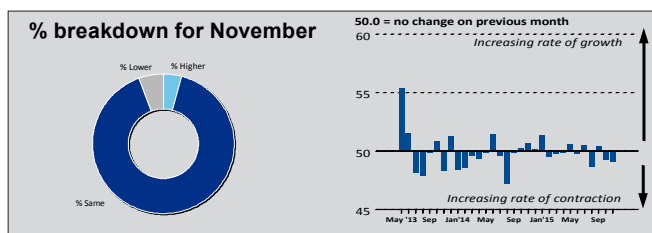


Acting to partially offset lower prices paid for purchases, average staff costs at businesses in Lebanon increased slightly during November. This followed broadly no change in salaries/wages during the month before. In the year-to-date, the seasonally adjusted Staff Costs Index has trended in line with the neutral 50.0 threshold.

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
2015	Jul	5.1	93.2	1.7	+3.4	51.7	50.5
	Aug	3.9	92.3	3.9	0.0	50.0	48.6
	Sep	7.9	87.4	4.7	+3.2	51.6	50.4
	Oct	7.0	84.1	8.9	-1.9	49.0	49.3
	Nov	4.3	90.1	5.6	-1.3	49.3	49.1

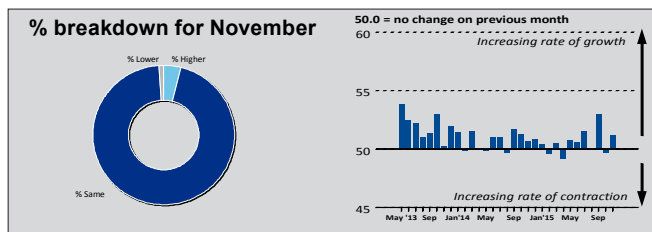


Reflective of reduced workloads, Lebanese businesses scaled back their purchasing activity during November. Input buying has now fallen in all but one of the past four months, having risen marginally in September. The extent of the latest decrease was modest and similar to that recorded during October.

Stocks of Purchases Index

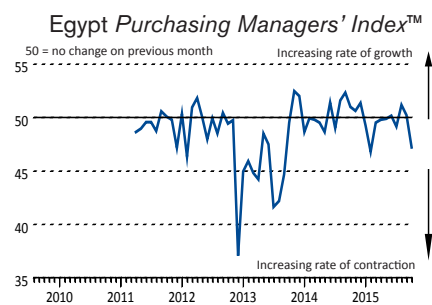
Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2015	Jul	4.3	95.7	0.0	+4.3	52.1	51.5
	Aug	1.9	98.1	0.0	+1.9	50.9	50.0
	Sep	7.6	92.1	0.3	+7.3	53.7	53.0
	Oct	3.2	92.3	4.5	-1.3	49.4	49.7
	Nov	3.9	95.1	1.0	+3.0	51.5	51.2

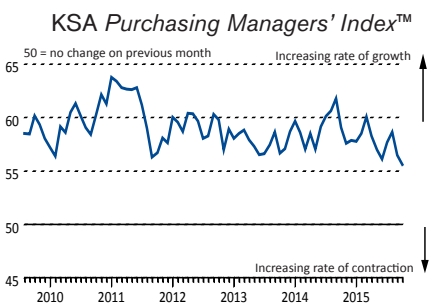


Stocks of purchases at Lebanese private sector companies returned to growth in November, following a contraction – the first in six months – during October. Around 4% of surveyed companies recorded a rise in their inventory levels (against only 1% noting a fall), often commenting that weak demand led to the accumulation of stock.

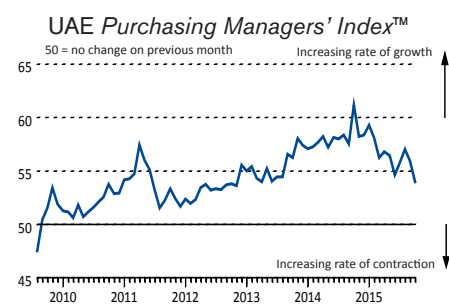
International PMI summary



Sources: Markit, Emirates NBD.



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After adjusting for seasonality, the headline Emirates NBD Egypt Purchasing Managers' Index™ (PMI) dropped to an eight-month low of 47.2 in October, from 50.2 in September. The figure was consistent with a solid deterioration in business conditions, contrasting with the modest improvements seen in three of the four preceding months.

The headline seasonally adjusted Emirates NBD Saudi Arabia Purchasing Managers' Index™ (PMI) dropped for the second straight month to 55.7, from 56.5 in September. The October reading was the lowest in the survey's history, and highlighted a further loss of growth momentum from the five-month high seen midway through Q3 (58.7).

At 54.0, the headline Emirates NBD UAE Purchasing Managers' Index™ (PMI) was indicative of a slower, but still solid, improvement in business conditions during October. Down from 56.0 in September, the latest reading was the lowest in two-and-a-half years and below the average recorded since data collection began in August 2009 (54.6).

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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