

## PMI signals slower deterioration in business conditions

### Key findings:

- **December PMI reads 47.9, its highest in three months**
- **Further solid, albeit slower, falls in output and new orders**
- **Slight drop in employment for third month running**

This report contains the twenty-seventh 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 signalled a further deterioration in business conditions in the private sector economy in December. However, at 47.9 from 46.9 in November, the latest reading was the highest in three months and showed an easing of the rate of decline.

Output fell again during the final month of the year, with the latest decrease – the thirty-first in successive months – solid but the slowest since August. Reasons firms gave for lower activity included instability in the country and the uncertain political situation.

Demand remained subdued during December, as highlighted

by a further reduction in new business. Similar to the trend in output, the rate of decline in new work eased but remained solid. December also saw a drop in inflows of new business from abroad, the fifth in as many months.

The labour market continued to suffer as a consequence of deteriorating economic conditions, with employment levels slipping for a third straight month in December. Although modest, the rate of decline in staff numbers was the fastest since August 2014.

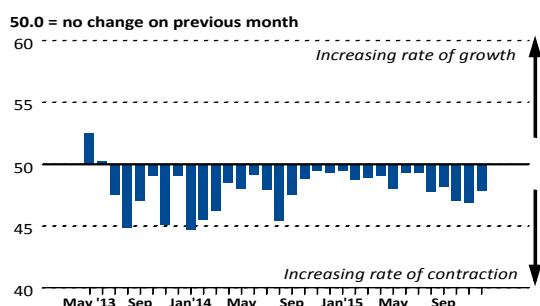
Backlogs of work were reduced during December in a further sign that firms had excess resources, with the latest fall in outstanding businesses the sixth in consecutive months.

December's survey showed that companies continued to scale back on their purchasing activity, a constant feature throughout the final quarter. Meanwhile, inventory levels rose only slightly and at a slower rate than in November.

Latest data showed signs of slight deflationary pressures, with marginal falls in both average prices charged for goods and services and businesses' input costs recorded. The latter was linked to slight drops in both purchase prices and average staff costs.

Finally, average supplier delivery times improved fractionally in December, ending a three-month spell of deteriorating vendor performance.

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



### Purchasing Managers' Index

		Unadj.	Seas. Adj.
2015	Oct	47.0	47.1
	Nov	46.4	46.9
	Dec	48.4	47.9

### Index Summary

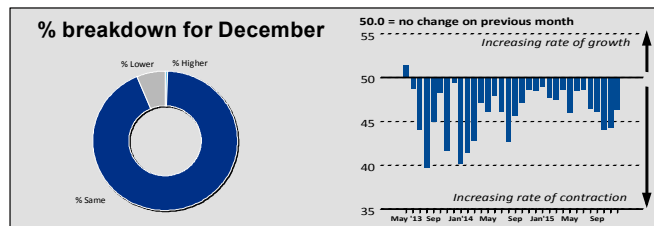
(seasonally adjusted, 50 = no change on previous month)

	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
Oct'15	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
Dec	47.9	46.3	46.4	48.6	48.1	49.3	49.3	49.7	49.6	49.8	50.2	48.8	50.6

## 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>	Aug	3.4	88.4	8.2	-4.8	<b>47.6</b>	<b>46.5</b>
	Sep	6.3	81.6	12.1	-5.7	<b>47.1</b>	<b>46.1</b>
	Oct	5.2	77.9	16.9	-11.7	<b>44.1</b>	<b>44.1</b>
	Nov	2.7	80.9	16.4	-13.7	<b>43.1</b>	<b>44.3</b>
	Dec	0.6	93.1	6.3	-5.7	<b>47.2</b>	<b>46.3</b>

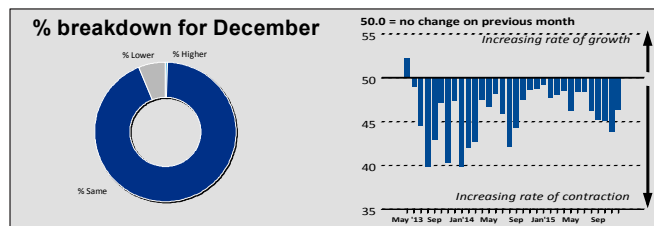


The level of business activity in Lebanon's private sector economy contracted during the final month of the year. Although the weakest seen since August, the rate of decline was solid and faster than the average recorded over the year as a whole. Panel member reports pointed to political uncertainty leading to weaker economic conditions.

## 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>	Aug	3.3	88.0	8.7	-5.3	<b>47.3</b>	<b>46.2</b>
	Sep	6.2	81.8	12.0	-5.8	<b>47.1</b>	<b>45.2</b>
	Oct	6.5	76.6	16.9	-10.5	<b>44.8</b>	<b>45.1</b>
	Nov	2.9	80.5	16.6	-13.8	<b>43.1</b>	<b>43.8</b>
	Dec	0.6	93.2	6.2	-5.5	<b>47.2</b>	<b>46.4</b>

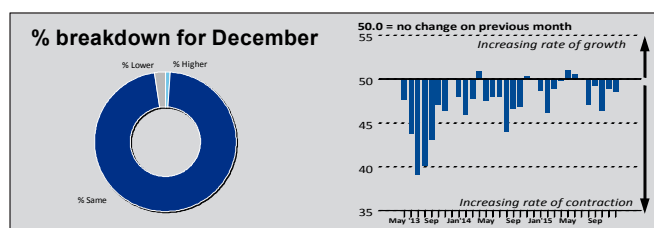


Continuing the trend observed in every month since June 2013, the level of new orders received by private sector companies in Lebanon decreased during December. The corresponding seasonally adjusted index rose sharply from November's 15-month low to the highest since July, but nevertheless remained at a level indicative of a solid rate of decline in new business.

## 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>	Aug	2.4	91.8	5.9	-3.5	<b>48.2</b>	<b>47.1</b>
	Sep	2.9	94.6	2.5	+0.4	<b>50.2</b>	<b>49.2</b>
	Oct	0.0	91.2	8.8	-8.8	<b>45.6</b>	<b>46.5</b>
	Nov	1.8	93.4	4.8	-2.9	<b>48.5</b>	<b>48.9</b>
	Dec	1.2	96.3	2.5	-1.3	<b>49.3</b>	<b>48.6</b>

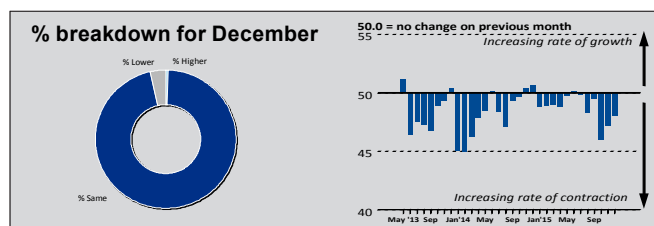


December's survey indicated a decrease in the level of new business from abroad at Lebanese private sector companies, thereby extending the current sequence of contraction to five months – the longest seen since October last year. The rate of decline was little-changed from the modest pace recorded in the preceding survey period.

## 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>	Aug	2.7	93.5	3.8	-1.0	<b>49.5</b>	<b>48.3</b>
	Sep	7.4	85.3	7.3	+0.1	<b>50.1</b>	<b>49.6</b>
	Oct	4.1	84.6	11.3	-7.2	<b>46.4</b>	<b>46.1</b>
	Nov	3.0	86.8	10.1	-7.1	<b>46.4</b>	<b>47.2</b>
	Dec	0.6	95.8	3.6	-2.9	<b>48.5</b>	<b>48.1</b>

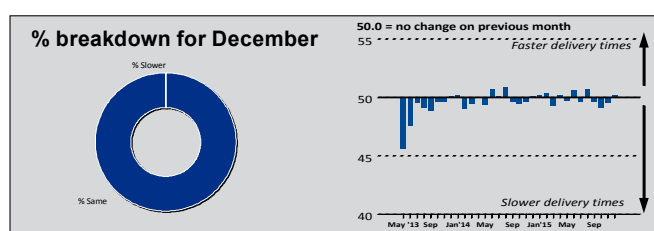


In a sign of businesses operating below capacity, December saw a decrease in the amount of work-in-hand (but not yet completed) in Lebanon's private sector economy. This marked the sixth time in as many months that a reduction in backlogs of work has been recorded. That said, the rate of decline eased to the weakest since September.

## 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>	Aug	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>50.7</b>
	Sep	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.6</b>
	Oct	0.4	97.9	1.8	-1.4	<b>49.3</b>	<b>49.1</b>
	Nov	0.1	99.6	0.3	-0.2	<b>49.9</b>	<b>49.5</b>
	Dec	0.0	99.9	0.1	-0.1	<b>50.0</b>	<b>50.2</b>

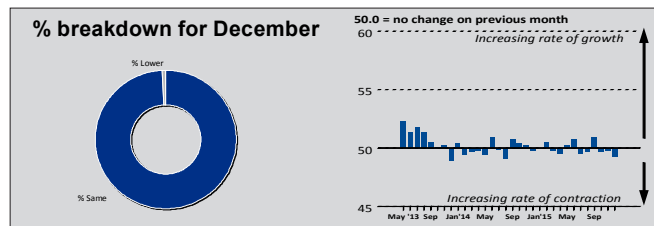


Adjusted for the influence of seasonal factors, the Suppliers' Delivery Times Index posted above the 50.0 mark – separating faster and slower lead times – for the first time in four months during December. The extent of the improvement in vendor performance was only marginal, however, with most firms reporting unchanged delivery 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>	Aug	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.7</b>
	Sep	2.4	96.3	1.2	+1.2	<b>50.6</b>	<b>50.9</b>
	Oct	2.6	94.6	2.8	-0.2	<b>49.9</b>	<b>49.7</b>
	Nov	0.3	99.2	0.5	-0.2	<b>49.9</b>	<b>49.7</b>
	Dec	0.0	99.2	0.8	-0.8	<b>49.6</b>	<b>49.3</b>

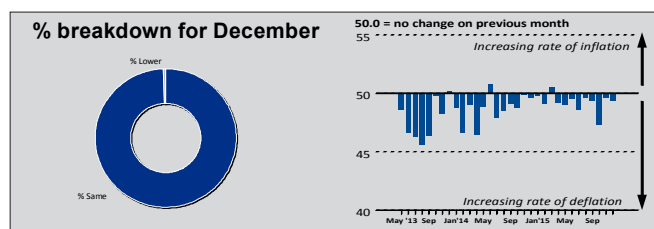


Latest data showed another slight reduction in the level of employment in Lebanon's private sector economy during December, the third in successive months. The seasonally adjusted Employment Index was at its lowest level since August 2014 in the latest survey period. However, its average over the year as a whole was 50.0, the same as in 2014.

## 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>	Aug	0.0	97.7	2.3	-2.3	<b>48.8</b>	<b>49.6</b>
	Sep	3.6	92.6	3.8	-0.2	<b>49.9</b>	<b>49.4</b>
	Oct	0.2	94.9	5.0	-4.8	<b>47.6</b>	<b>47.3</b>
	Nov	0.0	98.9	1.1	-1.1	<b>49.5</b>	<b>49.6</b>
	Dec	0.0	99.3	0.7	-0.7	<b>49.7</b>	<b>49.3</b>

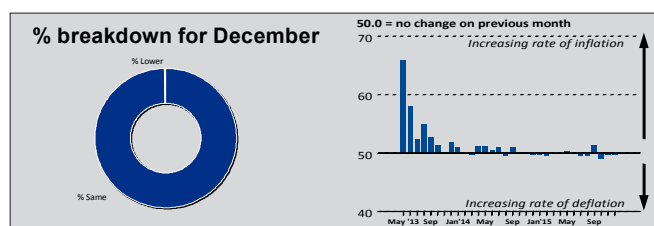


Ongoing signs of deflationary pressures were evident, as December's survey signalled a ninth consecutive monthly decrease in average prices charged for goods and services by Lebanese businesses. The rate at which output charges decreased was slightly faster than in November, but still only marginal overall.

## 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>	Aug	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.6</b>
	Sep	2.2	97.8	0.0	+2.2	<b>51.1</b>	<b>51.4</b>
	Oct	0.2	96.3	3.4	-3.2	<b>48.4</b>	<b>49.1</b>
	Nov	0.0	99.2	0.8	-0.8	<b>49.6</b>	<b>49.8</b>
	Dec	0.0	99.8	0.2	-0.2	<b>49.9</b>	<b>49.7</b>

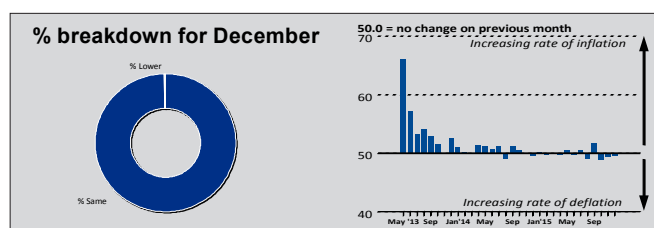


As was the case in the previous survey period, December saw a negligible decrease in average input prices faced by private sector firms in Lebanon, with the seasonally adjusted index below (but close to) the 50.0 no-change threshold. There was slight downward pressure on total cost burdens from both falling purchase prices and lower average salaries.

## 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>	Aug	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.1</b>
	Sep	2.2	97.8	0.0	+2.2	<b>51.1</b>	<b>51.8</b>
	Oct	0.2	96.3	3.5	-3.2	<b>48.4</b>	<b>48.9</b>
	Nov	0.0	99.2	0.8	-0.8	<b>49.6</b>	<b>49.4</b>
	Dec	0.0	99.8	0.2	-0.2	<b>49.9</b>	<b>49.6</b>

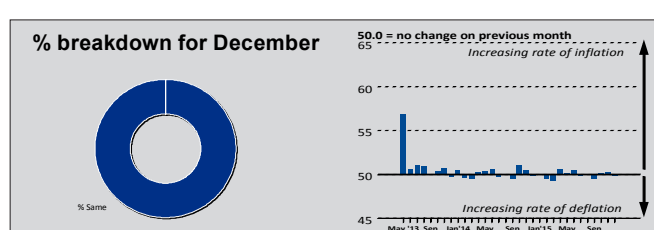


Average purchase prices decreased for the third month in succession in December, which panel members linked to falls in the cost of materials such as iron in international markets. That said, the rate of decline in purchase prices was the weakest in that sequence and only marginal overall.

## 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>	Aug	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.9</b>
	Sep	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.5</b>
	Oct	0.0	99.6	0.4	-0.4	<b>49.8</b>	<b>50.1</b>
	Nov	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>50.3</b>
	Dec	0.0	100.0	0.0	0.0	<b>50.0</b>	<b>49.8</b>

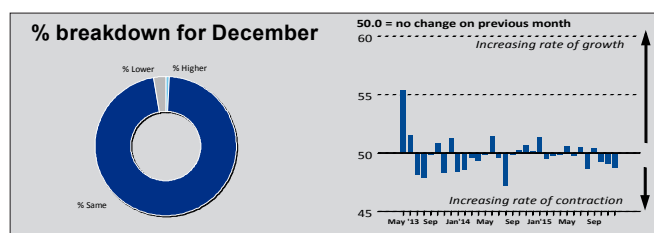


On a seasonally adjusted basis, average staff costs among private sector businesses in Lebanon decreased slightly during December. This followed a marginal rise in average salaries/wages during the preceding survey period. Over the year as a whole, the data suggested that remuneration was broadly stable.

## 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>	Aug	3.9	92.3	3.9	0.0	<b>50.0</b>	<b>48.6</b>
	Sep	7.9	87.4	4.7	+3.2	<b>51.6</b>	<b>50.4</b>
	Oct	7.0	84.1	8.9	-1.9	<b>49.0</b>	<b>49.3</b>
	Nov	4.3	90.1	5.6	-1.3	<b>49.3</b>	<b>49.1</b>
	Dec	0.8	96.3	2.9	-2.1	<b>48.9</b>	<b>48.8</b>

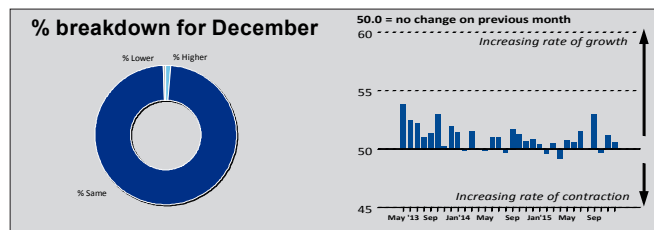


A lack of incoming work led private sector Lebanese companies to reduce their purchasing activity again in December, meaning that buying levels have now decreased in four of the past five months. Although modest, the rate of decline in the latest survey period was the second-fastest seen over the past 16 months, just behind that recorded in August.

## Stocks of Purchases Index

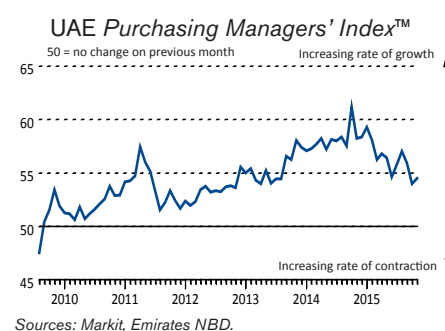
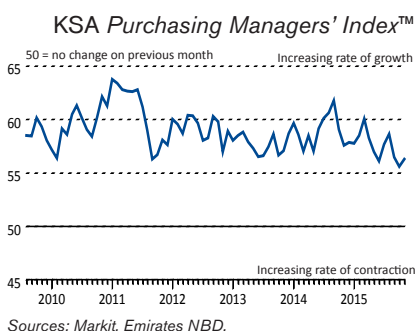
Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2015</b>	Aug	1.9	98.1	0.0	+1.9	<b>50.9</b>	<b>50.0</b>
	Sep	7.6	92.1	0.3	+7.3	<b>53.7</b>	<b>53.0</b>
	Oct	3.2	92.3	4.5	-1.3	<b>49.4</b>	<b>49.7</b>
	Nov	3.9	95.1	1.0	+3.0	<b>51.5</b>	<b>51.2</b>
	Dec	1.1	98.3	0.5	+0.6	<b>50.3</b>	<b>50.6</b>



Stocks of purchases held by Lebanese businesses grew at a slower rate in December. This was highlighted by the corresponding seasonally adjusted index edging closer to the neutral 50.0 threshold, and registering at a level consistent with only a marginal rate of accumulation in inventories.

## International PMI summary



After adjusting for seasonality, the headline Emirates NBD Egypt Purchasing Managers' Index™ (PMI) slipped to the lowest mark in 26 months during November (45.0). Down from October's eight-month low (47.2), the reading pointed to a marked worsening in business conditions. The sector has now contracted in eight out of 11 months so far in 2015.

Adjusted for seasonal factors, the headline Emirates NBD Saudi Arabia Purchasing Managers' Index™ (PMI) posted 56.3 in November, up from 55.7 in October. The latest reading pointed to an upturn in growth from the record low seen in the prior month, but it was still one of the lowest recorded in the series history.

At 54.5, the headline Emirates NBD UAE Purchasing Managers' Index™ (PMI) showed that the health of the economy strengthened midway through the fourth quarter. Up from October's recent low (54.0), the latest figure pointed to a solid improvement in business conditions. That said, the rate of growth remained much slower than that seen earlier this year and throughout 2014.

## 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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