

## PMI rises to six-month high in January

### Key findings:

- **Downturn in business conditions continues to ease at the start of 2016**
- **Output and new orders fall at slowest rates since last July**
- **Employment stabilises after falling throughout Q4 2015**

This report contains the twenty-eighth 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.

January saw the headline seasonally adjusted BLOM Lebanon PMI rise to a six-month high of 49.1, up from 47.9 in December. Although still signalling worsening operating conditions at private sector businesses, the index was at a level indicative of only a modest rate of deterioration, and one that was slower than the average for 2015 as a whole.

January's survey showed further falls in both output and inflows of new work at private sector firms, highlighting the continuing impact of political uncertainty and subdued market demand on business performance. That said, the respective rates of decline were only modest, having both eased to their weakest levels since last July.

One area where the data did show greater weakness was in new export orders, which fell for the sixth month running and at the steepest rate since October.

Employment at private sector firms stabilised at the start of 2016, having fallen on a monthly basis throughout the final quarter of last year (albeit only slightly). Moreover, January's data showed a rise in businesses' purchasing activity for the first time in four months, which in turn contributed to faster growth of stocks of purchases.

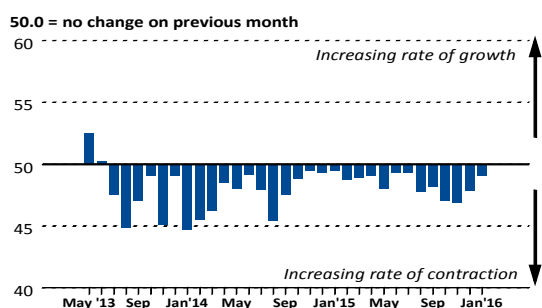
Backlogs of work continued to fall, marking seven consecutive months of decline. However, having eased further from the sharp rate of depletion seen in October last year, the pace of decline in the latest survey period was only slight.

Separately, Lebanese private sector firms reported little change in terms of overall costs in January. A fractional rise in average wages, which reversed a decrease during the month before, went hand in hand with no change in purchase prices. That said, there were some mentions from panellists of lower prices for primary products globally.

Meanwhile, competition and efforts to boost inflows of new work led businesses to reduce their output charges for the tenth month in a row.

Elsewhere, latest data showed a second straight monthly improvement in vendor performance, albeit marginal.

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



Purchasing Managers' Index			
		Unadj.	Seas. Adj.
2015	Nov	46.4	46.9
	Dec	48.4	47.9
2016	Jan	47.3	49.1

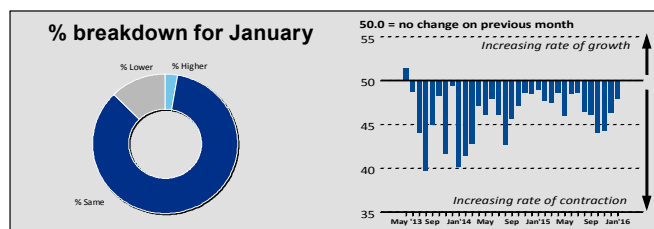
### Index Summary

(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
Nov'15	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
Jan'16	49.1	48.0	48.3	47.9	49.0	50.0	49.4	50.1	50.0	50.2	50.4	50.7	51.2

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

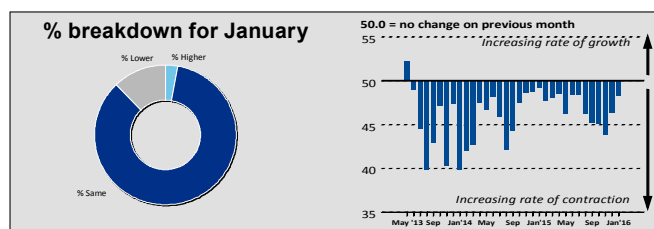
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2015</b>	Sep	6.3	81.6	12.1	-5.7	<b>47.1</b>	<b>46.1</b>
	Oct	5.2	77.9	16.9	-11.7	<b>44.1</b>	<b>44.1</b>
	Nov	2.7	80.9	16.4	-13.7	<b>43.1</b>	<b>44.3</b>
	Dec	0.6	93.1	6.3	-5.7	<b>47.2</b>	<b>46.3</b>
<b>2016</b>	Jan	2.8	84.9	12.4	-9.6	<b>45.2</b>	<b>48.0</b>



Business activity in Lebanon's private sector economy decreased at a slower rate in January. This was highlighted by the seasonally adjusted Output Index rising to its highest level in six months, and one that was indicative of only a modest rate of contraction. Hence, the index remained below the neutral 50.0 threshold for the thirty-second month in a row.

**New Orders Index** Q. Please compare the level of new orders received this month with the situation of one month ago.

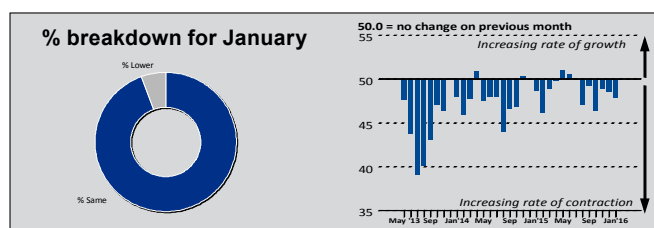
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2015</b>	Sep	6.2	81.8	12.0	-5.8	<b>47.1</b>	<b>45.2</b>
	Oct	6.5	76.6	16.9	-10.5	<b>44.8</b>	<b>45.1</b>
	Nov	2.9	80.5	16.6	-13.8	<b>43.1</b>	<b>43.8</b>
	Dec	0.6	93.2	6.2	-5.5	<b>47.2</b>	<b>46.4</b>
<b>2016</b>	Jan	2.7	85.2	12.2	-9.5	<b>45.3</b>	<b>48.3</b>



January's survey showed a further reduction in the level of new orders received by private sector companies operating in Lebanon. Panellists attributed any noted decrease to both the weakening market conditions and the uncertainty linked to the ongoing political stalemate. That said, the rate at which new business fell was the least marked since last July.

**New Export Orders Index** Q. Please compare the level of new export orders received this month with the situation of one month ago.

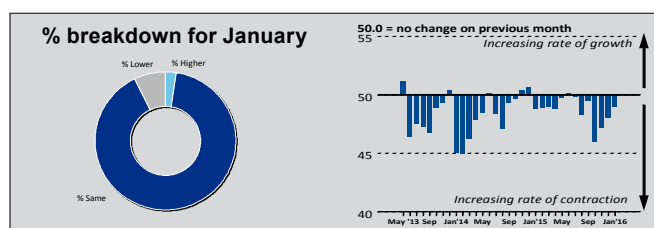
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2015</b>	Sep	2.9	94.6	2.5	+0.4	<b>50.2</b>	<b>49.2</b>
	Oct	0.0	91.2	8.8	-8.8	<b>45.6</b>	<b>46.5</b>
	Nov	1.8	93.4	4.8	-2.9	<b>48.5</b>	<b>48.9</b>
	Dec	1.2	96.3	2.5	-1.3	<b>49.3</b>	<b>48.6</b>
<b>2016</b>	Jan	0.0	94.4	5.6	-5.6	<b>47.2</b>	<b>47.9</b>



New export orders fell at a solid and slightly accelerated rate in January, the fastest seen in three months. Approximately 6% of companies registered a decrease in the level of new business from abroad, while there were no reports from panellists of an increase. Anecdotal evidence pointed to instability in the broader region weighing on export sales.

**Backlogs of Work Index** Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

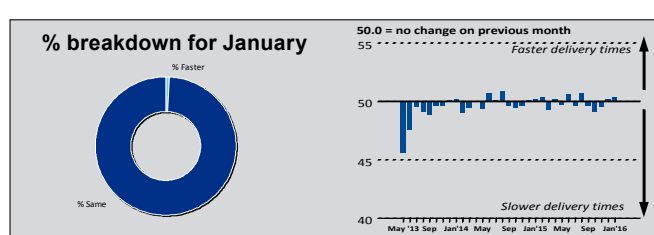
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
<b>2015</b>	Sep	7.4	85.3	7.3	+0.1	<b>50.1</b>	<b>49.6</b>
	Oct	4.1	84.6	11.3	-7.2	<b>46.4</b>	<b>46.1</b>
	Nov	3.0	86.8	10.1	-7.1	<b>46.4</b>	<b>47.2</b>
	Dec	0.6	95.8	3.6	-2.9	<b>48.5</b>	<b>48.1</b>
<b>2016</b>	Jan	2.5	90.2	7.3	-4.8	<b>47.6</b>	<b>49.0</b>



The level of outstanding business (both work in progress and not yet started) at Lebanese private sector companies decreased in January, thereby extending the current sequence of decline to seven months. However, having eased for the third month running, the rate of backlog depletion was only modest overall and the weakest seen 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>	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>
<b>2016</b>	Jan	0.8	99.2	0.0	+0.8	<b>50.4</b>	<b>50.4</b>

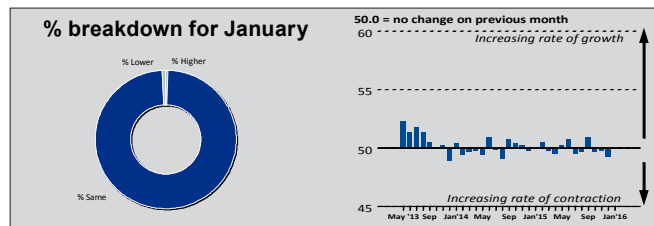


Suppliers' delivery times shortened (on average) for the second month running in January, marking back-to-back improvements in vendor performance for the first time in almost a year. That said, the corresponding seasonally adjusted index remained close to the 50.0 no-change mark, signalling another marginal reduction in 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>	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>
<b>2016</b>	Jan	0.6	98.5	1.0	-0.4	<b>49.8</b>	<b>50.0</b>

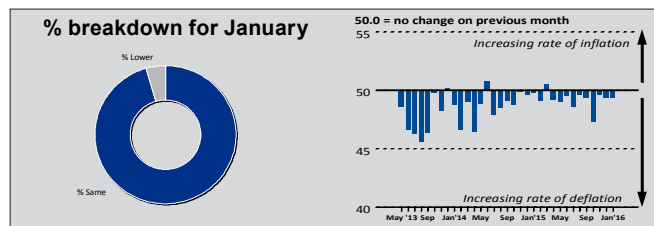


Employment in Lebanon's private sector economy held steady at the start of the year, with the vast majority of panel members (almost 99%) reporting no change in their staff numbers. This followed job losses throughout the final quarter of 2015, albeit with the rate of cuts during this period being only marginal.

**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>	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>
<b>2016</b>	Jan	0.0	95.6	4.4	-4.4	<b>47.8</b>	<b>49.4</b>

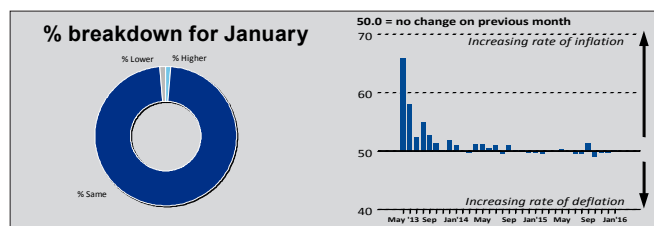


January data pointed to the continued modest impact of deflationary pressures on the output price front. Average prices charged indeed fell for a tenth month running at the start of 2016, and at a rate similar to those recorded in the preceding two survey periods. A number of respondents commented that output prices had been lowered in order to generate work.

**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>	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>
<b>2016</b>	Jan	1.0	97.6	1.4	-0.4	<b>49.8</b>	<b>50.1</b>

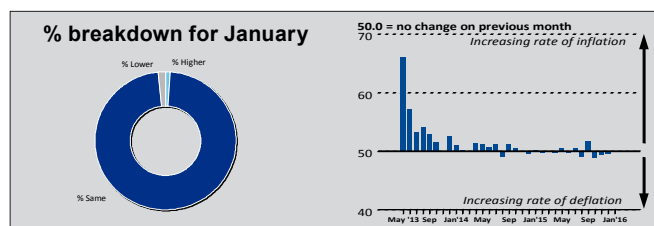


Overall average input prices faced by private sector businesses in Lebanon were broadly unchanged during January, following three months of marginal declines. While there were some mentions from panellists of lower prices paid for certain commodities, others commented on increases in operating expenses such as labour costs.

**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>	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>
<b>2016</b>	Jan	1.0	97.4	1.6	-0.6	<b>49.7</b>	<b>50.0</b>

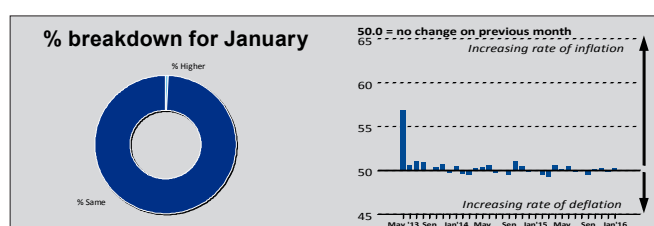


Adjusted for the influence of seasonal factors, the Purchase Prices Index stood in line with the 50.0 no-change mark in January. This stabilisation of purchases prices ended a three-month run of decline. Those businesses that did see a drop in purchasing costs attributed this to lower prices in global markets for materials such as iron.

**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>	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>
<b>2016</b>	Jan	0.6	99.4	0.0	+0.6	<b>50.3</b>	<b>50.2</b>

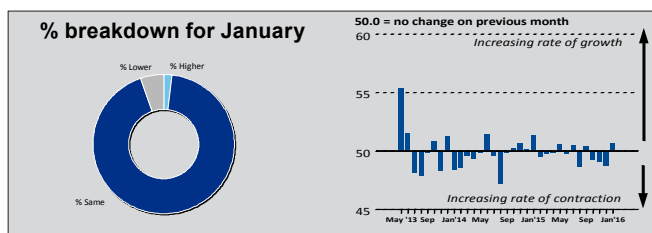


Average prices paid for salaries/wages increased in January, thereby reversing the slight fall seen during the month before. That said, the degree to which employee remuneration improved was only fractional, with the corresponding seasonally adjusted index standing just above neutrality.

**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	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
	Dec	0.8	96.3	2.9	-2.1	48.9	48.8
2016	Jan	2.1	92.6	5.4	-3.3	48.3	50.7

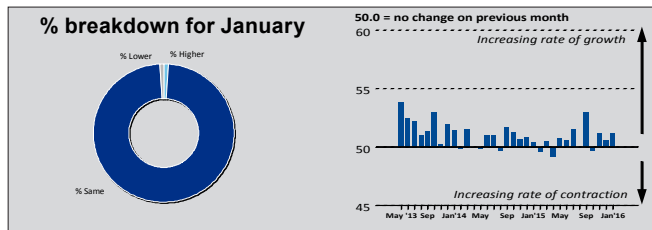


Lebanese businesses' buying levels returned to growth at the start of 2016, after having contracted during each month of the final quarter of last year (and on average across 2015 as a whole). Although only modest, the rate of expansion in purchasing activity was the fastest recorded since January 2015.

**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	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
	Dec	1.1	98.3	0.5	+0.6	50.3	50.6
2016	Jan	1.2	98.0	0.8	+0.4	50.2	51.2

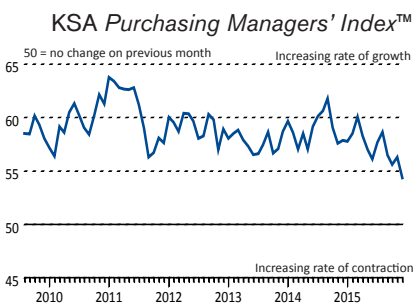


The seasonally adjusted Stocks of Purchases Index remained above the 50.0 no-change mark for the third month running in January, signalling a period of sustained growth in inventory levels at Lebanese private sector firms. Having reaccelerated since December, the rate of accumulation matched the modest pace seen in November.

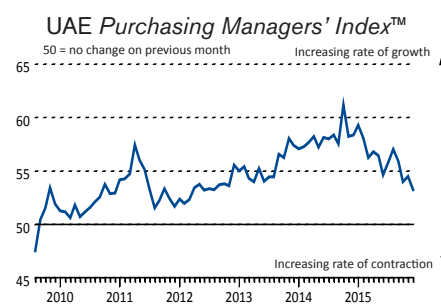
**International PMI summary**



Sources: Markit, Emirates NBD.



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The headline seasonally adjusted Emirates NBD Egypt Purchasing Managers' Index™ (PMI) posted 48.2 in December, up from November's recent low of 45.0. The latest sub-50.0 reading was the third in succession, and meant that the average for the fourth quarter as a whole (46.8) was the lowest seen since Q3 2013. However, the index pointed to only a modest rate of contraction overall.

Despite falling from 56.3 in November to 54.4, the headline Emirates NBD Saudi Arabia Purchasing Managers' Index™ (PMI) remained indicative of solid growth in December. However, the latest reading was a series low, and meant that the average for Q4 2015 was also the weakest on record (55.4).

The headline seasonally adjusted Emirates NBD UAE Purchasing Managers' Index™ pointed to a loss of growth momentum in December. Falling from 54.5 in November to 53.3, the latest reading was the lowest recorded since August 2012. Despite still signalling a solid improvement in business conditions, it meant that the fourth quarter was the weakest on average since Q3 2012.

**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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