

News Release

Purchasing Managers' Index™

MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI™

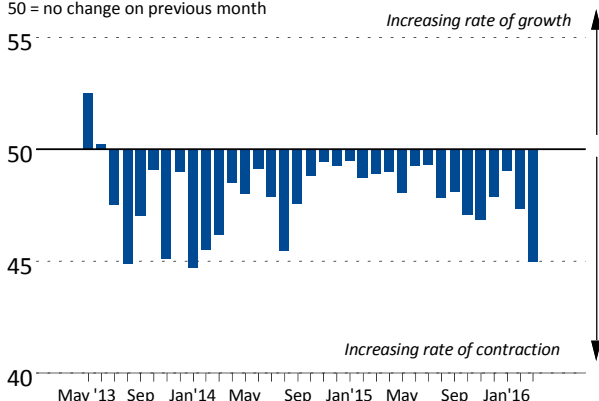
PMI falls to 26-month low to signal sharper deterioration in business conditions

Data collected 11-23 March

- **Output and new orders contract at fastest rates since January 2014**
- **Employment drops for the first time in 2016**
- **Backlogs post sharpest monthly fall in survey's history**

BLOM Lebanon PMI

50 = no change on previous month



This report contains the thirtieth 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 deterioration.

At 45.0, down from February's 47.4, the headline seasonally adjusted BLOM Lebanon PMI signalled the sharpest deterioration in overall private sector business conditions for over two years in March. After registering close to the neutral 50.0 mark in January, the headline index has since posted back-to-back falls, and as a result recorded its lowest quarterly average for a year-and-a-half.

Commenting on the March 2016 PMI results, Dr Ali Bolbol, Economic Advisor at BLOMINVEST Bank, said:

"It seems that 'the chicken have finally come home to roost' as far as the Lebanese economy is concerned. The PMI drop in March 2016 to 45, the lowest in 26 months, indicates that the Lebanese private sector's flexibility to withstand repeated shocks is perhaps coming to an end, no doubt made worse by the ongoing political conflict with the Gulf States. What is also surprising is the deterioration in the sub-indices across the board: output, new orders, exports, and employment. If anything, this reading should be taken by the politicians as a serious wake-up call to end their differences and put the Lebanese political and economic house back in order."

The main findings of March's survey were as follows:

The level of output in the private sector economy decreased to the greatest extent since January 2014, weighed on by a sharp and accelerated drop in incoming new work, the fastest for more than two years. Survey evidence pointed to an unstable demand environment in the country, with reports from panellists of political uncertainty and low tourist numbers combining to reduce new business. Moreover, new work from abroad also fell, with the rate of decline the sharpest seen since last October.

Employment showed the joint-fastest decrease in the past 19 months in March, having remained broadly unchanged in January and February. A steep drop in backlogs of work – the fastest in the survey's near three-year history – was evidence of businesses having a surplus of resources to cope with the current level of demand.

March also saw a decrease in buying levels as companies sought to adapt to lower workplace activity. The reduction was the fifth in the past six months and the most marked since August 2014. Despite this drop in purchasing activity, stocks of purchases were accumulated amid falling output.

Meanwhile, weakness on the demand side led private sector businesses to reduce their output charges during March, with the rate of decline the fastest in five months. However, a slight drop in cost burdens – reflective of lower purchase prices and staff costs – helped to ease the pressure on operating margins.

Finally, March's survey data showed a slight deterioration in supplier lead times faced by the private sector businesses, the first for four months.

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Note to Editors:

The BLOM Lebanon 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 GDP and 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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

About BLOMINVEST BANK

BLOMINVEST BANK, established in 1994, is the investment arm of BLOM Bank SAL, one of the largest banks in Lebanon. As part of its expansionary vision towards the MENA region, the bank has established one investment arm in Saudi Arabia, "BLOMINVEST KSA" and launched three brokerage and trading firms in Egypt, Syria, and Jordan, namely "BLOM Bank Egypt Securities", "Syria and Overseas for Financial Services", and "Financial Services Experts Company". BLOMINVEST BANK is one of few institutions within the greater Levant region that offer Private banking, Investment banking, Asset Management, Brokerage, and Research services under one roof. Based on its track record, BLOMINVEST BANK to date remains the most awarded local investment bank. For more information, see www.blominvestbank.com.

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 30 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics.

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