

News Release

Purchasing Managers' Index™

MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI™

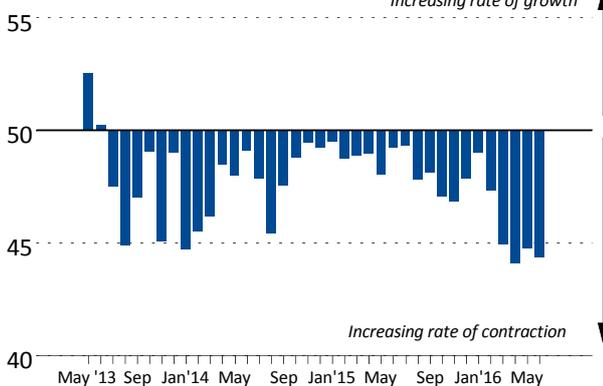
June sees further sharp downturn in business conditions

Data collected 13-24 June

- **Headline PMI posts lowest quarterly average in survey's three-year history**
- **Output and new business both fall at sharp and accelerated rates**
- **Deflationary pressures remain as average prices charged decrease further**

BLOM Lebanon PMI

50 = no change on previous month



This report contains the thirty-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.

Business conditions across Lebanon's private sector economy took a further turn for the worse in June. That was signalled by the headline seasonally adjusted BLOM Lebanon PMI registering 44.4 (May: 44.8), well below the neutral 50.0 threshold. The index's average over the second quarter as a whole was in fact the lowest seen since the survey's inception in May 2013.

Commenting on the June 2016 PMI results, Marwan Mikhael, Head of Research at BLOMINVEST Bank, said:

"The uncertainty surrounding the political deadlock in the country is causing foreign direct investment and capital inflows to fall resulting in a large balance of payments deficit for the sixth year in a row up to April 2016. In this context, private sector activity continues to decline as witnessed by the quarterly average PMI that posted 44.4 with a soaring number of surveyed companies reporting a decline in their outputs and new orders. The bleeding of the economy is slowly eating up the resilience of the country."

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

Output fell sharply across the private sector economy in June, with the rate of decline slightly faster than that recorded in May. Instability and a lack of tourism were factors mentioned by businesses as having weighed on activity. Concurrently, inflows of new business likewise showed a sharp monthly reduction in June and there was a further, albeit modest, drop in new export orders.

Private sector employment decreased as a consequence of falling workloads among businesses, dropping for the fourth month in a row during June. However, as has been the case throughout this sequence, the overall rate of job losses was modest.

Inventory levels across the private sector economy were broadly unchanged on average in June as companies' purchasing activity continued to fall in line with lower output requirements. That followed a seven-month sequence of rising stocks of purchases.

Meanwhile, in a sign of a lack of pressure on supply chains, average delivery times for purchased item improved for the third month in a row and to the greatest extent since August 2015.

Elsewhere, data pointed to the continuation of downward price pressures, with average charges for goods and services falling for the fifteenth month in a row amid reports from panellists of sales and discounts.

Average costs, on the other hand, were unchanged compared with May, ending a four-month spell of decline. One area where costs did increase was staff pay, though the rate of inflation was negligible.

-Ends-

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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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