

PMI rises to highest level in nine months

Key findings:

- **Headline index rebounds from October's record low**
- **Output and new orders both fall at much slower rates**
- **Rate of job losses slows to marginal pace**

This report contains the thirty-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.

The headline BLOM Lebanon PMI rose from October's survey-record low of 43.8 to 46.9 in November. This was the highest reading since February, albeit one that still pointed to an overall deterioration in private sector business conditions.

The level of business activity at Lebanese companies continued to fall during November, although the rate of decline was notably slower than that recorded at the start of the fourth quarter. This was also the case for businesses' new orders, which anecdotal evidence found was still being weighed on by cash-flow problems and instability in the country.

November also saw a further decrease in the amount of new

work received from abroad, taking the current sequence of decline to 16 months.

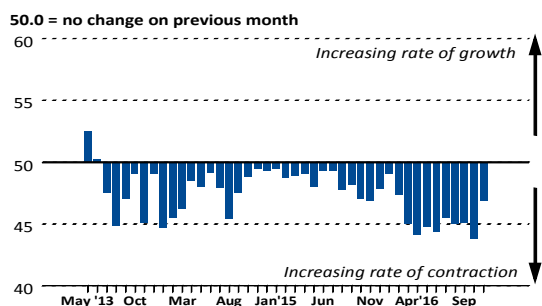
Employment fell across Lebanon's private sector economy for the ninth month running during November. However, the rate of decline was slower than October's survey record and only marginal overall. Despite the further loss of workforce numbers, companies continued to report falling levels of outstanding business.

The downturn in businesses' purchasing activity also eased in the latest survey period, with November's decrease being the least marked in the current ten-month sequence of contraction. Inventory levels nevertheless rose, albeit more slowly than in October.

On the price front, November's survey data pointed to a further decrease in average prices charged for goods and services, linked in part to competitive pressures. The rate of decline in output prices was the slowest for nine months, however, as businesses faced a further rise in average input costs – the fifth in as many months. Indeed, both purchase prices and staff pay showed marginal rises in November.

Average delivery times for purchased items, meanwhile, increased for the first time since March. That said, the extent of the deterioration in vendor performance was only marginal overall.

Lebanon Purchasing Managers' Index™ (PMI™)



Purchasing Managers' Index			
		Unadj.	Seas. Adj.
2016	Sep	45.5	45.1
	Oct	43.3	43.8
	Nov	46.3	46.9

Index Summary

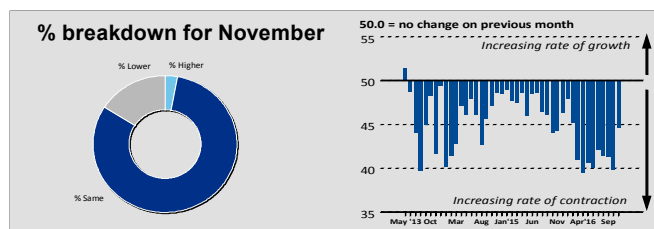
(seasonally adjusted, 50 = no change on previous month)

	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'16	45.1	41.3	40.7	47.7	45.3	49.7	48.6	50.4	50.8	50.2	50.2	47.6	51.0
Oct	43.8	39.8	38.6	47.4	42.4	48.2	48.7	50.7	50.5	50.0	50.3	46.3	51.4
Nov	46.9	44.6	43.9	48.0	46.0	49.7	48.9	50.5	50.6	50.3	49.6	48.2	50.8

Output Index

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

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2016	Jul	3.5	77.9	18.7	-15.2	42.4	42.1
	Aug	4.6	73.3	22.1	-17.5	41.2	41.5
	Sep	3.7	76.6	19.8	-16.1	42.0	41.3
	Oct	1.4	74.0	24.6	-23.2	38.4	39.8
	Nov	2.7	81.6	15.7	-13.0	43.5	44.6

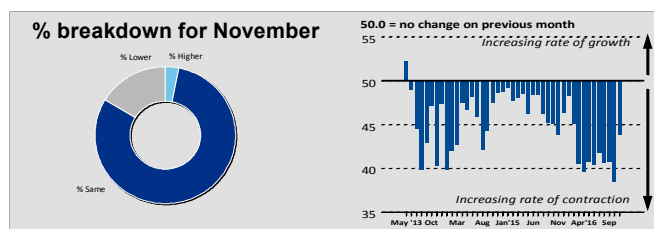


Although business activity continued to decrease across Lebanon's private sector economy in November, the rate of contraction was notably slower than in the previous month. This was highlighted by the seasonally adjusted Output Index climbing sharply to its highest level for nine months, albeit still signalling a marked fall in activity overall.

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
2016	Jul	3.4	77.6	19.0	-15.5	42.2	41.9
	Aug	4.4	72.1	23.5	-19.1	40.5	40.7
	Sep	3.6	75.8	20.6	-17.1	41.5	40.7
	Oct	1.3	73.3	25.4	-24.1	38.0	38.6
	Nov	3.0	80.6	16.4	-13.5	43.3	43.9

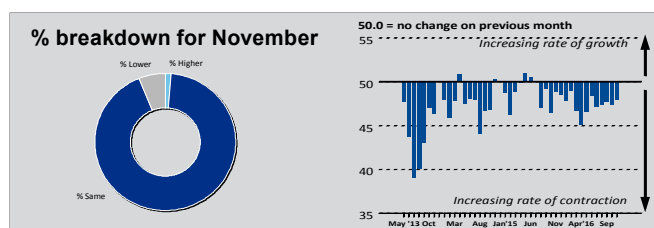


Identical to the trend recorded for business activity, the level of new orders received by private sector companies in Lebanon fell at the slowest rate for nine months in November. Where a reduction in new business was registered (at approximately 16% of companies), this was linked to cash flow problems, unstable conditions and lingering political uncertainty.

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
2016	Jul	0.0	93.6	6.4	-6.4	46.8	47.3
	Aug	0.0	93.3	6.7	-6.7	46.6	47.4
	Sep	0.5	95.9	3.6	-3.1	48.5	47.7
	Oct	0.0	91.3	8.7	-8.7	45.6	47.4
	Nov	1.4	92.5	6.1	-4.7	47.7	48.0

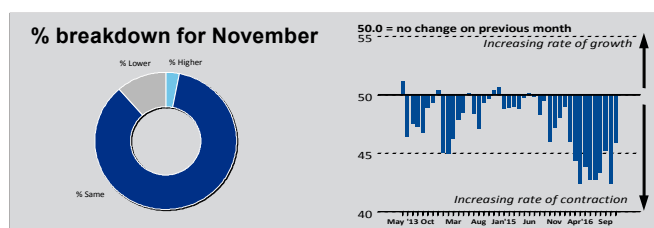


Continuing the trend observed in each month since August last year, Lebanese businesses recorded a reduction in the level of new orders received from abroad in November. That said, the rate at which new export orders decreased was only modest, having eased to the weakest since June.

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
2016	Jul	3.1	80.3	16.5	-13.4	43.3	42.8
	Aug	3.0	82.0	15.0	-12.1	44.0	43.4
	Sep	4.8	81.6	13.6	-8.8	45.6	45.3
	Oct	2.2	79.0	18.7	-16.5	41.8	42.4
	Nov	3.1	85.4	11.5	-8.4	45.8	46.0

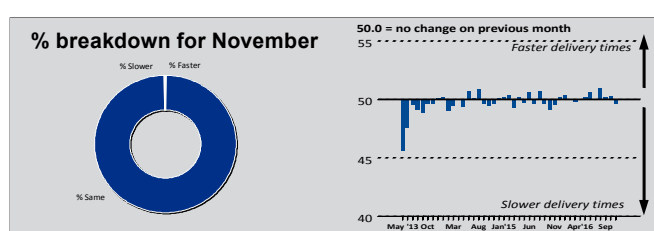


Backlogs of work fell at a much slower pace in November. The rate of decline was in fact the weakest seen since February and slower than the average recorded over the current 17-month sequence of depletion. Firms reporting a drop in work-in-hand (in progress and not yet started) in most cases linked this to lower inflows of new business.

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
2016	Jul	0.5	99.5	0.0	+0.5	50.2	50.0
	Aug	0.2	99.8	0.0	+0.2	50.1	51.0
	Sep	0.0	100.0	0.0	0.0	50.0	50.2
	Oct	0.0	100.0	0.0	0.0	50.0	50.3
	Nov	0.2	99.6	0.2	0.0	50.0	49.6

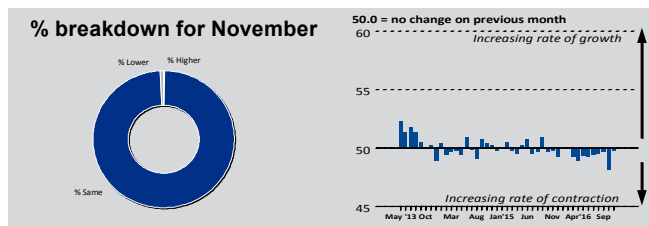


November's survey pointed to a slight increase in average supplier delivery times faced by Lebanese businesses. That followed improvements in vendor performance in each of the past three months. Although pointing to only a marginal deterioration in lead times overall, the seasonally adjusted index was nevertheless at its lowest level since November 2015.

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
2016	Jul	1.2	97.1	1.7	-0.5	49.7	49.4
	Aug	0.5	98.4	1.1	-0.7	49.7	49.5
	Sep	0.2	98.4	1.4	-1.3	49.4	49.7
	Oct	0.0	96.5	3.5	-3.5	48.3	48.2
	Nov	0.4	98.9	0.7	-0.3	49.8	49.7

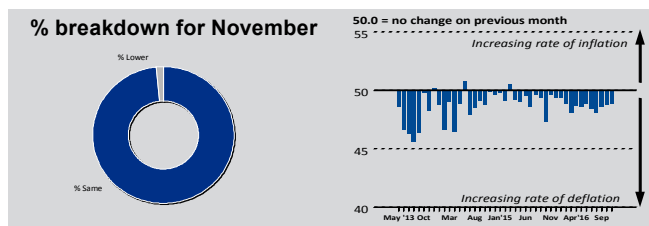


After having fallen to the greatest extent in the survey's history in October, employment within Lebanon's private sector economy decreased only marginally in November. The rate at which staff numbers declined was in fact the joint-slowest in the current nine-month sequence of job losses, matching that recorded in September.

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
2016	Jul	0.3	93.5	6.1	-5.8	47.1	48.4
	Aug	0.0	95.1	4.9	-4.9	47.6	48.1
	Sep	1.4	96.1	2.4	-1.0	49.5	48.6
	Oct	0.7	95.5	3.9	-3.2	48.4	48.7
	Nov	0.0	98.4	1.6	-1.6	49.2	48.9

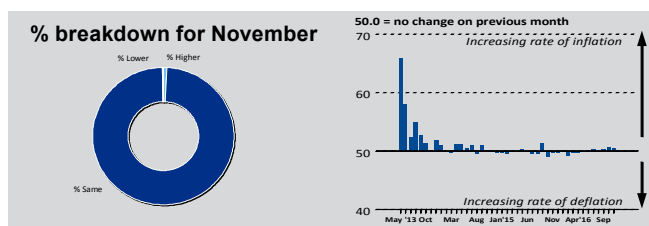


Lebanese businesses maintained a preference for lower output prices in November, citing competitive pressures. Average prices charged for goods and services have now decreased for 20 months in a row, although the rate of decline in the latest survey period was the weakest since February and only modest 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
2016	Jul	1.8	97.9	0.3	+1.5	50.8	50.4
	Aug	1.0	98.8	0.2	+0.7	50.4	50.2
	Sep	0.4	99.6	0.0	+0.4	50.2	50.4
	Oct	0.9	98.5	0.6	+0.3	50.1	50.7
	Nov	0.8	99.1	0.2	+0.6	50.3	50.5

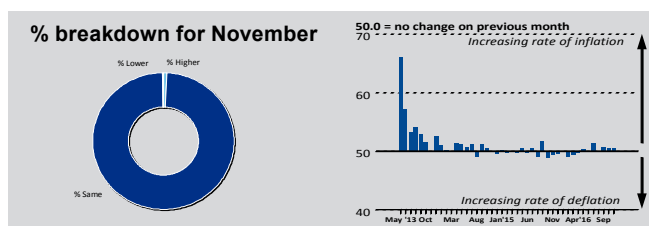


November saw an increase in businesses' overall cost burdens for the fifth month in a row, reflecting slight rises in both average purchase prices and staff pay. That said, the extent of the increase in costs was again only marginal, with most companies reporting no change from the month before.

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
2016	Jul	2.0	97.8	0.3	+1.7	50.9	51.4
	Aug	1.1	98.7	0.2	+0.9	50.4	50.2
	Sep	0.4	99.6	0.0	+0.4	50.2	50.8
	Oct	0.9	98.5	0.6	+0.3	50.1	50.5
	Nov	0.9	98.9	0.2	+0.7	50.4	50.6

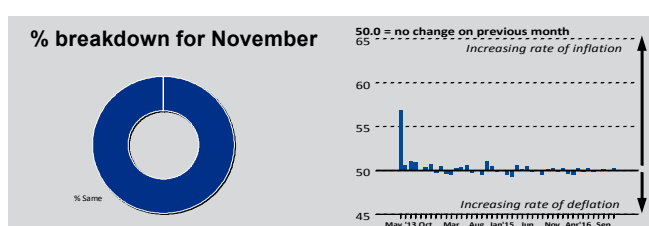


As has been the case in six of the past seven months, Lebanese companies faced an increase in average purchase prices in November. However, the rate of inflation was little-changed from the marginal pace recorded in the preceding survey period. Anecdotal evidence suggested that higher raw material prices was a key factor behind the increase.

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
2016	Jul	0.0	100.0	0.0	0.0	50.0	49.8
	Aug	0.0	99.8	0.2	-0.2	49.9	50.1
	Sep	0.0	100.0	0.0	0.0	50.0	50.2
	Oct	0.0	99.2	0.8	-0.8	49.6	50.0
	Nov	0.0	100.0	0.0	0.0	50.0	50.3

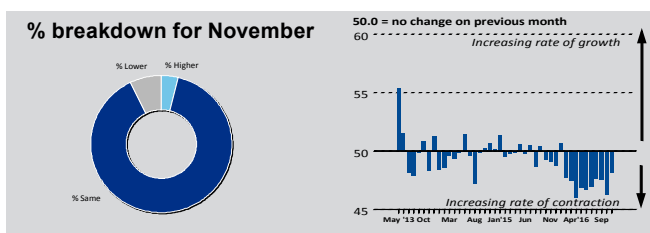


Adjusted for the influence of seasonal factors, the Staff Costs Index moved back into growth territory in November (from October's neutral reading), the third time in the past four months in which it has been above the 50.0 no-change mark. That said, the index was at a level indicative of only a marginal rate of wage inflation.

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
2016	Jul	4.2	87.0	8.9	-4.7	47.7	47.0
	Aug	4.6	87.1	8.3	-3.7	48.2	47.6
	Sep	6.2	85.1	8.8	-2.6	48.7	47.6
	Oct	3.0	85.7	11.4	-8.4	45.8	46.3
	Nov	3.9	88.8	7.3	-3.3	48.3	48.2

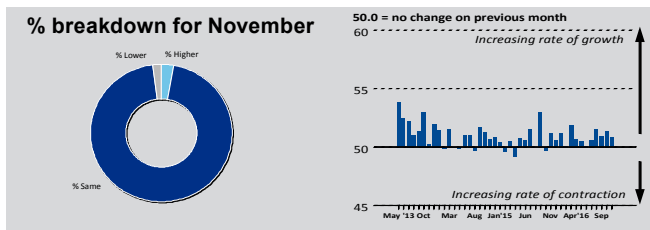


The quantity of items purchased by businesses operating in Lebanon decreased for the tenth successive month in November. The rate of contraction was the weakest in this sequence, however, having eased sharply since the previous survey period (when it was the second-fastest in the series history).

Stocks of Purchases Index

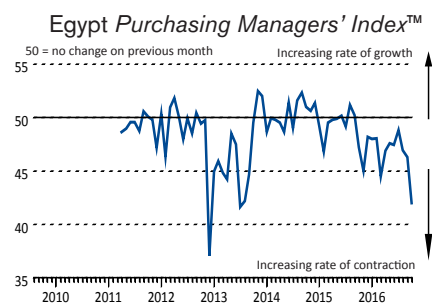
Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2016	Jul	3.3	95.4	1.3	+2.0	51.0	50.6
	Aug	3.9	95.6	0.5	+3.5	51.7	51.5
	Sep	5.0	94.4	0.6	+4.4	52.2	51.0
	Oct	3.0	96.3	0.7	+2.3	51.1	51.4
	Nov	2.7	95.3	2.0	+0.7	50.3	50.8

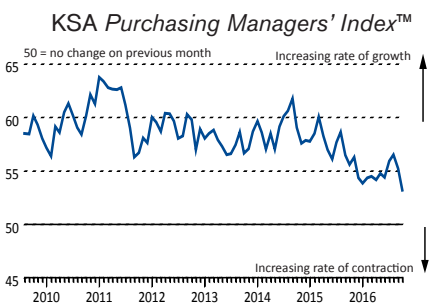


Despite Lebanese businesses continuing to reduce their purchasing activity, latest data showed a further (albeit slower) increase in stocks of purchases in November. Inventory levels have now increased (on average) in each of the past 13 months, although the rate of accumulation has been mainly modest throughout this sequence.

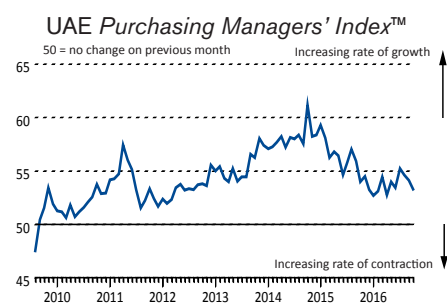
International PMI summary



Sources: IHS Markit, Emirates NBD.



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The headline seasonally adjusted Emirates NBD Egypt Purchasing Managers' Index™ (PMI) dropped to a 39-month low of 42.0 in October, from 46.3 in September. That signalled a marked and accelerated contraction of Egypt's non-oil private sector. Moreover, the latest reading stretched the current downturn to 13 months – matching the longest sequence in the survey's history.

The headline seasonally adjusted Emirates NBD Saudi Arabia Purchasing Managers' Index™ (PMI) dropped to a survey-record low of 53.2 in October, from 55.3 in September. That marked a second successive slowdown in growth following August's 12-month high and meant that the average index reading of 2016 to date (54.7) remained much lower than the long-run trend (58.4).

The headline seasonally adjusted Emirates NBD UAE Purchasing Managers' Index™ (PMI) dropped for the third month in a row during October. The latest reading of 53.3 was the lowest since April, down from 54.1 in September. It was also below the long-run series average (54.5), although remained consistent with a solid improvement in business conditions.

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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