

News Release

Purchasing Managers' Index™

MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI™

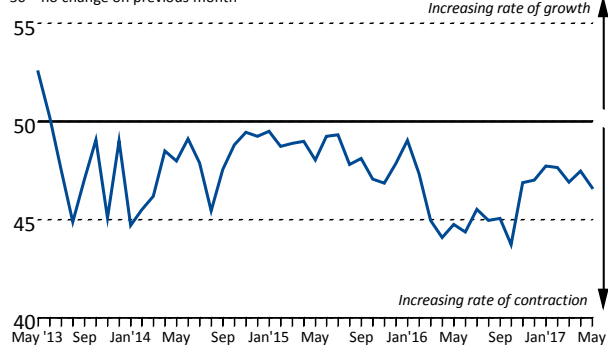
PMI signals deepening economic downturn in May

Data collected May 12-23

- **Headline PMI at seven-month low of 46.6**
- **Output and new orders fall at faster rates**
- **Business confidence hits lowest in four-year survey history**

BLOM Lebanon PMI

50 = no change on previous month



This report contains the forty-fourth 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 IHS 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.

Lebanon's private sector economic conditions deteriorated at a faster rate in May. This was shown by the headline BLOM Lebanon PMI registering 46.6, down from 47.5 in April and its lowest score since October last year. The latest reading was also below the average (47.4) recorded since the survey began over four years ago.

Dr Ali Bolbol, Economic Advisor at BLOMINVEST BANK, commenting on May 2017's PMI, said:

"The spurt in the PMI following the Presidential elections in October 2016 is proving to be short lived. This is reflected in May 2017's PMI that dipped to 46.6, down from 47.5 in April 2017 and at its lowest reading since October last year. Output and new export orders fell at faster rates; while employment, purchases, and backlogs of work witnessed further declines. Not surprisingly, average prices for goods and services were lower because of competitive pressures, and so were overall input costs. What is surprising, however, is the further deterioration in the firms' future expectations, which registered the lowest level of confidence in the series' history. Perhaps the unfulfilled expectations from the presidential elections are to be blamed, the more reason for elites to start resolutely fixing the country's political and economic problems so as to reverse these trends and sentiments as quickly as possible."

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

Businesses reported a sharp drop in overall output in May, with the rate of decline being the fastest seen for seven months. Panel evidence pointed to weak underlying demand in the domestic market due to an unstable political situation as well as issues over cash flow and security. There were also reports of a lack of

tourism, while the latest survey data showed a further drop in new export orders.

-Ends-

Firms continued to scale back operations in May, reporting further declines in employment and quantities of purchases. In both cases the rates of decline were the slowest for three months, however.

A sharp decrease in backlogs of work meanwhile pointed to ongoing spare capacity across the private sector economy.

Data on firms' future expectations showed a further deterioration in sentiment. The level of confidence signalled was in fact the lowest in the series history. Businesses generally reported that they expect output to decrease over the next 12 months, citing the continuation of the difficult operating environment.

On the price front, latest data showed a reduction in average prices charged for goods and services. This was linked by panellists to strong competitive pressures. The rate at which output charges decreased was moderate, but slightly faster than in April.

Businesses were given some respite in the form of lower overall input costs, which decreased for the first time in five months. The reduction reflected a fall in average prices paid for purchases, which likewise dipped slightly and for the first time in 2017 so far. Staff pay was meanwhile unchanged (on average) during the month.

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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.

IHS 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 IHS Markit. Please contact economics@ihsmarkit.com.

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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/product/pmi.

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