

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI®

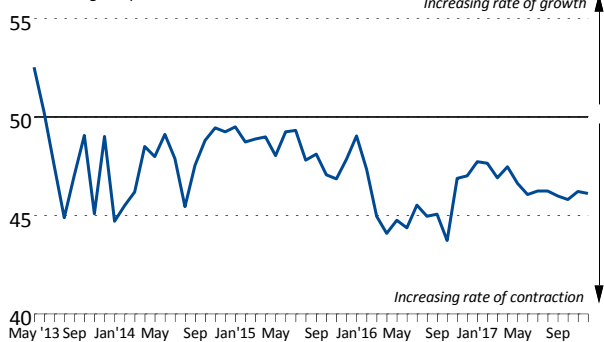
2017 ends with further private sector contraction

Data collected December 5-15

- **At 46.1, PMI signals further deterioration in business conditions**
- **Output falls at fastest rate for 14 months...**
- **...but pace of job shedding eases**

BLOM Lebanon PMI

50 = no change on previous month



This report contains the latest 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.

A difficult year for the Lebanese private sector ended with a further deterioration in business conditions in December. The headline BLOM Lebanon PMI registered a reading of 46.1, down slightly from 46.2 in November, with the quarterly average being the lowest seen for a year.

Dr Ali Bolbol, Chief Economist of BLOM Bank, commented the following on BLOM Lebanon's December 2017 PMI:

"Still reverberating from the political shock of Prime Minister Hariri's resignation in early November 2017, the December 2017 BLOM Lebanon PMI stood at a lowly 46.1, despite the withdrawal of the resignation in late November 2017. Only employment seems to have held broadly steady, against faster declines in output, exports, and new orders. More disturbing is the deterioration in future expectations, in spite of the political settlement brokered by the French president and the Council of Ministers' approval to start oil and gas exploration next year. It looks like the government will have its hands full to reverse these expectations through serious reforms and growth measures, and to do that soon and not wait till after the parliamentary elections in May 2018."

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

The level of business activity in Lebanon's private sector fell sharply again at the end of the fourth quarter, and at the fastest rate seen since October 2016. Political instability was once more highlighted by businesses as the main factor weighing on demand, which was reflected in a further steep reduction in inflows of new business. New export orders also decreased during the month, falling at the fastest rate since May 2016.

However, the impact of the latest decrease in workloads on the labour market was somewhat limited, with employment declining only marginally and at the slowest rate seen since February. This was despite evidence of ongoing spare capacity among businesses, as signalled by backlogs falling at a solid pace and for the thirtieth month in a row.

Stocks of purchases rose in December, to continue the trend seen in every month since November 2015. This was despite a further (albeit slower) fall in firms' buying activity.

On the price front, December's survey showed a further decrease in average prices charged for goods and services, linked to competitive pressures and efforts by businesses to stimulate new sales. Although only modest overall, the rate of decline was the fastest for three months and slightly quicker than the average over the year as a whole. Cost pressures meanwhile subsided, with input prices stabilising after having increased in each of the previous three months.

Latest data meanwhile showed a deterioration in firms' future expectations. After having reached an 11-month high in November, the survey's measure of sentiment towards the year-ahead outlook for activity retreated and signalled a strong degree of pessimism overall.

-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.

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.

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 40 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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