

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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BLOM Lebanon PMI®

PMI moves to nine-month high in January, signals slower decline in private sector business conditions

Data collected January 12-25

- **Output, new orders and exports all show moderated rates of decline**
- **Costs and output prices rise amid VAT hike**
- **Employment broadly unchanged following protracted period of job losses**

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.

Business conditions in Lebanon's private sector continued to deteriorate at the start of 2018, but the rate of decline was the slowest seen for nine months. This was highlighted by the headline BLOM Lebanon PMI moving to 47.1 in January, up from 46.1 in December. The month-on-month rise in the index was the biggest upward movement seen for over a year, though the latest reading was still well below the 50.0 level that separates growth from contraction.

Commenting on the January 2018 PMI results, Marwan Mikhael, Head of Research at BLOMINVEST Bank, said:

"Higher costs and output prices characterized the first month of 2018 as the amended tax law went into effect in January. Although tourism did improve during December, its impact on the economy was limited as output and new orders for companies continued their decline in January but at a slower rate. As it appears from the survey, companies remained pessimistic regarding their activity in the coming months."

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

Output fell at the slowest rate seen since April last year, the pace of contraction easing from that seen at the end of 2017 when the respective index was at its lowest level in 14 months. It was a similar picture for new orders, which also fell to the smallest extent since last April. Part of the reason for this was a moderation in the rate of decline in new export orders to the slowest for 11 months.

The level of employment across Lebanon's private sector economy was broadly unchanged in January, following job losses throughout most of the past two years. Firms kept staffing numbers broadly the same despite evidence of spare capacity, as backlogs fell for the thirty-first month in a row, albeit at the slowest rate seen in nine months.

January's survey meanwhile revealed a rise in prices, linked largely to the implementation of a higher VAT rate at the beginning of the year. The greater tax burden coupled with higher fees drove an increase in firms' costs, which was in turn reflected in a rise in average prices charged for goods and services. The rate of inflation in selling prices was the highest seen since mid-2014, while the increase in costs was the greatest since mid-2013.

Firms' quantity of purchases decreased at a reduced rate in January, matching the trends in both output and new orders. Stocks of purchases nevertheless continued to build, but at a slower pace than in December.

Expectations for activity in the year ahead generally remained negative; however the degree of pessimism seen in January was less marked than at any time in 2017.

-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 <https://ihsmarkit.com/products/pmi.html>.

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