

## News Release

### Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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## BLOM Lebanon PMI®

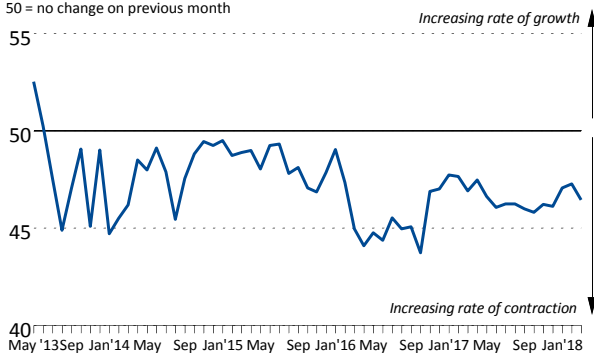
### Business activity falls at sharpest rate for three months in March

#### Data collected March 12-23

- **March sees steepest declines in output and new orders in year-to-date**
- **Employment returns to contraction after edging higher in February**
- **Firms lower charges as cost pressures continue to moderate**

#### BLOM Lebanon PMI

50 = no change on previous month



Sources: IHS Markit, Blominvest Bank

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 worsened across Lebanon's private sector at the end of the first quarter. March saw the headline BLOM Lebanon PMI move further into contraction territory to 46.5, down from a ten-month high of 47.3 in February. The quarterly average was nonetheless slightly higher than that seen for the final three months of 2017.

#### Commenting on the March 2018 PMI results, Myrna Chami, Senior Economist at BLOMINVEST Bank, said:

*"Even though the levels of the PMI progressed during the first two months of 2018, the downturn in March meant that the first quarter's average remained below the historical trend level signaling a disappointing start to the year for the private sector. In fact, the combination of weak demand and competitive pressures compelled firms to decrease their output prices despite rising input costs and the brief inflationary impact resulting from tax hikes in January. With private companies remaining pessimistic regarding the outlook over the next 12 months, parliamentary elections in May might constitute a catalyst for business activity in the period to come."*

#### The main findings of March's survey were as follows:

The level of business activity in the private sector economy decreased at the fastest rate for three months in March. Behind the downturn in output was a sharp and accelerated reduction in incoming new business, which the survey found to be the result of weaker domestic demand and also a drop in new export orders.

A lack of incoming new work to replace completed projects was meanwhile reflected in a further decrease in the level of outstanding business across the private

sector. Furthermore, with firms working below full capacity, there was a renewed decline in the level of employment following a brief upturn mid-way through the opening quarter.

Businesses also scaled back their purchasing activity in March, to extend the current sequence of falling buying levels to 26 months. Stocks of purchases nevertheless rose, and at the fastest rate seen for two years.

In line with the setbacks seen for output, new orders and employment, latest data showed a weakening in firms' confidence towards the outlook over the next 12 months. Sentiment was in fact at its most negative level since July last year, with many firms expecting the current challenges to continue.

On the price front, March saw average prices charged for goods and services decrease for the first time in three months. The rate of decline was only modest, but it was nevertheless the fastest seen since March 2017.

Cost pressures faced by businesses meanwhile continued to moderate from the high level seen at the start of the year. Average purchase prices rose only modestly and at the slowest rate for three months, while staff costs stagnated after having risen slightly in February

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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](mailto: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](http://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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