

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

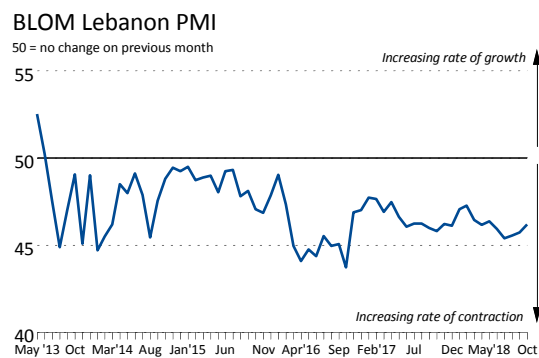
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BLOM Lebanon PMI®

Lebanese business conditions continue to deteriorate in October

Data collected October 12-25

- **Private sector operating conditions deteriorate, but at the slowest rate since May**
- **Output, new orders and new exports all fall at softer rates**
- **Job cutting accelerates to a one-year high**



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.

At 46.2, up from 45.8 in September, the PMI signalled a slower deterioration of business conditions in the Lebanese private sector during October. The decline was solid but the softest since May.

Riwa Daou, Economist at Blominvest Bank, commented the following on BLOM Lebanon PMI's October 2018 results:

"The BLOM Lebanon PMI managed to register a slight uptick from 45.8 in September to 46.2 in October on account of softer contractions in output, new orders and new exports. In terms of GDP growth however, the PMI still translates into a meagre 1%, a threshold we are unlikely to surpass in 2018. On the political front, a government formation will give sentiment a boost as it suggests Lebanon is getting closer to enacting long-awaited reforms."

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

The strongest headline figure for five months was partly reflective of a slower contraction in output. October production data also signalled the slowest decline since May. However, panellists continued to mention political instability weighing on economic activity.

The pace of reduction in new business also eased, with the rate of decline slowing for the third consecutive month. Data signalled the softest contraction since February, though the fall was still sharp overall.

Panellists once again cited regional instabilities when explaining falling new export orders. However, the pace of contraction slowed to its weakest in five months.

Payroll depletion continued at Lebanese firms in October. Moreover, the rate of job cutting accelerated to its fastest in the past year. Survey participants frequently linked fewer staff to declining new work.

There was an uptick in overall input cost inflation at the start of the final quarter of the year. In contrast, prices charged by Lebanese companies continued to fall, with the pace of decline picking up for the third month in a row. Pressure on profit margins persisted, with input and output prices moving in opposite directions since August.

Alongside lower output, purchasing activity continued to fall in October. Despite this, overall stocks rose again, extending the current run of expansion to three years. Panellists reportedly stockpiled inputs for work on new product lines.

Lebanese firms remained pessimistic about output in a year's time. Many survey participants associated negativity with the currently unresolved political problems. However, sentiment reached a seven-month high.

-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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