

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

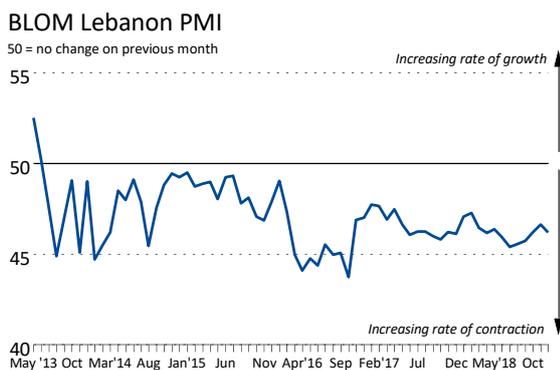
EMBARGOED UNTIL: 11:00 (BEIRUT) / 09:00 (UTC), January 4th 2019

BLOM Lebanon PMI®

Further solid deterioration in business conditions in December

Data collected December 5-17

- **PMI registers below 50.0 for sixty-sixth month in a row**
- **Marked contraction in output**
- **Fastest fall in new orders for three months**



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 in December, down from 46.7 in November, the BLOM Lebanon PMI pointed to a faster deterioration in business conditions at the end of the fourth quarter. The latest reading registered fractionally below the average for the year (46.3).

On the PMI results for December 2018, Dr Fadi Osseiran, General Manager of Blominvest Bank, commented the following:

"The BLOM Lebanon PMI reading of 46.2 in December confirms our forecast for an implied-GDP growth of 1% for the year 2018. Due to the repeated failures in the formation of a government, the holiday month of December actually saw the fastest fall in new orders for three months. The prolonged political gridlock is delaying Lebanon's access to much-needed CEDRE funds and desperately-needed reforms."

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

Contributing to the decline was a quicker rate of output contraction in December. The fall extended the current sequence of reduction to 67 months and was the sharpest recorded since September. Panellists overwhelmingly blamed the current political impasse for persistently weak demand.

In line with the trend for output, new orders continued to fall sharply, with the latest decline the fastest for three months. Panellists again mentioned that political instability was weighing heavily on demand. Similarly, new export orders fell at an accelerated pace in December. That said, the contraction was moderate overall.

Despite sharper falls in new orders and output, Lebanese private sector firms cut jobs at the slowest pace since August, registering only a fractional reduction in employment overall. Firms compensated for this with faster contraction in purchasing activity. Many survey respondents noted weak demand conditions in explaining the cutbacks.

Falling order intakes saw firms alleviate backlogs at the fastest pace in the fourth quarter. Volumes of incomplete business fell sharply in December, extending the current sequence of decline to 42 months.

On the price front, input cost inflation accelerated, driven by a faster rise in purchasing prices. Meanwhile, wages stagnated following two months of fractional growth.

Profit margins were squeezed further as firms cut output charges for the tenth month in a row. Moreover, the rate of decline was the fastest registered since May.

Finally, although sentiment was at its highest level in ten months, private sector companies remained pessimistic about the business outlook. Panellists continued to express fears that the current political impasse could remain unresolved.

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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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