

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

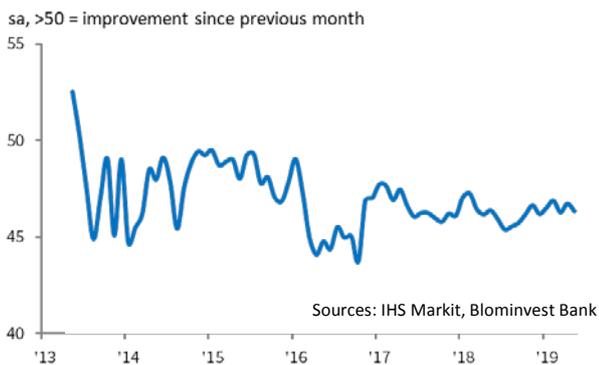
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BLOM Lebanon PMI®

Faster deterioration in business conditions during May

Data collected May 13-24

- **Quickest fall in output for five months**
- **New order decline accelerates**
- **Confidence reaches a ten-month low**



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 46.3 in May, the BLOM Lebanon PMI fell from 46.7 in April. The latest reading pointed a continued

deterioration in Lebanese private sector operating conditions, with the rate of decline accelerating slightly from April.

Commenting on the May 2019 PMI results, Marwan Mikhael, Head of Research at BLOMINVEST Bank, said: "There is no doubt that the economy kicked off the year on a downturn with economic growth remaining in the range of 1.3-1.5%. Most of the indicators show a steep decline when compared to last year except for tourism where hotel occupancy rate in March recorded 79%, a never seen before, at least since 2007. Another positive development is the recent government approval of a draft budget that contains several reforms and is expected to release donors' funds pledged during the CEDRE conference. Hope is that this will gradually restore investors' confidence and boost economic growth."

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

The faster deterioration was partly driven by the sharpest fall in output at private sector firms for five months. Survey respondents continued to cite a lack of political and economic stability when explaining the latest contraction.

New orders received by businesses in Lebanon continued to decline in May, extending the current sequence of contraction to six years. Moreover, the rate of decrease accelerated from April and was historically marked. Anecdotal evidence suggested that demand conditions remained weak.

Contributing to the further fall in new business was another deterioration in international sales. Moreover, after the slowest reduction in new export orders for 11 months during April, the pace of contraction accelerated in May.

Firms were again pessimistic towards the business outlook midway through the second quarter. Moreover, amid expectations for continued instability, confidence levels reached a ten-month low. There were no panel members anticipating a rise in output over the coming year, compared to 26% predicting a contraction.

Meanwhile, purchasing activity fell for the fortieth month in a row, with the pace of decline accelerating from April. In fact, input buying by firms in Lebanon's private sector fell at the fastest rate for three months. Panellists continued to mention softening economic demand.

On the price front, input costs rose for the third month in a row. The rate of inflation was broadly unchanged from May, remaining slightly slower than the historical average. According to underlying data, the latest increase in costs burdens was driven by purchase prices.

Firms were unable to pass on higher prices to their clients, instead cutting output charges in an attempt to gain market share.

-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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