

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI®

Highest PMI reading for nearly two-and-a-half years

Data collected July 12-25

- **Rate of deterioration in business conditions eases in July**
- **Softest fall in output since April 2017**
- **New order decline eases**



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 47.7 in July, the BLOM Lebanon PMI was up from 46.3 in June. The latest reading represented another

decline in operating conditions faced by private sector firms in Lebanon, but the rate of deterioration eased to the softest for almost two-and-a-half years.

Commenting on the July 2019 PMI results, Dr. Fadi Osseiran, General Manager of BLOMINVEST Bank, said: "The PMI registered a 47.7 in July 2019, the highest reading since 2.5 years ago and therefore associated with a monthly growth rate of 0.5% to 1%. This is great news, with the main PMI sub-indices: output, new orders, prices, exports, and purchases recording softer falls. Lebanon's tourism, a main growth driver, witnessed an overflow of tourists and increased spending patterns in H1 2019. The Ministry of Finance reports also reflected a plausible fiscal consolidation in the first 4 months of 2019. Lebanon's cash deficit contracted by an annual 28% while the government endorsed the 2019 budget. Pressures began to ease on the operating environment, but restoring investors' confidence will necessitate strong political will and transparency in the implementation of the budget and proposed reforms."

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

July data pointed to a further contraction in output at Lebanese private sector firms, extending the current sequence of decline to 74 months. However, the rate of reduction eased from June to reach the softest since April 2017. Many panellists recording a decrease in activity continued to blame political and economic instability.

Similar to the trend in output, new orders placed with private sector firms in Lebanon fell at the start of the third quarter. That said, the rate of decline decelerated noticeably since June and was the slowest for almost two-and-a-half years. Survey participants commonly associated the ongoing contraction to a weak demand environment.

The latest fall in overall new business was in part driven by another decline in international sales. New export orders have now fallen in each month for the past four years. However, the most recent contraction was the slowest since May 2018 and only slight overall.

Private sector firms in Lebanon continued to cut their staff numbers during July, extending the current run of workforce contraction to 17 months. However, the rate of decrease was broadly unchanged from June and only fractional overall.

On the cost front, input prices faced by firms in Lebanon's private sector continued to rise. For the fourth month in a row, the rate of inflation was broadly unchanged and only marginal overall. Underlying data suggested that higher purchase prices drove the latest increase.

Finally, private sector businesses remained pessimistic towards the 12-month business outlook in July, amid fears that the current economic downturn would

persist. That said, the degree of negativity eased for the second month in a row.

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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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