

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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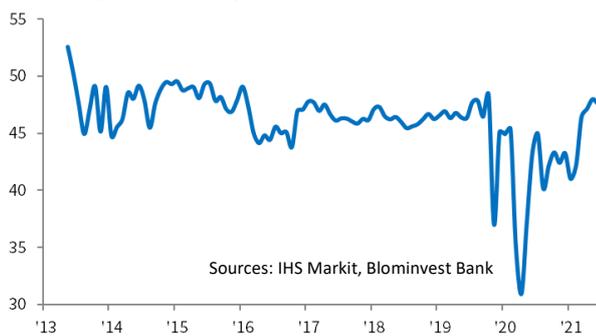
BLOM Lebanon PMI®

Lebanon PMI slips from May's 19-month high

Data collected June 11-24

- **Headline PMI drops slightly from May's high**
- **Declines in output and new orders gather pace**
- **Exchange rate weakness pushes up prices**

sa, >50 = improvement since previous month



Sources: IHS Markit, Blominvest Bank

Having showed tentative signs that the Lebanese economy may be approaching stabilisation in the May survey, the latest BLOM Lebanon PMI® data revealed a quicker deterioration in business conditions at the end of the second quarter. Both output and new orders fell at faster rates, leading to a drop in staffing levels. According to firms, poor cash availability, economic instability and a weakening exchange rate were key factors driving the stronger decline in operating conditions.

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.

The headline BLOM Lebanon PMI fell to 47.5 in June, down from May's 19-month high of 47.9, to signal a faster deterioration in the health of Lebanon's private sector economy. That said, the headline index fell only marginally and was the second-highest reading since October 2019.

Commenting on the BLOM Lebanon PMI for June 2021, Tala Nasrallah, Senior Research Analyst at BLOMINVEST Bank, said:

"For the month of June, BLOM Lebanon PMI recorded a decline since last month reaching 47.5, reflecting the deterioration in business conditions and in output demand from international clients. For the second quarter of 2021, the country witnessed a continuous drop in purchasing power; notably a higher cost of imports following the weakening of the Lebanese pound in the parallel market. This also resulted in reduced business volumes over the month of June, highest in three months, and a fall in private sector employment rate. As such, many local firms remain discouraged, expecting lower output volumes for the next 12 months as they face shortage in liquidity, difficulty in obtaining credit and a reduction in purchasing activity. Most importantly, results show the need for bringing back political and economic stability and for forming a new government to expedite growth-enhancing reforms in the near future. But, unfortunately, this does not seem to be likely at present."

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

The slight dip in the headline PMI reflected a similar trend across both the output and new orders indices, which signalled quicker reductions. According to survey respondents, weak purchasing power due to the deteriorating value of the local currency adversely impacted sales, leading to reduced business activity. That being said, rates of contraction in both output and new orders were the second-softest since October 2019.

Meanwhile, volumes of new business from abroad, which stabilised during May, decreased at the fastest pace in four months in June. Anecdotal evidence indicated that political and economic instability curtailed demand from international clients.

A lack of incoming new orders resulted in a sharper decline in capacity pressures, according to the latest survey data. Overall, the rate of backlog depletion was solid and the fastest since March. Consequently, employment levels were reduced for the fourth month in succession.

Lower staffing numbers contributed to a further month of falling labour costs in June, although overall input price inflation accelerated for the first time since March. The pickup in cost pressures reflected greater purchase prices, which survey respondents attributed to a weaker US dollar exchange rate. In an effort to protect margins, selling charges were lifted at a stronger rate than in May.

Elsewhere, the latest survey data pointed to a further lengthening of input lead times in June. Vendor performance deteriorated to the greatest extent in three months. This came despite a continued reduction in purchasing activity. Liquidity issues and difficulties in obtaining credit were mentioned by companies as reasons for cutting their input buying levels. As a result of delivery delays and lower input purchasing, pre-production stocks declined in June.

Looking ahead, Lebanese firms retained an extremely pessimistic view on expected output volumes over the next 12 months. Some businesses fear that a further

erosion of purchasing power will restrict their output volumes in the year ahead.

-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.

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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.

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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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