

News Release

**Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION**

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BLOM Lebanon PMI®

BLOM Lebanon PMI rises for first time since October 2022, albeit marginally

Data collected January 12-25

Headline index rises marginally as decline in activity slows

Inflationary pressures intensify due to currency movements

Input demand falls but supplier delivery times worsen



Although the BLOM Lebanon PMI® remained in sub-50.0 contraction territory in January, it rose for the first time since October 2022, pointing to a softer decline in operating conditions faced by private sector businesses. Some downward pressures were alleviated on the demand-side, as new orders and export sales both fell at slower rates.

That said, a worsening exchange rate versus the US dollar pushed up purchase costs sharply, with firms responding by raising the charges more aggressively. Supplier delivery times also worsened, with vendors wanting to renegotiate prices.

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® posted 47.7 in January, up from 47.3 in December. While this signalled a deterioration in operating conditions across the Lebanese private sector, it marked a softer rate of decline when compared with December and the first time in three months the headline index has risen.

Commenting on BLOM Lebanon PMI for January 2023, Mrs. Stephanie Aoun, Research Analyst at BLOMINVEST Bank, said:

"The situation in Lebanon is deeply troubling and reflects the dire circumstances that many people in Lebanon are currently facing. While most indicators were leading to further deterioration in the private sector after the holiday season, surprisingly however, the PMI jumped slightly from 47.3 in December 2022 to 47.7 in January 2023. The index rise is mainly driven by unexpected upticks in output and new orders. In fact, a severe depreciation in the domestic currency against the US dollar drove private sector businesses to raise their prices in January. Furthermore, starting February 1st, Lebanon's central bank will likely adopt an exchange rate of 15,000 Lebanese pounds per U.S. dollar as part of a process to unify the country's multiple exchange-rate system, which could further increase liquidity and prices. Unfortunately, as economic and political things stand today, the outlook for a future badly-needed improvement remains grim."

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

The latest survey data signalled a reduction in private sector business activity across Lebanon at the start of the year. Challenging domestic market conditions, linked to political and economic uncertainty, reportedly drove the decline. However, amid a softer deterioration in overall demand conditions, the drop in output levels was also slower than in the previous month.

Private sector companies in Lebanon recorded lower intakes of new work in January. Where a decrease was recorded, this was often linked with weak client purchasing power. Foreign client demand also deteriorated, albeit to the weakest extent since September.

With overall order book volumes declining, the latest data showed an increase in spare capacity as backlogs of work fell. In turn, this led some companies to reduce their staffing levels. Private sector employment fell marginally in January.

Despite the challenging demand environment, output charges were raised to the quickest extent in almost two years. According to firms, a worsening exchange rate against the US dollar put pressure on company margins. Indeed, overall input price inflation rose to an 18-month high in January. Unfavourable currency movements also impacted supplier delivery schedules, with vendors looking to renegotiate as a result.

Lastly, businesses remained pessimistic towards the growth outlook. Challenging domestic conditions, linked to political and economic uncertainty, were expected to persist and weigh on output.

-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.

S&P Global 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 S&P Global. 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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