

News Release

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

EMBARGOED UNTIL: 11:00 (BEIRUT) / 08:00 (UTC), June 5th 2023

BLOM Lebanon PMI®

New export orders rise at quickest pace in almost eight years in May

Data collected May 12-24

BLOM Lebanon PMI at 49.4, above long-run average of 46.5

Domestic demand remains fragile, but export orders rise further

Price pressures much softer compared to first quarter



The BLOM Lebanon PMI® signalled a deterioration in private sector operating conditions in May, although the rate of decline was only marginal and notably softer than seen on average since the survey began a decade ago. There were some positive developments during May, such as the strongest improvement in demand from external clients in almost eight years. Price pressures were also considerably weaker when compared to the first quarter of the year.

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® recorded 49.4 during May. This was broadly unchanged from April's 49.5 and indicative of only a marginal deterioration in private sector business conditions across Lebanon. Although still beneath the critical 50.0 level that separates expansion from contraction, the latest reading of the headline index was considerably stronger than seen across the 10-year history of the survey (46.5).

Commenting on BLOM Lebanon PMI for May 2023, Stephanie Aoun, Research Analyst at BLOM Bank, said:

"The BLOM Lebanon PMI experienced a marginal decrease, declining to 49.4 in May 2023 compared to 49.5 in April 2023. This slight drop can be attributed to a decline in employment. However, amidst this decline, an interesting trend emerged as new export orders witnessed an increase. This can be explained by the devaluation of the Lebanese currency against the US dollar, which has made Lebanese goods more competitive in the international markets. Looking ahead, there is a sense of optimism among businesses in Lebanon, as they anticipate a potential boom during the summer season. This optimism is driven by several factors, including the expected influx of tourists and a better overall capability to deal with the crisis. Consequently, it is expected that the PMI in the upcoming months will display a more positive trajectory."

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

Private sector business activity fell across Lebanon in May. That said, the rate of decline was only modest and the joint-weakest since August last year. The majority of firms (96%) recorded no change in output volumes when compared to April.

The trend in new orders matched that of output during the latest survey period, with the overall level of incoming new business falling only mildly and at the joint-softest pace in nine months. Nevertheless, demand from external markets had a positive influence during May as new export orders rose at the strongest rate since June 2015.

Survey respondents continued to purchase additional inputs in May. The increase in buying activity was the quickest in nearly eight-and-a-half years, but modest overall. Subsequently, stocks of purchases rose for the fifth time in the past six months.

Meanwhile, there were no signs of strain on firms' capacity as backlogs of work were unchanged since April. Employment subsequently fell, albeit only marginally.

After easing substantially in April to a 19-month low, there was little change in the overall rate of input cost inflation in May, which remained mild. Another relatively weak rate of increase in operating expenses contrasted markedly with the steep rises seen during the first quarter. Output prices moved back into inflation territory following April's fractional decrease, but hikes in charges were only marginal.

After having moved up to a 37-month high in April, the Future Output Index dipped slightly in May. Nonetheless, it registered its second-highest reading for over three years.

-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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