

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI®

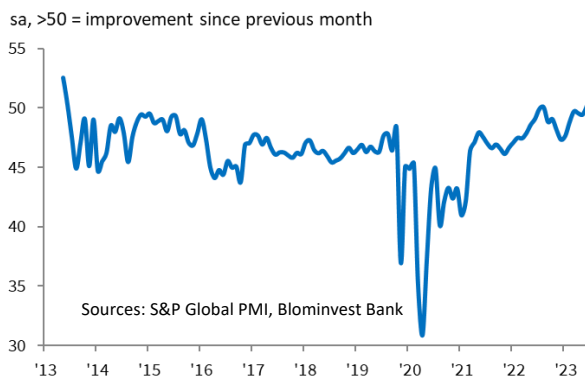
PMI hits ten-year high in June as activity and demand rise

Data collected June 12-26

Strongest improvement in Lebanese private sector since June 2013

Business activity, employment and new orders increase

Input cost inflation slows to 21-month low



The BLOM Lebanon PMI® signalled the first improvement in the private sector economy since August 2022 during June, with growth hitting a ten-year high as new orders, employment and business activity posted renewed expansions.

Meanwhile, the overall rate of input price inflation eased to a 21-month low amid a further easing of purchase cost pressures.

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® rose above the critical 50.0 threshold which separates growth from deterioration during June. At 50.2, the headline index was up from 49.4 in May to signal the first improvement in the health of Lebanon's private sector economy since August 2022. Additionally, the PMI reached its highest level in ten years, although was indicative of only a marginal improvement since the previous month.

Commenting on BLOM Lebanon PMI for June 2023, Dr. Ali Bolbol, Chief Economist / Head of Research at BLOM Bank, said:

"It took ten years for the BLOM Lebanon PMI to hit a high of 50.2 in June 2023. The improvement was a long time in coming, but perhaps it was largely expected. The economy registered positive growth in 2022 and its momentum is carried over to 2023, especially with the onset of the tourist summer season and as attested by the better sub-components of the PMI. It is plain to see that the economy is adjusting upwards from its deep lows of the crisis years; but the worry is that these positive, tentative steps are viewed as 'back to normal', and consequently obviate the need for vital structural reforms that would underpin genuine, solid, and steady growth."

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

June's decade-high PMI reading was driven by several of the index's sub-components. A significant contribution came from new orders, which rose at the second-fastest rate in the survey history during June and to the greatest extent since May 2013. The improvement in demand reflected greater sales to both domestic and foreign customers.

The latest survey data signalled a third consecutive monthly increase in new business received from non-domestic markets. This subsequently marked a longest uninterrupted sequence of export demand growth since the survey began in 2013. The latest increase in new external sales was the slowest over this current period of expansion, however.

Amid greater intakes of new business, private sector firms in Lebanon recorded an uplift in backlogs of work. The accumulation in unfinished orders was modest but the strongest since May 2013.

Consequently, output levels were raised to match workloads. The rise in business activity, albeit marginal, was the quickest in just over a decade. Employment also increased as firms raised capacity to accommodate for greater sales.

For the first time since October 2019, there was a shortening of supplier delivery times in June. Improved vendor performance coincided with the strongest rise in purchasing activity since January 2015. Stocks of purchases also rose at the end of the second quarter.

Cost pressures subsided during June. The overall rate of input price inflation slowed to a 21-month low, reflecting a weaker rise in purchase costs. Staff expenses increased, albeit fractionally, while output charges rose modestly.

Lastly, despite broadly positive developments, business confidence fell to a four-month low, with firms reporting concerns towards the outlook due to domestic political and economic uncertainty.

-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 electronics@ihsmarkit.com.

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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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