

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI®

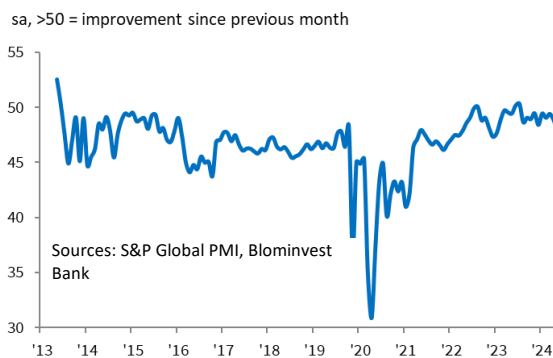
BLOM Lebanon PMI falls to 16-month low in May

Data collected May 10-24

Conflict in the Middle East dents Lebanese order books and output

Employment remains stable but confidence weakens

Output prices fall and cost pressures continue to cool



According to the latest BLOM Lebanon PMI® survey, operating conditions faced by private sector businesses in Lebanon deteriorated midway through the second quarter. According to anecdotal reports, in addition to challenging domestic conditions, external headwinds arising from the war in Gaza dented sales and in turn, economic activity levels. Supplier delivery times also lengthened and business confidence weakened further.

That said, private sector employment remained stable, while the overall rate of input cost inflation eased further.

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 in May to 47.9, down from 48.9 in April and its lowest reading since the beginning of 2023. Overall, the headline index signalled a moderate and accelerated deterioration in the health of Lebanon's private sector economy, and one that was the steepest in nearly a year-and-a-half.

Commenting on BLOM Lebanon PMI for May 2024, Helmi Mrad, research analyst at BLOMINVEST Bank, said:

"Lebanon's Purchasing Managers' Index (PMI) for May 2024 scored a 16-month low of 47.9, compared to April's figure of 48.9, signalling a worsening of private sector activity. This decrease was due to a significant decline in output, new orders and new export orders. The drop in new export orders is ascribed to the rising geopolitical tensions as the war between Israel and Gaza widened, reaching Rafah. In addition, the increasing military activities on the southern border of Lebanon, along with the political stagnation, resulted in a drop in new orders from domestic customers as well. Despite the fall, May's PMI report showed two positive signs. First, employment stabilized as labor expenses remained steady. Second, output prices charged by private sector companies decreased. Nonetheless, we remain optimistic that a good tourist season this summer will hopefully improve private sector activity in the upcoming months."

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

A key factor behind May's drop in the BLOM Lebanon PMI was new orders, the index's principal sub-component. According to panel members, security concerns, in addition to challenging domestic political and economic

conditions, caused sales performances to deteriorate. The decline in total new business intakes was the quickest since January 2023.

New export business also presented a drag to firms in Lebanon, with regional instability affecting non-domestic clients' appetite to place orders. This led overall levels of activity to shrink midway through the second quarter at the fastest pace for 16 months.

A lack of incoming new orders led private sector firms in Lebanon to work through outstanding business. In fact, the rate of backlog depletion was the fastest since November 2022. That said, despite evidence of spare capacity, employment was broadly unchanged from April. Staffing numbers within Lebanon's private sector have been generally stable since August last year.

There was a deterioration in business sentiment in May, with companies turning more pessimistic towards the 12-month outlook. The continuation of the Israel-Gaza war was cited as a reason to be downbeat.

Insecurity reportedly caused delays in the receipt of purchases from vendors as supplier delivery times lengthened for a third successive month, though this was less pronounced than in April. Stocks of inputs fell after a modest uptick in the previous survey period, while purchasing activity was unchanged.

As for pricing conditions, the latest survey data showed a further increase in overall input costs, which was driven by purchase prices. That said, the rate of inflation in total operating expenses was only marginal and the softest since January. Notably, prices charged by private sector firms in Lebanon fell for the first time in just over a year.

-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@spglobal.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 spglobal.com/marketintelligence/en/mi/products/pmi.html

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