

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI®

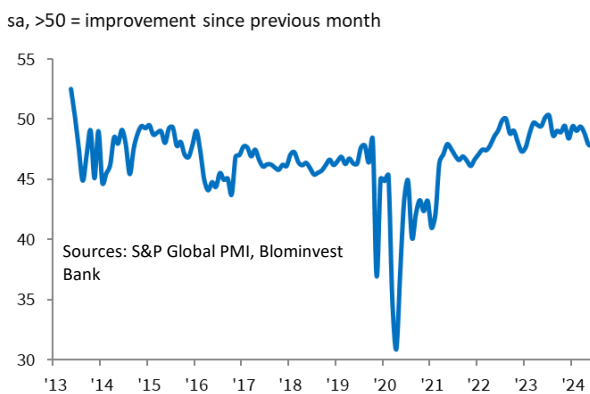
Conflict and security concerns dampen Lebanese economy in June

Data collected June 10-24

BLOM Lebanon PMI falls for third successive month

New business intakes restricted by regional instability

Confidence in the outlook at lowest in almost a year



According to the latest BLOM Lebanon PMI® survey, the country's private sector economy weakened in June as domestic economic fragility, border skirmishes and concerns regarding national security dampened new business and output levels. Survey respondents were also at their most pessimistic in close to a year, with companies anticipating a persistence of weak demand.

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 dropped fractionally from 47.9 in May to 47.8 in June, signalling a slightly

stronger deterioration in the health of the Lebanese private sector economy. Overall, this marked the third month in succession that the headline index has fallen, with the latest figure the lowest since January 2023.

Commenting on BLOM Lebanon PMI for June 2024, Dr Ali Bolbol, Chief Economist/Head of Research at BLOM, said:

"Not surprisingly, the BLOM Lebanon PMI fell slightly from 47.9 in May to 47.8 in June 2024. As such, the decline in private sector output was due to weaker domestic and international demand, driven by prolonged political instability and security concerns related to a potential all-out war between Hezbollah and Israel. As if this is not dire enough, prices also rose, caused by higher shipping and raw material costs. The only decent indicator is that employment stayed steady – maybe a sign that employers are hopeful that tourism can provide a boost to the economy. It is heartbreaking that the country seems to be stuck in a vicious circle of never-ending crises!"

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

The volume of incoming new business declined at the end of the second quarter. Weak client purchasing power was noted as a reason for softer sales performances, as was ongoing challenges within the domestic economy and security fears due to conflict along the border between Hezbollah and Israel. The decrease in new orders was the fastest for almost a year-and-a-half.

Conflict and instability within the region more broadly, such as disruptions in the Red Sea, weighed on new business from foreign customers in June. As a result, new export orders declined for an eleventh month in a row.

June survey data signalled a further reduction in business activity as shrinking new order intakes constrained output. The contraction was the fastest since the start of last year.

Regarding firms' sentiment towards the outlook for business activity in the next 12 months, the latest PMI survey showed the highest level of pessimism in almost a year. In particular, some companies indicated that they expect demand to worsen due to lower tourism as a consequence of the Israel-Hezbollah conflict.

That said, employment levels remained stable in June, in line with the general trend since early 2023. There was also a slight uptick in the volume of purchases, despite output requirements decreasing.

Greater buying activity coincided with the strongest improvement in suppliers' delivery times for ten months. Firms subsequently raised their stock levels.

Meanwhile, inflationary pressures across the Lebanese private sector intensified during June. Overall operating expenses increased at the fastest pace in 15 months as a result of greater shipping and insurance costs, as well as higher global raw material prices.

To protect margins, surveyed companies raised their prices charged in June. The increase was modest, but the fastest since March 2023.

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

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