

PMI at ten-month high at end of 2016

Key findings:

- **Slowest decreases in output and new orders since last February**
- **Employment continues to fall, but only marginally**
- **Prices charged for goods and services show quickest drop since August**

This report contains the thirty-ninth public release of data collected from the monthly survey of business conditions in the Lebanese private sector. The survey, sponsored by Blominvest Bank and compiled by Markit, has been conducted since May 2013 and provides an early indication of operating conditions in Lebanon. 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 moved to a ten-month high of 47.0 in December, up from November's 46.9, to signal a moderate deterioration in the health of Lebanon's private sector economy. Despite having been at a record low in October, the index's average over the final quarter as a whole was the highest recorded since the opening quarter of 2016.

December saw decreases in overall business activity and the amount of new work received by companies in Lebanon, although the respective rates of decline were the slowest since last February. Meanwhile, new export orders fell slightly, with the pace of contraction likewise being the weakest in ten months.

The level of employment across Lebanon's private sector economy remained in decline during December, in line with the trend seen since last March. That said, the extent of the decrease in workforce numbers was only marginal and the weakest in the current sequence of job losses.

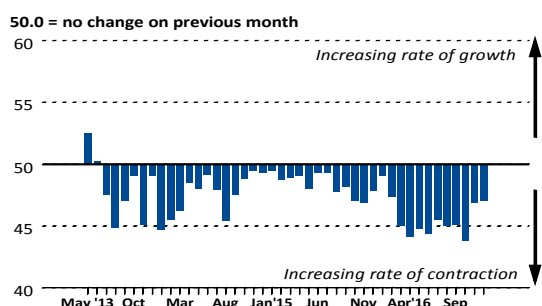
There was also a reduction in quantities of purchases among Lebanon's businesses during the final month of 2016. However, stocks of purchases showed a further (albeit slower) increase, marking 14 successive months of accumulation.

Average delivery times for purchased items, meanwhile, shortened in December. The improvement in vendor performance was the fourth in the past five months and indicative of a lack of pressure on supply chains.

Adding to the picture, December's survey showed another decrease in average prices charged for goods and services, with reports from several panellists revealing sales amid a weak demand environment. Furthermore, the rate of decline in output charges was the strongest for four months.

Businesses reported some respite on the cost front, however, as average input prices held broadly steady during December, to end a five-month sequence of modest cost inflation. Indeed, prices paid for items such as raw materials and semi-manufactured goods showed little-change from the month before, while salaries stagnated.

Lebanon Purchasing Managers' Index™ (PMI™)



		Purchasing Managers' Index	
		Unadj.	Seas. Adj.
2016	Oct	43.3	43.8
	Nov	46.3	46.9
	Dec	48.6	47.0

Index Summary

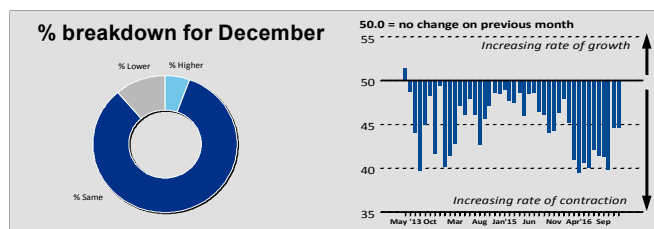
(seasonally adjusted, 50 = no change on previous month)

	PMI	Output	New Orders	Export Orders	Backlogs of Work	Employment	Output Prices	Overall Input Costs	Purchase Costs	Staff Costs	Delivery Times	Quantity of Purchases	Stocks of Purchases
Oct'16	43.8	39.8	38.6	47.4	42.4	48.2	48.7	50.7	50.5	50.0	50.3	46.3	51.4
Nov	46.9	44.6	43.9	48.0	46.0	49.7	48.9	50.5	50.6	50.3	49.6	48.2	50.8
Dec	47.0	44.7	44.6	48.9	47.7	49.8	48.5	49.9	49.9	50.0	50.2	48.2	50.6

Output Index

Q. Please compare your production/output this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2016	Aug	4.6	73.3	22.1	-17.5	41.2	41.5
	Sep	3.7	76.6	19.8	-16.1	42.0	41.3
	Oct	1.4	74.0	24.6	-23.2	38.4	39.8
	Nov	2.7	81.6	15.7	-13.0	43.5	44.6
	Dec	5.5	83.1	11.4	-5.9	47.0	44.7

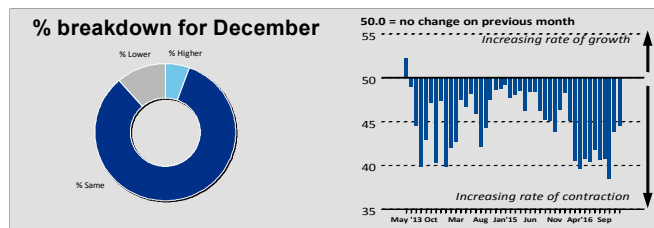


December's survey indicated a drop in the level of business activity across Lebanon's private sector economy, continuing the trend observed every month since mid-2013. Although remaining solid, the rate of contraction was the slowest recorded since last February and appreciably less pronounced than seen at the start of the fourth quarter.

New Orders Index

Q. Please compare the level of new orders received this month with the situation of one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2016	Aug	4.4	72.1	23.5	-19.1	40.5	40.7
	Sep	3.6	75.8	20.6	-17.1	41.5	40.7
	Oct	1.3	73.3	25.4	-24.1	38.0	38.6
	Nov	3.0	80.6	16.4	-13.5	43.3	43.9
	Dec	5.7	82.8	11.5	-5.8	47.1	44.6

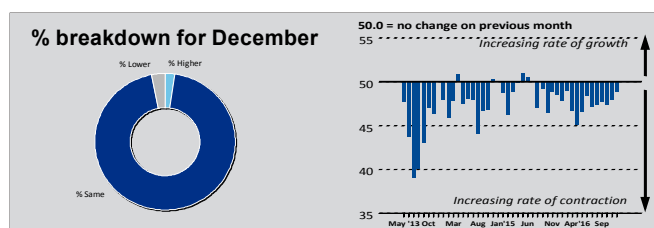


Adjusted for the influence of seasonal variations, the New Orders Index moved to its highest level for ten months in December, although remained well below the neutral 50.0 threshold. This signalled a slower (but still solid) rate of decrease in new business intakes. Where a reduction was recorded, respondents sometimes linked this to ongoing uncertainty and instability.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2016	Aug	0.0	93.3	6.7	-6.7	46.6	47.4
	Sep	0.5	95.9	3.6	-3.1	48.5	47.7
	Oct	0.0	91.3	8.7	-8.7	45.6	47.4
	Nov	1.4	92.5	6.1	-4.7	47.7	48.0
	Dec	2.3	94.7	3.0	-0.7	49.7	48.9

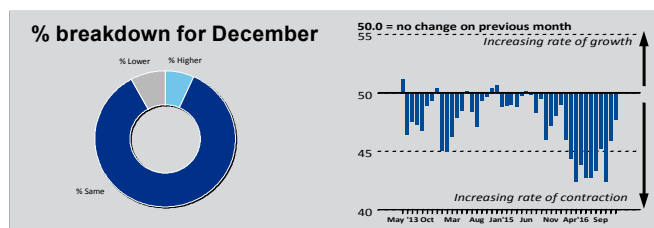


The level of new orders received by Lebanese businesses from abroad decreased further in December, thereby extending the current period of contraction to 17 months. That said, the rate at which new export orders declined was only marginal, having eased for the second month running to the weakest seen since February.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2016	Aug	3.0	82.0	15.0	-12.1	44.0	43.4
	Sep	4.8	81.6	13.6	-8.8	45.6	45.3
	Oct	2.2	79.0	18.7	-16.5	41.8	42.4
	Nov	3.1	85.4	11.5	-8.4	45.8	46.0
	Dec	6.7	85.3	8.0	-1.2	49.4	47.7

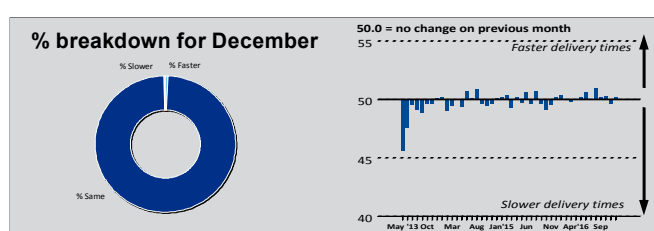


Due to falling inflows of new work, December saw the continued depletion of outstanding business (both work-in-progress and not yet started) across Lebanon's private sector economy. However, the rate of decline eased further from October's joint-survey record, showing the slowest drop in backlogs since January.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

		Faster %	Same %	Slower %	Net +/-	Index	S.Adj. Index
2016	Aug	0.2	99.8	0.0	+0.2	50.1	51.0
	Sep	0.0	100.0	0.0	0.0	50.0	50.2
	Oct	0.0	100.0	0.0	0.0	50.0	50.3
	Nov	0.2	99.6	0.2	0.0	50.0	49.6
	Dec	0.6	99.2	0.2	+0.4	50.2	50.2

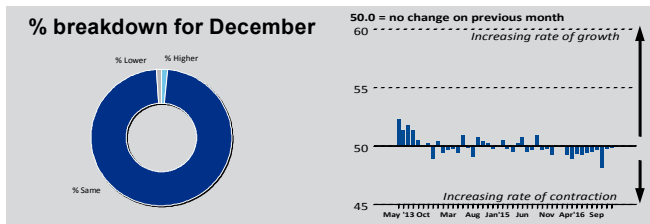


Private sector businesses operating in Lebanon reported a marginal decrease in average supplier delivery times in December, marking the fourth time in the past five months that an improvement in vendor performance has been recorded, the only exception being a slight increase in lead times in November.

Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2016	Aug	0.5	98.4	1.1	-0.7	49.7	49.5
	Sep	0.2	98.4	1.4	-1.3	49.4	49.7
	Oct	0.0	96.5	3.5	-3.5	48.3	48.2
	Nov	0.4	98.9	0.7	-0.3	49.8	49.7
	Dec	1.4	97.4	1.2	+0.2	50.1	49.8

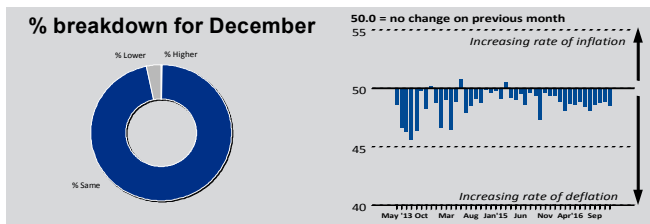


Lower output and new orders led Lebanese companies to reduce their staff numbers during December, the tenth month in a row in which this has been the case. That said, the rate of job losses was only marginal, having eased to the weakest seen in the current sequence of falling employment.

Output Prices Index

Q. Please compare the average prices you charged this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2016	Aug	0.0	95.1	4.9	-4.9	47.6	48.1
	Sep	1.4	96.1	2.4	-1.0	49.5	48.6
	Oct	0.7	95.5	3.9	-3.2	48.4	48.7
	Nov	0.0	98.4	1.6	-1.6	49.2	48.9
	Dec	0.2	96.6	3.2	-3.0	48.5	48.5

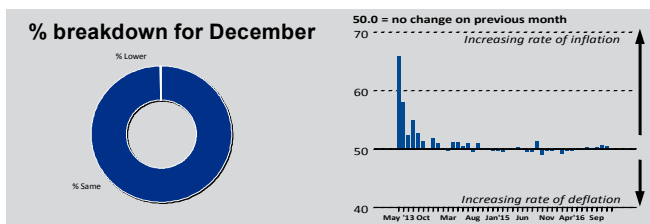


Average prices charged for goods and services decreased at a faster rate in December, as shown by the seasonally adjusted Output Prices Index falling further below the 50.0 no-change mark, to its lowest level since August. Where output charges were reduced (at approximately 3% of firms), there were several mentions of sales amid a lack incoming new work.

Overall Input Prices Index

Q. Please compare your overall average input prices this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2016	Aug	1.0	98.8	0.2	+0.7	50.4	50.2
	Sep	0.4	99.6	0.0	+0.4	50.2	50.4
	Oct	0.9	98.5	0.6	+0.3	50.1	50.7
	Nov	0.8	99.1	0.2	+0.6	50.3	50.5
	Dec	0.0	99.8	0.2	-0.2	49.9	49.9

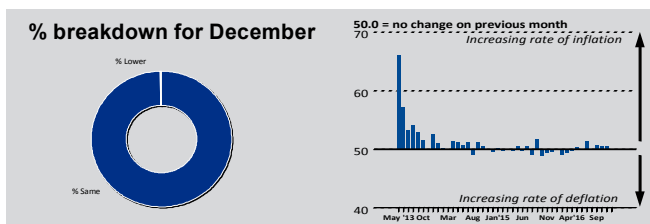


Overall input prices facing Lebanese private sector companies were broadly stable during the final month of the year, thereby ending a sequence of rising cost burdens stretching back to July. Indeed, the vast majority of survey participants saw no change in average input costs since the month before.

Input Costs: Purchase Prices Index

Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2016	Aug	1.1	98.7	0.2	+0.9	50.4	50.2
	Sep	0.4	99.6	0.0	+0.4	50.2	50.8
	Oct	0.9	98.5	0.6	+0.3	50.1	50.5
	Nov	0.9	98.9	0.2	+0.7	50.4	50.6
	Dec	0.0	99.8	0.2	-0.2	49.9	49.9

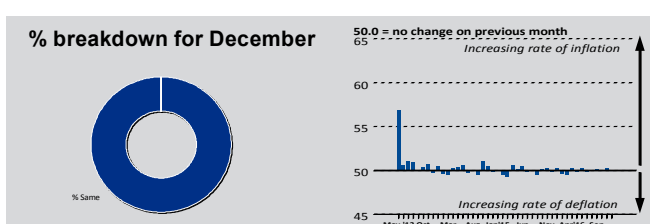


The seasonally adjusted Purchase Prices Index registered a reading broadly in line with the neutral 50.0 threshold in December, to signal little change in average prices paid by Lebanese businesses for items such as raw materials and semi-manufactured goods. Purchase prices had increased for five consecutive months prior to this.

Input Costs: Staff Costs Index

Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2016	Aug	0.0	99.8	0.2	-0.2	49.9	50.1
	Sep	0.0	100.0	0.0	0.0	50.0	50.2
	Oct	0.0	99.2	0.8	-0.8	49.6	50.0
	Nov	0.0	100.0	0.0	0.0	50.0	50.3
	Dec	0.0	100.0	0.0	0.0	50.0	50.0

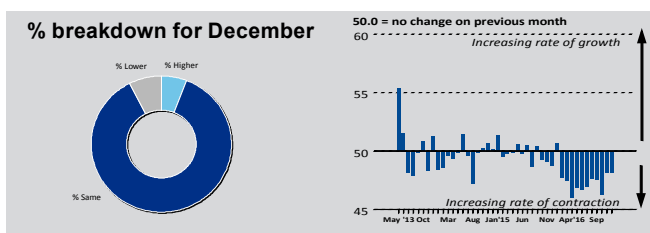


Average prices paid for salaries/wages were unchanged in December. That followed an increase during November, when the respective seasonally adjusted index registered at highest level for 12 months, albeit one that was indicative of only a marginal rate of wage inflation overall.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2016	Aug	4.6	87.1	8.3	-3.7	48.2	47.6
	Sep	6.2	85.1	8.8	-2.6	48.7	47.6
	Oct	3.0	85.7	11.4	-8.4	45.8	46.3
	Nov	3.9	88.8	7.3	-3.3	48.3	48.2
	Dec	5.8	86.7	7.5	-1.8	49.1	48.2

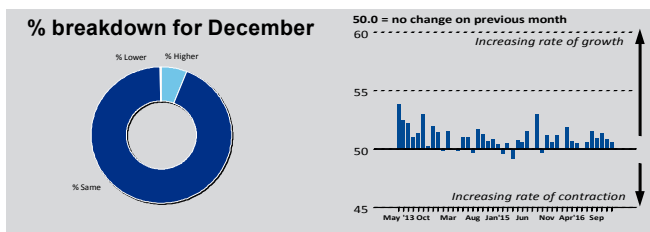


Lebanese businesses reduced their quantities of purchases again in December, citing a lack of incoming new work. The rate at which buying levels decreased was identical to that recorded in the preceding survey period, which was in turn the slowest recorded for ten months and less marked than that of October.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2016	Aug	3.9	95.6	0.5	+3.5	51.7	51.5
	Sep	5.0	94.4	0.6	+4.4	52.2	51.0
	Oct	3.0	96.3	0.7	+2.3	51.1	51.4
	Nov	2.7	95.3	2.0	+0.7	50.3	50.8
	Dec	5.9	93.7	0.4	+5.6	52.8	50.6

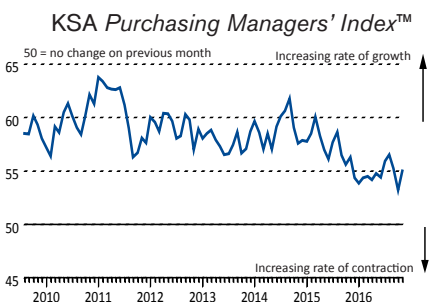


Although stocks of purchases continued to rise during the final month of 2016, the rate of accumulation eased for the second month running to only a marginal pace that was the weakest seen since last July. Nevertheless, the current sequence of growth in inventories was extended to 14 months.

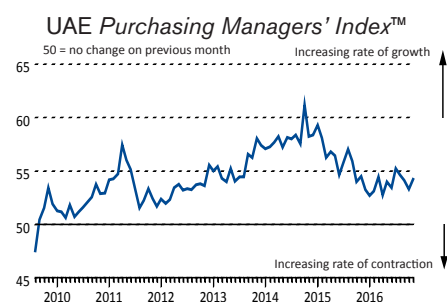
International PMI summary



Sources: IHS Markit, Emirates NBD.



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The headline seasonally adjusted Emirates NBD Egypt PMI edged down from 42.0 in October to 41.8 in November. That was the lowest reading since July 2013 and pointed to a considerable downturn in Egypt's non-oil private sector.

The headline seasonally adjusted Emirates NBD Saudi Arabia PMI ticked up to 55.0 in November, after having fallen to a survey-record low of 53.2 in October. The latest reading was broadly similar to the average over 2016 to date (54.8), and signalled a further robust improvement in business conditions.

The headline seasonally adjusted Emirates NBD UAE PMI rose for the first time in four months during November. At 54.2, up from October's six-month low of 53.3, the latest reading was above the 2016 year-to-date average (53.8) and consistent with a robust improvement in business conditions.

Notes on the Data and Method of Presentation

The *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 by Standard Industrial Classification (SIC) group, based on industry contribution to GDP, and by 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. Markit 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.

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