

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

EMBARGOED UNTIL: 11:00 (BEIRUT) / 08:00 (UTC), September 6th 2017

BLOM Lebanon PMI®

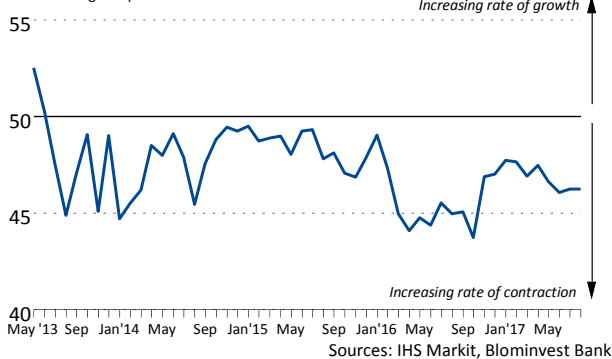
Private sector business conditions worsen in August

Data collected August 11-23

- **PMI unchanged since July at 46.3**
- **Output and employment fall due to weak demand**
- **Faster decline in average prices charged for goods and services**

BLOM Lebanon PMI

50 = no change on previous month



This report contains the forty-seventh 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 IHS 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.

Business conditions continued to deteriorate across Lebanon's private sector economy mid-way through the third quarter. This was highlighted by the headline BLOM Lebanon PMI registering a reading of 46.3 in August, unchanged since July and below the average for the year so far (46.9).

Commenting on the August 2017 PMI results, Marwan Mikhael, Head of Research at BLOMINVEST Bank, said:

"Weak demand continued to hinder the economic activity in August, an indicator of a sustained lack of confidence in the current economic policy adopted by the government. The recent passing of the public sector wage increase by the parliament will have a negative impact on demand as the approval of several hikes in taxes, in parallel, to finance this increase will lead to a jump in consumer prices. Unless the government implements measures to improve the business environment and to develop the infrastructure in order to attract investors, private sector activity will continue to suffer."

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

The survey data pointed to ongoing weakness in demand, with the level of new work placed with businesses falling sharply during the month. This reflected not only political uncertainty and difficult economic conditions within the domestic market, but also a drop in new orders from abroad.

Private sector output decreased as a result, continuing a trend observed in every month since mid-2013. The rate of contraction was sharp and little-changed from that recorded in the preceding survey period.

The lack of workplace activity in the private sector was underlined by a further decline in backlogs of work, which fell for the twenty-sixth month running and at the fastest rate since last October. Spare capacity among businesses led them to reduce workforce numbers, though the overall extent of the decrease in employment in August was only slight.

Latest data also showed a further scaling back of purchasing activity among businesses. Inventories, however, continued to rise due to weak sales, growing at the fastest rate for five months in August. The drop in buying levels meanwhile contributed to an improvement in average supplier delivery times.

Elsewhere, average prices charged for goods and services decreased at the fastest rate for three months in August, with companies commenting on competitive pressures and having to sell at discounted prices in order to support sales. A fourth straight monthly decrease in average input costs helped to relieve the pressure on firms' margins, however.

Business sentiment remained negative in August, with firms in general expecting activity to fall in the year ahead. That said, the degree of pessimism was the least marked for six months.

-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.

IHS 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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. 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 30 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 www.markit.com/product/pmi.

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