News Release

BLOM Lebanon PMI®

Operating conditions continue to deteriorate in June

Data collected June 12-24

- **PMI registers in line with May reading**
- **Output contracts further**
- **Quicker decline in new orders**

This report contains the latest 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.

At 46.3 in June, the BLOM Lebanon PMI was unchanged since May. The reading represented another decline in operating conditions faced by private sector firms in Lebanon, extending the current sequence of deterioration to six years.

Commenting on the June 2019 PMI results, Rouba Chbeir, Senior Economist at Blominvest Bank, said: “With a PMI of 46.3, economic growth remains subdued, hovering between 0% and 0.5%, especially with output and new orders indices at less than 44. The new tax-driven budget proposed still awaits approval which spurs uncertainty. The government revealed an optimistic trend of fiscal consolidation as it targets a deficit of 7.6% of GDP instead of 2018’s 10.9%, yet the cuts in expenditures remain unclear while the environment of high interest rates continues to crowd out the private sector and send investors into a wait-and-see attitude.”

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

A key factor behind the continued decline was a further contraction in output during June. Although the rate of decrease was slightly softer than in May, it remained historically marked. Panel members typically cited political and economic instability when explaining the latest reduction.

Similarly, new orders placed with firms in the private sector fell at the end of the third quarter, extending the current run of deterioration to just over six years. Moreover, the pace of reduction accelerated fractionally from May and was sharp overall.
Amid an ongoing slowdown in demand, firms reduced their purchasing activity further in June. Input buying has now fallen in each month for nearly three-and-a-half years. Although the rate of decline slowed from May, it remained sharper than the historical average.

Meanwhile, easing capacity pressure was evident at suppliers with a fractional improvement in vendor performance in June. Following the stabilisation in May, average lead times shortened, with panellists often noting they received faster delivery due to a lack of work at suppliers.

On the price front, input costs faced by Lebanese private sector businesses rose for the fourth month in succession. The rate of inflation was unchanged from May and marginal overall. Underlying data suggested that the increase was driven by both higher paid prices and wages. Firms were unable to pass on elevated costs to their clients, with average output prices reduced further in June.

Finally, private sector companies remained pessimistic towards the business outlook at the end of the second quarter, with some panellists suggesting that current market conditions would persist in the absence of substantial economic reform.

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**Note to Editors:**
The BLOM Lebanon Purchasing Managers’ Index™ (PMI®) 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.

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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 https://ihsmarkit.com/products/pmi.html.

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