

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

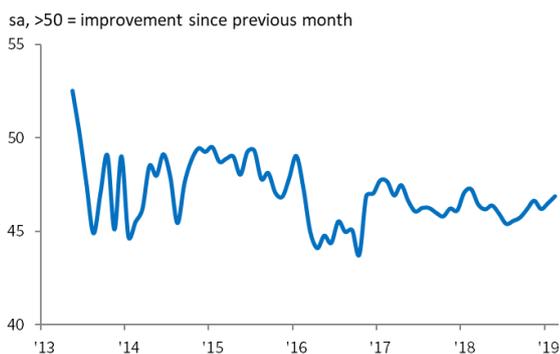
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BLOM Lebanon PMI®

Slowest deterioration in business conditions for one year

Data collected February 12-22

- **Output falls markedly, but at slowest pace for 12 months**
- **New order decline eases**
- **Rate of job cutting accelerates**



Sources: IHS Markit, Blominvest Bank

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 46.9 in February, up from 46.5 in January, the

headline BLOM Lebanon PMI indicated another marked deterioration in business conditions across the private sector economy. However, the latest decline was the slowest recorded for one year.

Riwa Daou, Senior Economist at Blominvest Bank, commented the following on BLOM Lebanon PMI's February 2019 results:

"The slowest PMI deterioration in a year coincides with the long-awaited government formation. February's PMI stood at 46.9 up from 46.5 in January on the back of softer contractions in output and new orders. From here, we stress again the importance of enacting true reforms so as to ensure that the positive buildup in confidence moves from being frail and short-lived to solid and sustained."

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

February's survey highlighted a softer rate of contraction in output at Lebanese private sector firms. Business activity fell at the slowest pace for 12 months. That said, the latest reduction was still strong overall and panellists continued to mention the negative effects of political instability.

Similar to the trend in activity, new business continued to fall markedly in February. Panel members cited weak demand conditions due to ongoing political uncertainty. However, the pace of contraction decelerated to the softest for one year.

The challenging business environment continued to have a negative impact on the labour market, with private sector firms cutting staff numbers again in February. The rate of job cutting accelerated compared to January, although the decline was only marginal

overall. A quicker fall in backlogs of work underlined a lack of pressure on business capacity.

Firms also pared back their input buying midway through the first quarter. Moreover, the rate of decline was slightly faster than in January. However, a lack of sales meant that stocks of purchases continued to grow. In line with the quicker fall in purchasing activity, vendor performance improved marginally.

With demand continuing to falter and amid prevailing competitive pressures, February saw Lebanese firms cut their output charges for the twelfth month in a row. That said, the latest reduction was the softest since last September.

Meanwhile, average costs faced by businesses were unchanged in February. This was driven by a broad stabilisation in purchasing prices, as wages expanded fractionally.

Finally, the latest survey found that companies were still pessimistic towards the business outlook. Many respondents cited ongoing political instability.

-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 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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