News Release

Embargoed until 1100 EEST (0800 UTC) 3 October 2019

BLOM Lebanon PMI®

Quicker deterioration in operating conditions during September

Key findings

Fastest decline in operating conditions since June

Both output and new orders fall at quicker rates

Input prices continue to rise marginally, but charges fall again

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.

The BLOM Lebanon PMI registered at 46.4 in September, down from 47.8 in August. The result signalled the fastest deterioration in business conditions faced by Lebanese private sector firms for three months.

A key factor behind the faster decline in operating conditions was an accelerated contraction in output during September. The latest reduction was the quickest recorded since June and marked overall. Many survey participants cited political instability when explaining lower business activity.

Similar to the trend in output, new orders placed with private sector firms in Lebanon continued to decrease at the start of the third quarter. The rate of deterioration quickened from August to reach the strongest since June.

The further decline in overall new orders was in part driven by another reduction in new export business. International sales have now fallen in each month since August 2015. The rate of decline accelerated to the fastest for six months and was moderate overall.

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Lebanon PMI

sa, >50 = improvement since previous month

Sources: BLOMINVEST BANK, IHS Markit.

Comment

Rouba Chbeir, Senior Economist at BLOMINVEST Bank, said:

"Despite the renewed political willpower to reform and the plan to drive GCC investments into the country's infrastructure, reports by Fitch Ratings among others this month downgraded Lebanon to "CCC" from "B-", which also reflects the new rating of Lebanese banks. As a result, economic growth faltered and is expected to have registered 0 to 0.5% in the first 9 months of the year. The statements of rating agencies weighed down on investors' confidence which is now key, to drive back inflows into the economy. Lebanon must implement structural reforms and reduce its fiscal deficit to unlock CEDRE funds and restore confidence."

On the cost front, input prices faced by Lebanese businesses rose further in September. Though only marginal overall, the rate of inflation was slightly quicker than in August. Underlying data suggested that the latest increase was driven by higher purchasing costs.

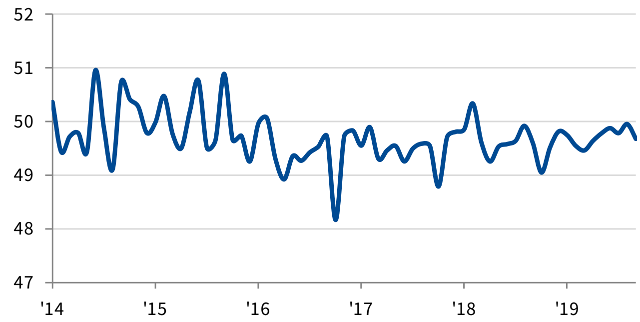
Despite a further rise in cost burdens, companies continued to reduce their average output charges at the end of the third quarter. Albeit modest overall, the latest decrease was the quickest for three months.

Following a brief stabilisation in employment during August, private sector firms reverted to cutting staff numbers in September. That said, the rate of reduction was only slight overall and broadly in line with the series average.

Meanwhile, purchasing activity in Lebanon's private sector continued to decline. The result extended the current run of deterioration that began in February 2016. Moreover, the rate of decline accelerated from August to reach the fastest for three months.

Employment Index

sa, >50 = growth since previous month



Sources: BLOMINVEST BANK, IHS Markit.

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Methodology

The BLOM Lebanon PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include manufacturing, construction, wholesale, retail and services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

September 2019 data were collected 12-24 September 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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 ihsmarkit.com/products/pmi.html.

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.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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