

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

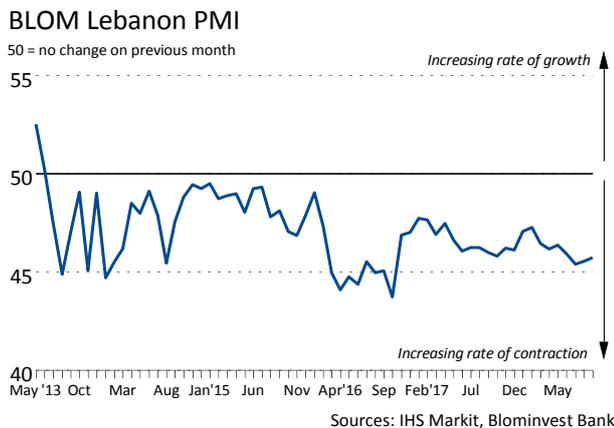
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BLOM Lebanon PMI®

Challenging business conditions persist in September

Data collected September 12-24

- **PMI remains in contraction territory, but ticks up to three-month high of 45.8**
- **Slower falls in output and new orders contrast with quicker rate of job cutting**
- **Businesses maintain negative outlook towards future output**



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.

Challenging business conditions persisted across Lebanon's private sector in September, with companies reporting further declines in output, new orders and employment as a result. However, at 45.8, up from 45.6 in August and its highest reading since June, the headline PMI pointed to a slight moderation in the overall rate of deterioration.

Marwan Mikhael, Head of Research at Blominvest Bank, commented the following on BLOM Lebanon PMI's September 2018 results:

"As expected, the slowdown in economic activity is confirmed by the PMI declining for the third quarter in a row by end September 2018, and the fourth lowest quarterly level ever since inception. The economy has entered a stagflation phase with average inflation for the first 8 months of the year hitting 6.29% and GDP growth at 1% during the same period. Nothing less than a formation of a new government and the implementation of reforms encompassing electricity, business environment, public sector, waste management, and transportation will be enough to restore investors' confidence."

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

Businesses reported the continuation of a difficult operating environment, with many citing political uncertainty and cash flow issues as reasons for a further contraction in new orders during September. Although remaining sharp overall, the rate of decline in new business was the slowest since June. Export sales also continued to fall due in part to instability in the broader

region, though the rate of contraction was only modest and the slowest since May.

The softening of demand for goods and services was reflected in a further drop in the level of private sector output. As was the case with new orders, the rate of decline in business activity in September was the weakest seen for three months but still sharp overall.

The lack of incoming new orders also resulted in a further reduction in backlogs of work and led businesses to scale back both employment and buying levels. September's decrease in workforce numbers was the seventh in as many months and the most marked since June (albeit still only marginal).

With many of the current issues facing the country expected to continue, businesses in general remained downbeat about the outlook for output in the year ahead. Moreover, the degree of pessimism was slightly greater than in August.

Elsewhere, latest survey data indicated a slight increase in average costs faced by private sector businesses in Lebanon, driven partly by a rise in the cost of purchases. Average staff pay meanwhile exhibited little change, in line with the broad trend seen throughout 2018 so far.

Nevertheless, despite the emergence of modest cost pressures, September saw a further dip in average prices charged for goods and services amid strong competition between firms.

-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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