

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI™

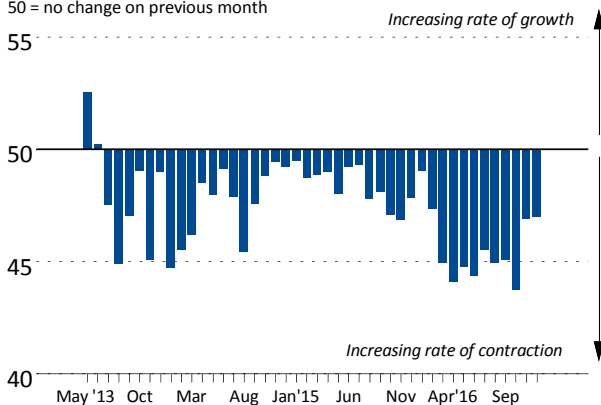
PMI at ten-month high at end of 2016

Data collected 6-16 December

- **Slowest decreases in output and new orders since last February**
- **Employment continues to fall, but only marginally**
- **Prices charged for goods and services show quickest drop since August**

BLOM Lebanon PMI

50 = no change on previous month



This report contains the thirty-ninth 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 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 headline BLOM Lebanon PMI moved to a ten-month high of 47.0 in December, up from November's 46.9, to signal a moderate deterioration in the health of Lebanon's private sector economy. Despite having been at a record low in October, the index's average over the final quarter as a whole was the highest recorded since the opening quarter of 2016.

Commenting on the December 2016 PMI results, Myrna Chami, Senior Economist at BLOMINVEST Bank, said:

"Once again, December's results confirmed the positive correlation between the BLOM Lebanon PMI and political events. Following the optimistic vibes carried over the month of November after the election of a president, the formation of a cabinet before the end of year managed to further decelerate the private sector's contraction in December. The pick-up in the number of incomers to Lebanon, and especially expats, reveals the improving confidence in Lebanon's security and political situation. This could result in higher amounts of capital inflows in the upcoming months hence boosting business activity."

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

December saw decreases in overall business activity and the amount of new work received by companies in Lebanon, although the respective rates of decline were the slowest since last February. Meanwhile, new export orders fell slightly, with the pace of contraction likewise being the weakest in ten months.

The level of employment across Lebanon's private sector economy remained in decline during December, in line with the trend seen since last March. That said, the extent of the decrease in workforce numbers was

only marginal and the weakest in the current sequence of job losses.

There was also a reduction in quantities of purchases among Lebanon's businesses during the final month of 2016. However, stocks of purchases showed a further (albeit slower) increase, marking 14 successive months of accumulation.

Average delivery times for purchased items, meanwhile, shortened in December. The improvement in vendor performance was the fourth in the past five months and indicative of a lack of pressure on supply chains.

Adding to the picture, December's survey showed another decrease in average prices charged for goods and services, with reports from several panellists revealing sales amid a weak demand environment. Furthermore, the rate of decline in output charges was the strongest for four months.

Businesses reported some respite on the cost front, however, as average input prices held broadly steady during December, to end a five-month sequence of modest cost inflation. Indeed, prices paid for items such as raw materials and semi-manufactured goods showed little-change from the month before, while salaries stagnated.

-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.

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 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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