

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

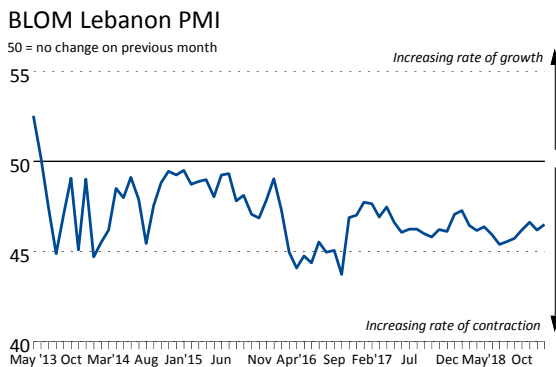
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BLOM Lebanon PMI®

Solid deterioration in business conditions during January

Data collected January 11-25

- **Headline PMI ticks up slightly to 46.5**
- **Output and new orders continue to contract**
- **Input prices fall for the first time in six months**



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 46.5 in January, up from 46.2 in December, the BLOM

Lebanon PMI pointed to a softer deterioration in business conditions faced by Lebanese private sector firms. That said, the result extended the current sequence of decline to 67 months and was solid overall.

Marwan Mikhael, Head of Research at Blominvest Bank, commented the following on BLOM Lebanon PMI's January 2019 results:

"The PMI result came to confirm all economic indicators that were trending lower throughout last year and continue to do so in the absence of political stability. Private sector was crowded out from the lending market with claims to residents declining by around 1.7% in 2018. Economic conditions continue to weaken as confidence is being eroded with high fiscal deficit, high public debt, and nine months without a government. It has been a year now that companies are laying off workers because of deteriorating demand and difficult business conditions. The formation of a new government will only help in case the government is formed of competent people and puts reforms on a fast track."

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

Contributing to the slower deterioration was softer output contraction at the start of 2019. However, the latest fall was still sharp overall, with panellists mentioning ongoing political and economic instability.

Similar to the trend for output, new orders fell at a slower rate in January. Nevertheless, the latest decrease in new work was still sharper than the historical series average. Panellists blamed continued contraction on the current political impasse.

New export orders at private sector firms in Lebanon fell during January. The result extended the current

sequence of contraction to three-and-a-half years. The pace of decline did soften compared to December, however.

On the price front, input costs fell in January. The decline was broad-based, with reductions in purchasing prices and wages. The decrease in input prices was the first recorded since July 2018 and the most marked since data collection began.

The latest survey data also indicated that Lebanese private sector firms cut staff numbers during January. Although the decline was only fractional overall, it extended the current run of employment contraction to nearly a year.

Capacity pressures continued to moderate at private sector firms in the first month of 2019. Firms registered a solid decrease in backlogs of work, albeit one that was the softest for three months. Panellists suggested that further contraction was due to weak demand conditions.

Finally, Lebanese private sector firms were their least pessimistic towards the business outlook for 26 months in January. However, despite the degree of negativity softening, firms continued to mention anticipation for further economic and 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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