

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI®

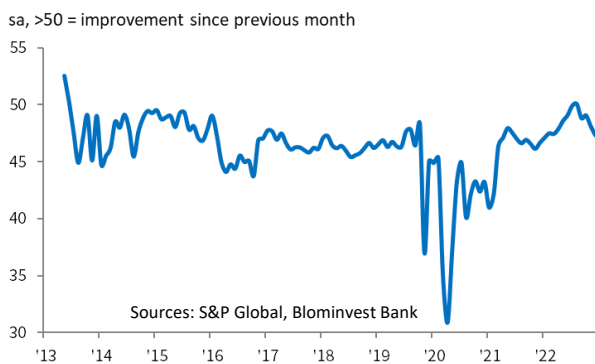
PMI falls to 11-month low in December

Data collected December 06-19

Output and new orders lose momentum

Inflationary pressures remain strong but ease

Business outlook clouded by domestic challenges



Lebanon's private sector economy deteriorated during December, latest data from the BLOM Lebanon PMI® survey showed, as business activity declined and new work intakes shrank. Domestic political uncertainty and financial challenges reportedly weighed on company performances, while the high cost of US dollars exerted upward pressure on operating costs. Survey respondents were subsequently concerned about the outlook for the next 12 months, with many expressing their pessimism towards 2023 prospects.

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® posted 47.3 in December, below the 50.0 no-change mark, thereby signalling a deterioration in operating conditions faced by private sector companies in Lebanon. Furthermore, this was down from, 48.1 in November, signalling the quickest decline since last January.

Commenting on BLOM Lebanon PMI for December 2022, Mrs. Aline Azzi, Research Analyst at BLOMINVEST Bank, said:

"The devaluation of the Lebanese pound is one of the main reasons why we are seeing an 11-month low PMI index to 47.3 in December, despite promises of a festive season. The harsh decline in business activities is certainly driven by an eroded purchasing power of the Lebanese people and adversely weaker domestic demand. Constant disappointment on the political front also prevails; failure to elect a new head of State for more than 10 attempts coupled with a larger trade deficit is taking its toll on the Lebanese economic situation. What complicates matters is that reform plans are in a state of limbo, signaling another year of discontent for the Lebanese. Concerns would stay in the horizon as the country seems to be paralyzed by multiple regional and domestic developments and far from any socio-economic stability. We only hope that this "grey period" does not stay long, given the severity of the economic situation."

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

The performance of Lebanon's private sector economy was weighed down by subdued demand during December. This was evidenced by the quickest reduction in new order intakes for nine months. Weak

client purchasing power and political uncertainty were factors companies mentioned as a reason for lower new orders. Subsequently, business activity levels declined in December. The rate of decline was the fastest since last March.

There was evidence of spare capacity as private sector companies in Lebanon reduced their volumes of outstanding business for a fourth month running. In turn, overall employment levels were reduced as companies adjusted to lower business requirements.

Additionally, purchasing activity was cut back in December, although stocks of inputs increased for the first time in eight months. Meanwhile, there was a broad stabilisation of supplier performance following a three-year sequence of lengthening delivery times.

December survey data indicated an increase in overall input costs at the end of the year. According to panel members, the high cost of US dollars had pushed up the price of purchased items. That said, overall input cost inflation slowed to a five-month low. Similarly, output prices rose, but at the slowest rate since last July.

Finally, private sector firms in Lebanon were downbeat on their year-ahead prospects, with domestic uncertainty expected to weigh on the outlook.

-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.

S&P Global 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 S&P Global. Please contact economics@ihsmarkit.com.

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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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