

News Release

**Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION**

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BLOM Lebanon PMI®

BLOM Lebanon PMI rises to four-month high in February, but inflationary pressures intensify

Data collected February 10-22

BLOM Lebanon PMI rises to 48.8, its highest since October 2022

Slower falls recorded for output and new orders

Overall input price inflation hits 32-month high



The BLOM Lebanon PMI® rose to a four-month high in February as private sector business activity and new orders fell at softer rates. Employment meanwhile rose for the first time since last July, albeit marginally.

However, business confidence was subdued amid political uncertainty and price volatility. Overall input costs rose at the fastest rate in over two-and-a-half years during February as respondents commented on adverse exchange rate movements against the US dollar. Subsequently, selling charges rose at the second-fastest pace on record as companies acted to protect their margins.

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 48.8 in February. This was up from 47.7 in January and its highest level since October last year. Overall, the latest reading indicated a modest, but slower, deterioration in the health of Lebanon's private sector economy.

Commenting on BLOM Lebanon PMI for February 2023, Dr. Fadi Osseiran, General Manager at BLOMINVEST Bank, said:

"Lebanon seems to be stabilizing as the latest PMI index improved noticeably, though still below the 50 threshold. Indeed, the month of February witnessed a relative increase in output and new orders indices while employment has surpassed the 50 threshold. It is obvious that cautious positivity is driving the index, but not for long as the short-term positivity is facilitating the better-than-expected demand. However, the problem in the country remains political as the presidential vacuum is taking its toll on the state, economy, and most importantly, it is pressuring the banking sector. These developments only prove the extent to which the Lebanese crisis is inherently political at its core, and the solution lies in a political settlement that paves the way to stabilize and grow the economy for the periods ahead."

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

The softer decline in private sector operating conditions reflected trends in output and new orders. Although private sector business activity fell in February, the deterioration was the weakest for four months. Nevertheless, survey respondents continued to comment on the disruption to business activity stemming from the challenging political and financial landscape domestically.

There was also a slower decrease in new orders during February. As was the case with output, new business fell at the softest pace in four months. That said, weak client purchasing power continued to restrict new business wins, according to anecdotal evidence. This was likewise the case across export markets, with new sales to international customers also falling in February.

That said, private sector staffing levels rose for the first time in seven months, albeit marginally. Firms continued to work through their backlogs, with outstanding business volumes falling for a sixth straight month.

Notably, the latest survey data showed a marked acceleration in overall input cost inflation. In fact, operating expenses rose at the sharpest rate since June 2020. The increase was primarily a result of surging purchase costs, which panellists linked to unfavourable exchange rate movements versus the US dollar. Output prices increased during February at the second-fastest pace since data collection began in May 2013.

Price volatility directly affected supplier performance, according to firms. Average input lead times lengthened to the greatest extent since July 2021. Nevertheless, stocks of purchases were broadly unchanged as firms reduced their buying activity slightly.

Finally, business confidence remained suppressed amid ongoing political uncertainty.

-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.

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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