



بنك الإمارات دبي الوطني
Emirates NBD

Economics

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Lebanon PMI Update

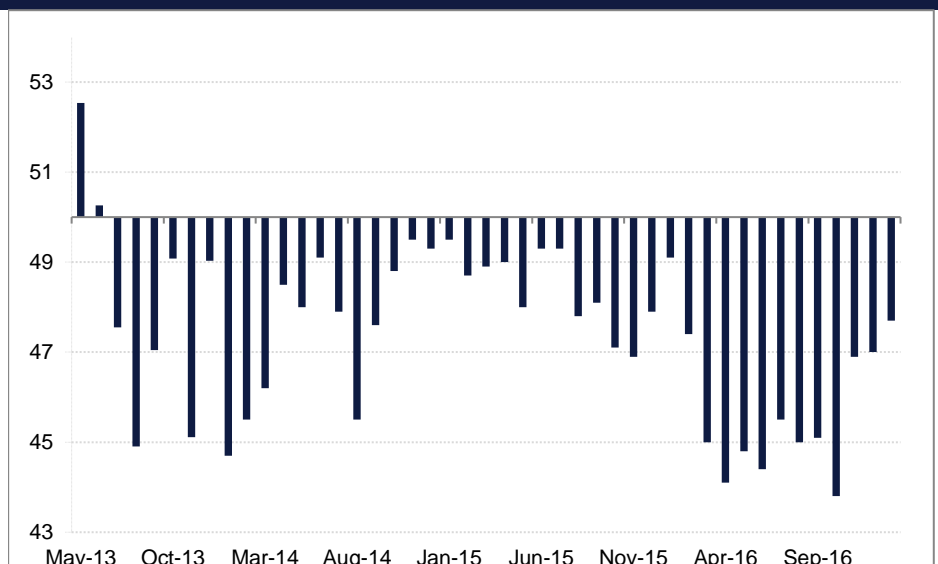
The downturn in Lebanon's private sector economy continued at the start of 2017, with the latest Purchasing Managers' Index (PMI) remaining below the neutral 50 level for the 40th consecutive month in January. That said, the headline PMI figure came in at 47.0, which was the highest reading since January 2016, and up from the multi-year low of only 43.8 in October. Several of the main sub-components of the survey have been trending upwards, suggesting the pace of decline is easing. Multi-month highs were hit in the Output (45.8), New Orders (45.9) and New Export Orders (49.3) indices. The remainder of the report was broadly unchanged from previous months, with marginal decreases seen in Employment (49.6) as firms reduced their headcount in the face of a lack of work, while Output Prices also dropped for the 22nd consecutive month (49.0).

An interesting part of this month's report came from the 'Future Output' index, which is a newly published part of the PMI survey that effectively attempts to measure business confidence. Although the index has improved from October, at only 42.5 in January it is still highlighting a high degree of pessimism among private sector firms. Respondents cited instability and a lack of hope of market conditions improving as the reason for their negative outlook.

This can be compared to the latest PMI survey for Egypt (an economy also undergoing significant strains), where the Future Output Index rose to 73.2 in January. What is notable in the case of Lebanon is that we have been expecting an improvement in business sentiment to help fuel a rebound in economic growth following the election of a president and formation of a government in early November. Judging by these latest figures however, this has not yet occurred.

Our outlook for the Lebanese economy sees an acceleration in consumption and investment over the course of the year, with real GDP forecast to expand 3.1%, and following estimated growth of 2.4% in 2016. This is slightly higher than the latest IMF projections, which only see growth of 2.0% this year. In late January the Fund released its latest Article IV report where it highlighted how the conflict in Syria continued to dominate the outlook. The IMF also said '*In the absence of a turnaround in confidence, or a resolution of the Syrian conflict, growth is unlikely to return to potential (4 percent) soon*'. Much hope is also being placed on the new government to help address the ongoing economic slowdown by pushing through structural reforms and anchoring the rise in public debt levels. To this end, the most encouraging developments could take place in the hydrocarbon sector, where it was recently announced that the government will soon auction the rights for offshore oil and gas exploration.

Lebanon Purchasing Managers' Index



Source: Markit, Emirates NBD Research



Chart #1
Source: Markit, Emirates NBD Research

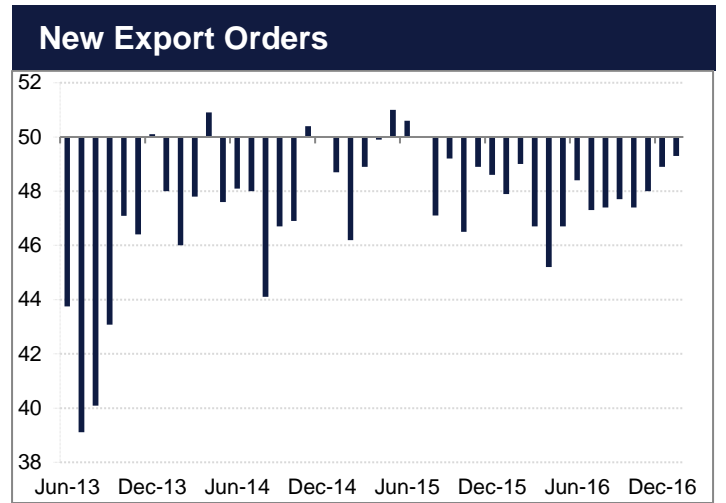


Chart #2
Source: Markit, Emirates NBD Research

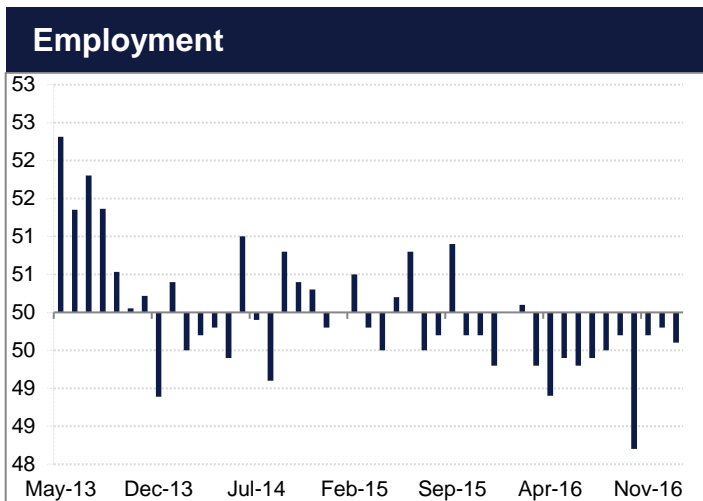


Chart #3
Source: Markit, Emirates NBD Research

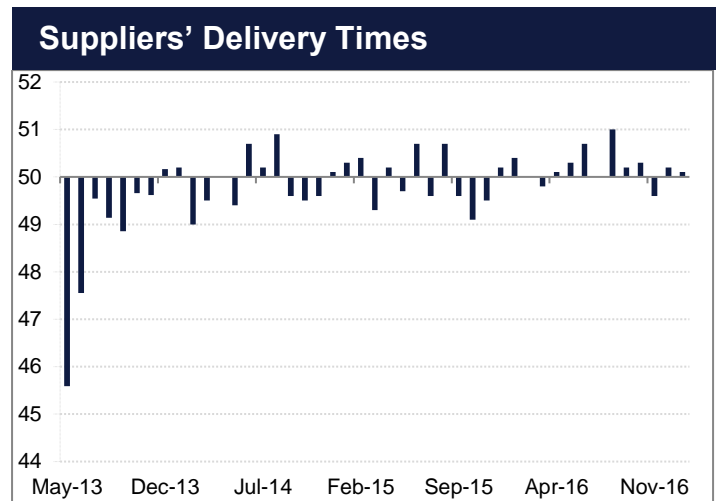


Chart #4
Source: Markit, Emirates NBD Research

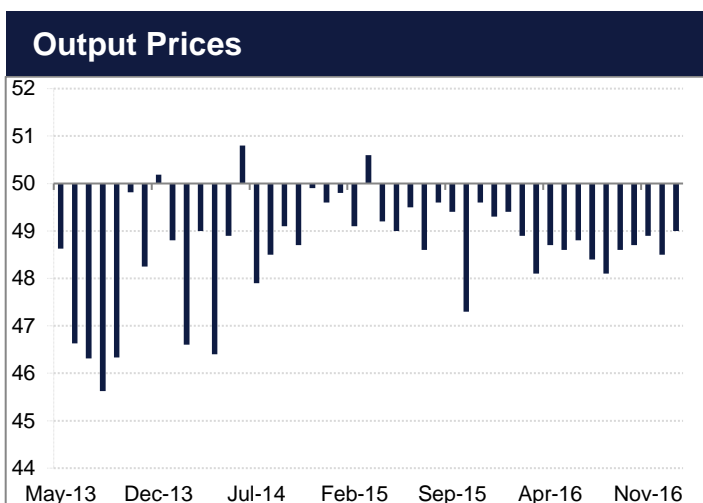


Chart #5
Source: Markit, Emirates NBD Research

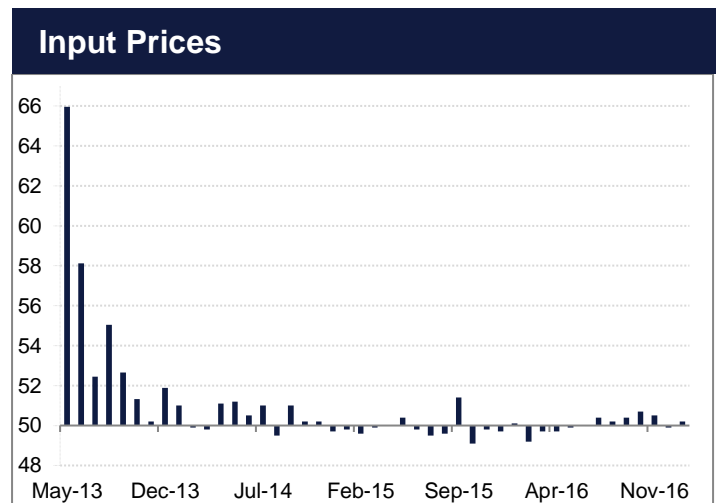


Chart #6
Source: Markit, Emirates NBD Research

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