

Business conditions in Lebanon deteriorate further in November

Key findings:

- **PMI still well inside contraction territory at 46.2**
- **Output falls sharply, but rate of job losses is only marginal**
- **Input costs rise at slowest rate for three months**

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.

Business conditions in Lebanon's private sector economy deteriorated further in November, as signalled by the headline BLOM Lebanon PMI registering a reading of 46.2. Although up from 45.8 in October and at a three-month high, the latest figure was still well below the 50.0 level that separates growth from contraction.

Business activity fell sharply again mid-way through the final quarter of the year as firms reported a drop in demand for goods and services. Anecdotal evidence found that political instability continued to undermine economic performance, with issues around security and cash flow also playing a part in the latest contraction. To add to the situation, new export

orders fell at the fastest rate for over a year.

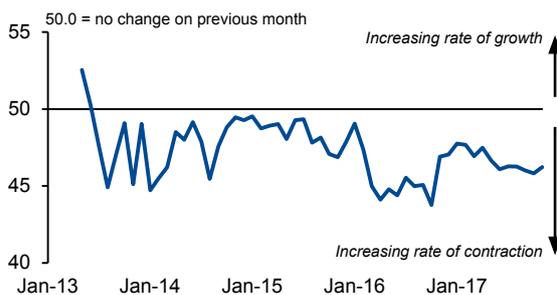
Private sector employment also decreased during the month as businesses looked to reduce capacity in line with a lower level of demand. That said, the rate at which staffing numbers contracted was only marginal and the slowest for nine months.

November's survey meanwhile showed a moderation of inflationary pressures. Input prices rose only slightly on average, with the rate of increase noticeably slower than in each of the previous two months. This reflected both a weaker rise in purchase costs and also a slight fall in average staff pay. Prices charged for goods and services decreased for the thirty-second month in a row, and at a slightly faster rate than in October.

Lower levels of output and new orders were translated into a further decrease in businesses' quantity of purchases in November, with the rate of decline in buying activity accelerating to the fastest seen since June. Inventories accumulated at a slower pace, while suppliers' delivery times were broadly unchanged from the month before.

Private sector business confidence remained subdued in November, with firms (on average) forecasting output to decrease in the coming year. That said, sentiment was the least negative for 11 months.

Lebanon Purchasing Managers' Index™ (PMI®)



Purchasing Managers' Index			
		Unadj.	Seas. Adj.
2017	Sep	45.3	46.0
	Oct	45.5	45.8
	Nov	45.5	46.2

Index Summary

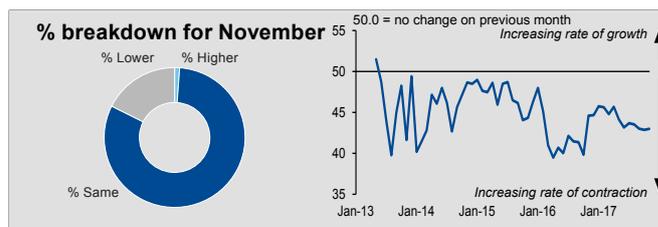
(seasonally adjusted, 50 = no change on previous month)

	PMI	Output	New Orders	Export Orders	Backlogs of Work	Employment	Output Prices	Overall Input Costs	Purchase Costs	Staff Costs	Delivery Times	Quantity of Purchases	Stocks of Purchases	Future Output
Sep'17	46.0	43.0	42.7	47.7	44.7	49.6	48.5	52.2	52.1	50.0	50.3	47.2	50.6	40.6
Oct	45.8	42.9	42.2	48.0	45.0	48.8	49.6	52.3	52.4	49.8	49.8	47.7	51.4	40.3
Nov	46.2	43.0	43.2	47.4	44.2	49.7	49.4	50.5	50.8	49.7	49.9	47.1	50.7	43.2

Output Index

Q. Please compare your production/output this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Jul	2.5	81.9	15.6	-13.1	43.4	43.7
	Aug	3.2	80.3	16.5	-13.3	43.4	43.5
	Sep	2.3	79.4	18.3	-16.1	42.0	43.0
	Oct	1.6	80.8	17.6	-16.0	42.0	42.9
	Nov	1.1	81.3	17.6	-16.5	41.8	43.0

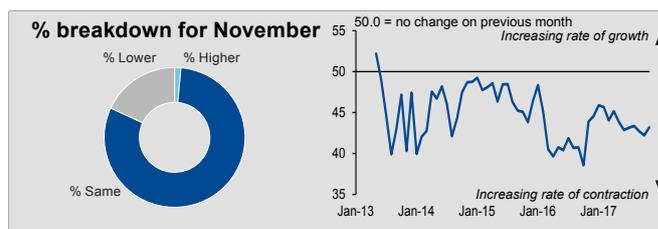


November saw another steep decline in the level of business activity across Lebanon's private sector economy, linked to political instability, ongoing security issues and a generally difficult economic environment. The rate of contraction was broadly unchanged from that recorded in the preceding survey period, which was the fastest seen for 12 months.

New Orders Index

Q. Please compare the level of new orders received this month with the situation of one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Jul	2.5	81.6	15.9	-13.5	43.3	43.1
	Aug	3.1	80.3	16.7	-13.6	43.2	43.4
	Sep	1.8	78.6	19.6	-17.8	41.1	42.7
	Oct	1.5	80.3	18.1	-16.6	41.7	42.2
	Nov	1.5	80.4	18.1	-16.7	41.7	43.2

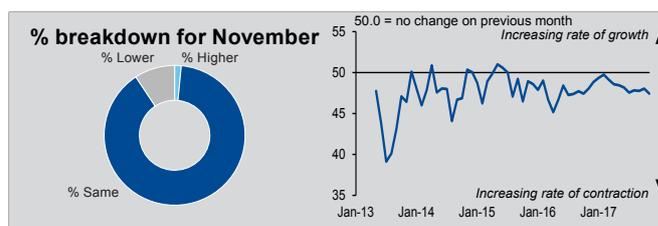


The seasonally adjusted New Orders Index registered below the neutral 50.0 threshold – signalling a decrease in new incoming new business – for the fifty-fourth month in a row in November. Although rising to a three-month high, the Index remained at a level consistent with a marked rate of contraction.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Jul	0.0	94.4	5.6	-5.6	47.2	47.6
	Aug	0.0	94.9	5.1	-5.1	47.4	47.8
	Sep	0.5	95.1	4.4	-3.9	48.0	47.7
	Oct	0.0	94.3	5.7	-5.7	47.1	48.0
	Nov	1.5	89.2	9.3	-7.8	46.1	47.4

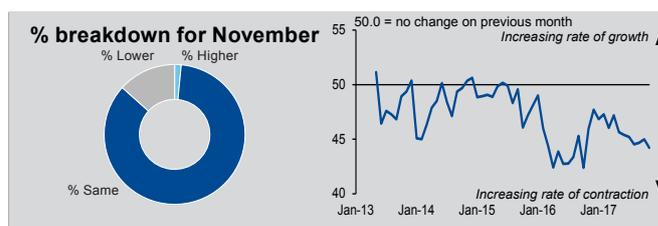


Latest data showed a solid and accelerated reduction in the level of new export orders received by private sector Lebanese firms, with the rate of decline the fastest seen since October 2016. According to anecdotal evidence, the uncertain political backdrop was an important factor behind the latest reduction – the twenty-eighth in as many months.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Jul	2.3	85.8	11.9	-9.6	45.2	45.2
	Aug	1.8	86.7	11.5	-9.8	45.1	44.5
	Sep	2.8	84.7	12.5	-9.6	45.2	44.7
	Oct	2.2	85.6	12.3	-10.1	44.9	45.0
	Nov	1.5	85.2	13.3	-11.8	44.1	44.2

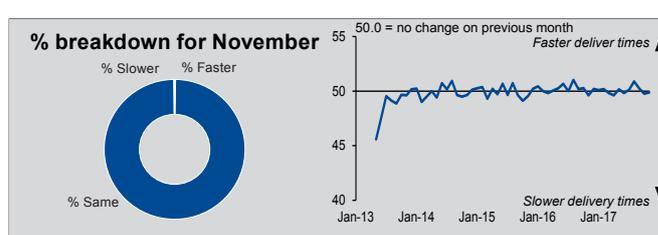


Backlogs of work fell sharply and at the fastest rate for over a year in November, reflecting a lack of incoming new orders to replace completed projects. Approximately 13% of surveyed companies registered a decrease in their outstanding business, against only 2% that recorded an increase.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

		Faster %	Same %	Slower %	Net +/-	Index	S.Adj. Index
2017	Jul	0.5	99.5	0.0	+0.5	50.2	50.1
	Aug	0.3	99.7	0.0	+0.3	50.2	50.9
	Sep	0.5	99.5	0.0	+0.5	50.3	50.3
	Oct	0.0	99.0	1.0	-1.0	49.5	49.8
	Nov	0.2	99.6	0.2	0.0	50.0	49.9

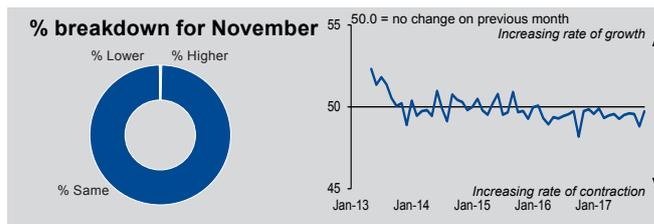


November's survey signalled little change in average lead times faced by Lebanese businesses, as highlighted by the seasonally adjusted Suppliers' Delivery Times Index registering a reading that was broadly in line with the 50.0 no-change mark. This followed a slight deterioration in vendor performance the month before.

Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Jul	0.0	99.7	0.3	-0.3	49.8	49.5
	Aug	0.0	99.5	0.5	-0.5	49.8	49.6
	Sep	0.2	98.5	1.3	-1.1	49.4	49.6
	Oct	0.0	97.9	2.1	-2.1	49.0	48.8
	Nov	0.3	99.4	0.2	+0.1	50.1	49.7

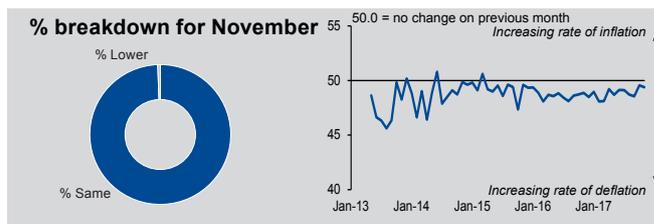


Employment in Lebanon's private sector economy continued to edge lower in November, to extend the current sequence of net job losses to 21 months. That said, the rate at which staffing numbers decreased was only marginal, having eased since the previous survey period to the weakest seen since February.

Output Prices Index

Q. Please compare the average prices you charged this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Jul	0.0	96.4	3.6	-3.6	48.2	49.1
	Aug	0.0	96.0	4.0	-4.0	48.0	48.7
	Sep	0.8	95.9	3.3	-2.4	48.8	48.5
	Oct	1.9	95.6	2.4	-0.5	49.8	49.6
	Nov	0.0	99.4	0.6	-0.6	49.7	49.4

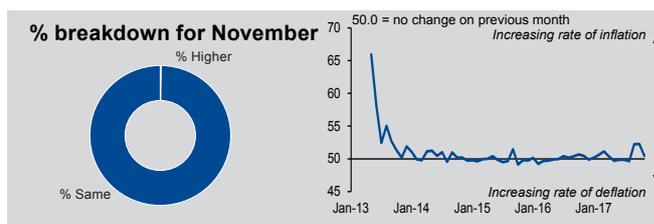


A lack of pricing power among Lebanese businesses was reflected in a further decrease in average prices charged for goods and services in November. That said, the rate of decline was one of the slowest seen over the past two years, with higher input costs acting as a disincentive to selling price discounts.

Overall Input Prices Index

Q. Please compare your overall average input prices this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Jul	0.3	99.4	0.3	+0.1	50.0	49.9
	Aug	0.0	100.0	0.0	0.0	50.0	49.6
	Sep	5.1	94.6	0.3	+4.8	52.4	52.2
	Oct	3.6	96.4	0.0	+3.6	51.8	52.3
	Nov	0.2	99.8	0.0	+0.2	50.1	50.5

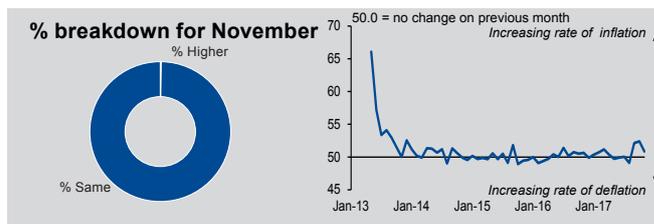


Average input prices faced by Lebanese private sector companies rose for the third month running in November, pushed higher by a further (albeit slower) increase in the purchase costs. However, the rate of inflation eased from October's 49-month high to only a marginal pace, and one that was the slowest seen in the current sequence.

Input Costs: Purchase Prices Index

Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Jul	0.3	99.4	0.3	+0.1	50.0	50.0
	Aug	0.0	100.0	0.0	0.0	50.0	49.1
	Sep	5.2	94.5	0.3	+4.9	52.4	52.1
	Oct	3.7	96.3	0.0	+3.7	51.8	52.4
	Nov	0.2	99.8	0.0	+0.2	50.1	50.8

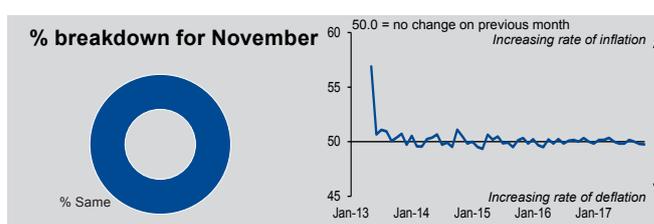


The seasonally adjusted Purchase Prices Index dipped lower in November. Although remaining above the 50.0 no-change mark and thereby indicating a rise in average purchasing costs, the Index implied a rate of inflation that was only slight and notably weaker than those recorded in each of the previous two months.

Input Costs: Staff Costs Index

Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Jul	0.0	100.0	0.0	0.0	50.0	49.8
	Aug	0.0	100.0	0.0	0.0	50.0	50.2
	Sep	0.0	99.7	0.3	-0.3	49.8	50.0
	Oct	0.0	98.8	1.2	-1.2	49.4	49.8
	Nov	0.0	100.0	0.0	0.0	50.0	49.7

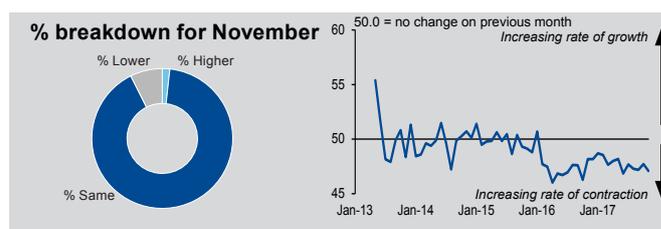


Average prices paid for salaries/wages decreased (on a seasonally adjusted basis) for the second month in succession in November. The rate of decline was again only marginal, although it picked up slightly since the previous survey period and was the fastest recorded in over one-and-a-half years.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Jul	2.2	91.6	6.3	-4.1	48.0	47.7
	Aug	3.3	89.0	7.7	-4.4	47.8	47.3
	Sep	3.7	87.7	8.6	-4.9	47.6	47.2
	Oct	3.2	89.2	7.6	-4.5	47.8	47.7
	Nov	1.7	90.9	7.4	-5.6	47.2	47.1

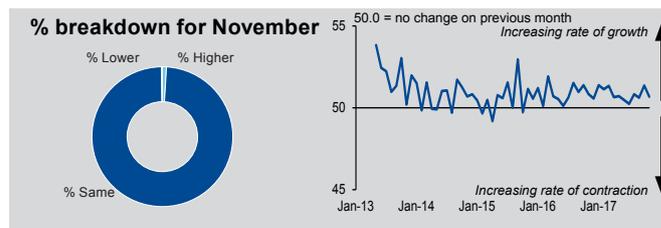


Lebanese private sector businesses continued to scale back their quantity of purchases mid-way through the final quarter of the year, to continue the trend observed in every month since February 2016. Moreover, the rate of decline was solid, having accelerated to the fastest seen since June (and the second-quickest in the past 13 months).

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Jul	0.6	99.2	0.2	+0.5	50.2	50.2
	Aug	2.0	98.0	0.0	+2.0	51.0	50.8
	Sep	2.7	96.9	0.4	+2.4	51.2	50.6
	Oct	2.7	96.7	0.6	+2.1	51.1	51.4
	Nov	0.9	98.9	0.2	+0.8	50.4	50.7

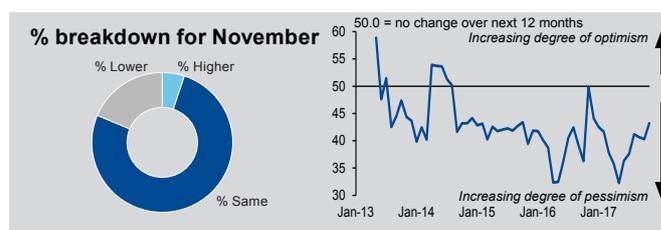


In accordance with weaker demand and a further substantial loss of new orders, stocks of purchases held by private sector Lebanese firms increased during November. This marked the twenty-fifth time in as many months that a rise has been recorded, although the rate of accumulation eased since October to only a modest pace.

Future Output Index

Q. In 12 months' time do you expect the overall volume of output to be higher, the same or lower than now?

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Jul	1.5	72.2	26.3	-24.8	37.6	n/a
	Aug	3.5	75.4	21.1	-17.6	41.2	n/a
	Sep	2.9	75.6	21.6	-18.7	40.6	n/a
	Oct	4.5	71.6	23.9	-19.4	40.3	n/a
	Nov	5.1	76.2	18.7	-13.6	43.2	n/a



Businesses operating in the Lebanese private sector economy maintained a pessimistic outlook towards future activity, with firms (on average) expecting output to fall over the next 12 months. However, the net balance of companies expecting a decrease was the least negative for 11 months.

Notes on the Data and Method of Presentation

The *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 by Standard Industrial Classification (SIC) group, based on industry contribution to GDP, and by 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.

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