

Deterioration in business conditions softens during April

Key findings:

- **PMI registers slightly higher at 46.7**
- **Output contracts at slower pace**
- **Softest fall in new export business for almost a year**

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 46.7 in April, the BLOM Lebanon PMI rose from 46.3 in March. The latest reading pointed to a further deterioration in Lebanese private sector operating conditions, although the rate of decline was slower than in March.

A driving factor behind the further reduction was a continued contraction in output during April. Panel members suggested that latest decline was due to a widespread economic slowdown. Although still sharp overall, the rate of deterioration eased from March.

A slowdown in demand was also evident in April. Sales at Lebanese private sector firms have now fallen in each month

since June 2013. Although the rate of contraction eased slightly from that seen in March, it remained historically elevated and sharp overall.

The reduction in new business was partially driven by a further decrease in international sales. Some firms attributed the decline to regional instability. That said, the latest contraction in exports was only marginal overall and the softest recorded for nearly a year.

Private sector firms continued to cut staff numbers at the beginning of the second quarter. Survey respondents blamed a lack of work for the latest round of job losses. However, the rate of reduction remained only marginal overall and eased slightly from that seen in March.

As well as contributing to workforce contraction, softening demand saw capacity pressures ease further in April. Backlogs of work fell for the forty-sixth month in a row. That said, the rate of decline eased to its softest for two years.

On the price front, input costs increased slightly during April. This was primarily caused by a rise in purchase prices, while wages stabilised.

Finally, pessimism towards the business outlook prevailed amid expectations for continued political and economic instability. Moreover, the degree of negativity increased to the greatest recorded in 2019 so far.

Lebanon Purchasing Managers' Index™ (PMI®)



Purchasing Managers' Index			
		Unadj.	Seas. Adj.
2019	Feb	47.0	46.9
	Mar	46.9	46.3
	Apr	47.5	46.7

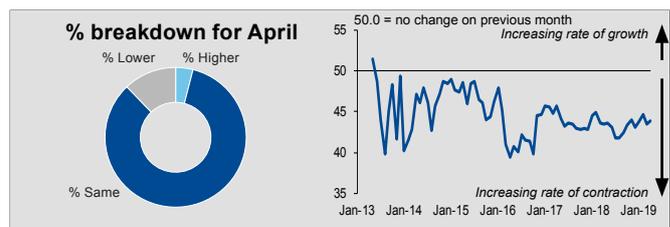
Index Summary

(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
Feb'19	46.9	44.6	44.3	47.9	45.6	49.6	49.2	50.0	50.1	50.2	50.4	47.0	51.0	42.3
Mar	46.3	43.5	43.2	47.4	45.3	49.5	49.1	50.1	50.1	49.7	50.0	47.9	50.8	41.0
Apr	46.7	43.9	44.1	49.1	46.5	49.7	48.0	50.4	50.6	50.0	50.1	48.3	51.3	40.8

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

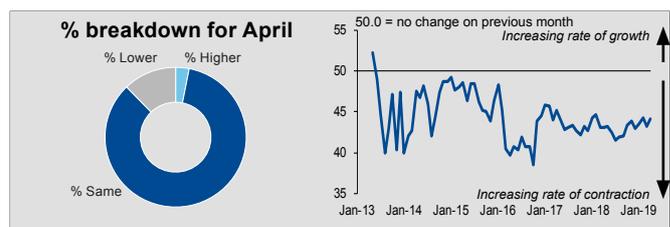
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2018	Dec	3.8	79.9	16.3	-12.4	43.8	43.1
2019	Jan	3.0	84.5	12.4	-9.4	45.3	43.7
	Feb	2.9	83.9	13.1	-10.2	44.9	44.6
	Mar	3.3	82.4	14.3	-11.1	44.5	43.5
	Apr	4.0	83.9	12.1	-8.2	45.9	43.9



Output at private sector firms in Lebanon continued to contract sharply at the start of the second quarter. The result extended the current sequence of decline to nearly six years. Panellist comments indicated that a widespread economic slowdown was the main cause of the latest decrease. That said, the rate of deterioration in output eased slightly from March.

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

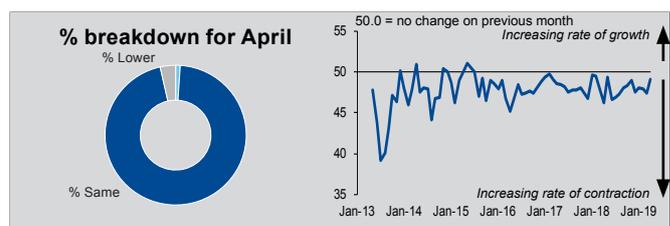
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2018	Dec	4.0	79.6	16.5	-12.5	43.7	43.0
2019	Jan	3.2	83.1	13.7	-10.5	44.8	43.5
	Feb	3.1	83.2	13.7	-10.6	44.7	44.3
	Mar	2.4	83.1	14.5	-12.0	44.0	43.2
	Apr	3.1	84.7	12.2	-9.1	45.4	44.1



Lebanese private sector firms reported a decline in new orders during April. Although the most recent decrease was slower than that seen in March, it remained faster than the historical average and sharp overall. Survey respondents commonly associated the further contraction in new business with political and economic instability.

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

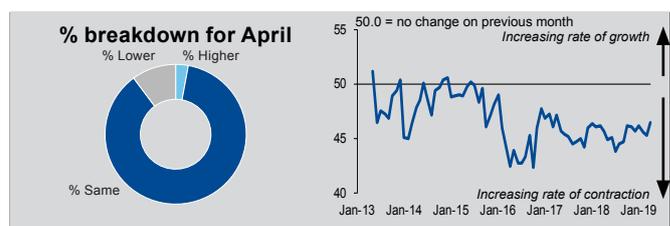
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2018	Dec	1.5	91.3	7.2	-5.7	47.1	47.5
2019	Jan	1.4	96.1	2.5	-1.1	49.4	48.1
	Feb	0.7	93.7	5.6	-5.0	47.5	47.9
	Mar	0.0	97.2	2.8	-2.8	48.6	47.4
	Apr	1.1	95.4	3.5	-2.5	48.8	49.1



Similar to the trend for overall sales, new export orders fell further in April. International sales have now fallen in every month since August 2015. Some panel members noted regional instability when explaining the contraction. That said, the latest decline was only marginal overall and the slowest for almost a year.

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

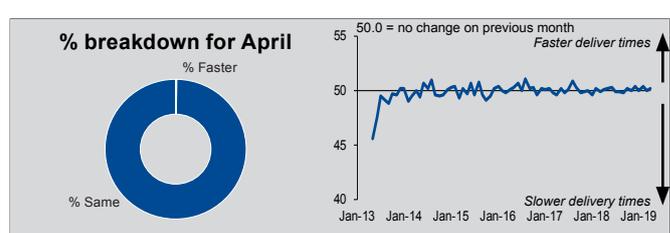
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2018	Dec	4.9	84.9	10.2	-5.3	47.3	45.7
2019	Jan	3.3	85.4	11.3	-8.0	46.0	46.2
	Feb	1.5	87.8	10.7	-9.1	45.4	45.6
	Mar	3.3	85.3	11.4	-8.1	45.9	45.3
	Apr	2.9	87.0	10.1	-7.3	46.4	46.5



Capacity pressures continued to ease at the start of the second quarter. Outstanding business fell solidly, extending the current sequence of reduction to 46 months. Survey participants often linked the contraction to a lack of new business. However, the latest deterioration in backlogs was the slowest for two years.

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
2018	Dec	0.0	100.0	0.0	0.0	50.0	50.4
2019	Jan	0.0	100.0	0.0	0.0	50.0	50.0
	Feb	0.0	100.0	0.0	0.0	50.0	50.4
	Mar	0.0	100.0	0.0	0.0	50.0	50.0
	Apr	0.3	99.7	0.0	+0.3	50.1	50.1

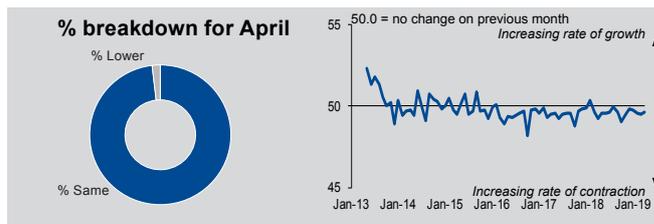


Vendor performance faced by private sector firms in Lebanon was broadly unchanged during April. This was indicated by the seasonally adjusted Suppliers' Delivery Times Index registering roughly in line with the 50.0 no-change mark. There were no panel members that reported longer supplier delivery times in April.

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
2018	Dec	0.9	99.0	0.1	+0.9	50.4	49.8
2019	Jan	0.2	99.5	0.2	0.0	50.0	49.8
	Feb	0.0	98.2	1.8	-1.8	49.1	49.6
	Mar	0.0	99.5	0.5	-0.5	49.7	49.5
	Apr	0.0	98.1	1.9	-1.9	49.1	49.7

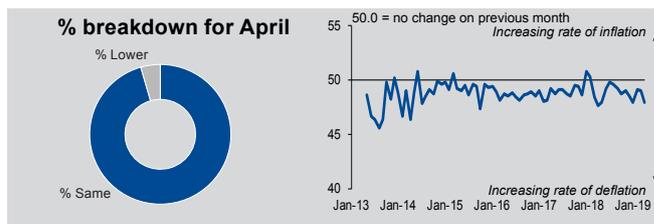


Lebanese private sector firms reduced staff numbers for the fourteenth month in a row during April. Panel members often blamed a lack of work for the most recent workforce contraction. That said, the rate of job cutting eased to the slowest since January and was only marginal overall.

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
2018	Dec	0.0	98.0	2.0	-2.0	49.0	48.5
2019	Jan	0.0	94.2	5.8	-5.8	47.1	48.0
	Feb	0.2	96.7	3.0	-2.8	48.6	49.2
	Mar	0.2	96.9	2.9	-2.7	48.7	49.1
	Apr	0.0	95.5	4.5	-4.5	47.8	48.0

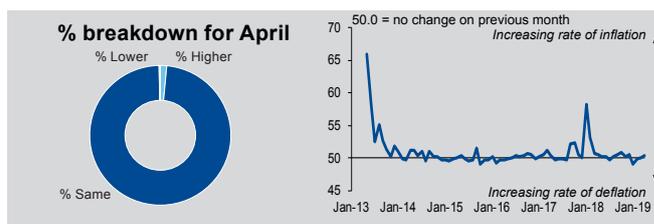


Private sector firms cut their average output charges moderately in April. Businesses have now reduced their output prices in every month since March 2018. Moreover, the latest decrease was the sharpest since January, with panellists offering heavy discounts in an attempt to attract customers.

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
2018	Dec	0.4	99.6	0.0	+0.4	50.2	50.6
2019	Jan	0.0	99.7	0.3	-0.3	49.9	49.0
	Feb	0.2	99.6	0.1	+0.1	50.1	50.0
	Mar	0.5	99.5	0.0	+0.5	50.2	50.1
	Apr	1.5	98.3	0.3	+1.2	50.6	50.4

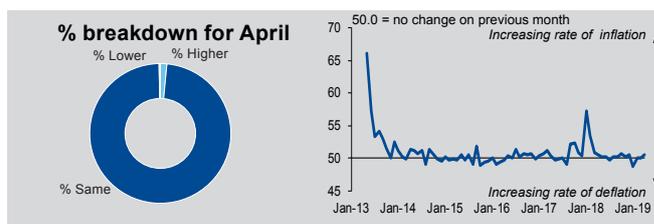


Cost burdens faced by firms in Lebanon's private sector rose marginally in the first month of the second quarter. This was signalled by the seasonally adjusted Overall Input Prices Index registering above, but close to, the neutral 50.0 threshold. The increase in overall operating expenses was primarily driven by a rise in purchase prices.

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
2018	Dec	0.4	99.6	0.0	+0.4	50.2	50.6
2019	Jan	0.0	99.7	0.3	-0.3	49.9	48.8
	Feb	0.3	99.7	0.0	+0.3	50.1	50.1
	Mar	0.5	99.5	0.0	+0.5	50.3	50.1
	Apr	1.5	98.2	0.3	+1.2	50.6	50.6

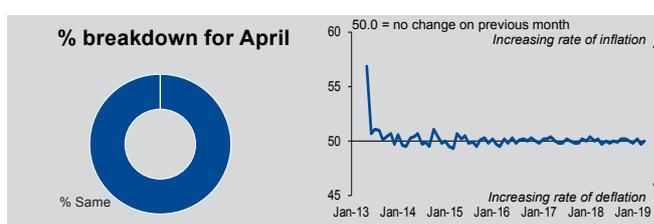


Purchasing prices increased at the quickest pace recorded in 2019 so far during April. Some survey participants mentioned unfavourable foreign exchange rates when explaining the reported inflation in paid prices. However, the rise was only marginal overall and slower than historical average (since 2013).

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
2018	Dec	0.0	100.0	0.0	0.0	50.0	50.0
2019	Jan	0.0	100.0	0.0	0.0	50.0	49.8
	Feb	0.0	100.0	0.0	0.0	50.0	50.2
	Mar	0.0	100.0	0.0	0.0	50.0	49.7
	Apr	0.0	100.0	0.0	0.0	50.0	50.0

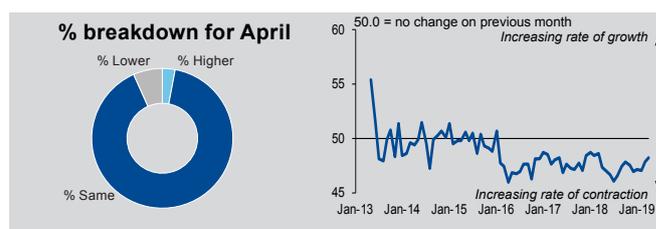


Following a slight reduction in staff costs during March, Lebanese private sector businesses recorded a stabilisation in wages during April. This was indicated by the seasonally adjusted Staff Costs Index registering in line with the 50.0 no-change mark. All survey respondents recorded unchanged average pay.

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
2018	Dec	3.4	88.5	8.1	-4.8	47.6	46.9
2019	Jan	1.7	89.8	8.5	-6.8	46.6	47.2
	Feb	1.7	90.5	7.9	-6.2	46.9	47.0
	Mar	3.7	90.9	5.4	-1.7	49.2	47.9
	Apr	2.9	90.4	6.7	-3.7	48.1	48.3

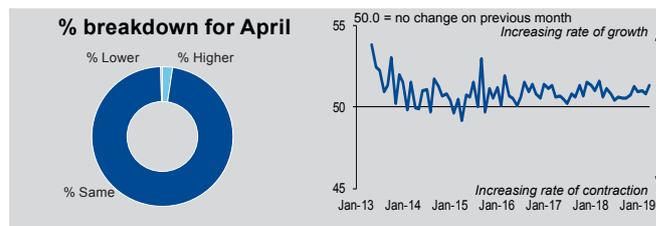


Purchasing activity at private sector firms in Lebanon fell for the thirty-ninth month in a row during April. Panellist comments often indicated that this was due to a lack of new business. That said, the latest reduction in input buying was the slowest for just over a year, and only moderate overall.

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
2018	Dec	3.6	96.4	0.1	+3.5	51.7	51.3
2019	Jan	1.0	98.8	0.2	+0.8	50.4	50.9
	Feb	0.5	99.3	0.1	+0.4	50.2	51.0
	Mar	3.7	96.3	0.0	+3.7	51.8	50.8
	Apr	2.3	97.3	0.4	+1.9	51.0	51.3

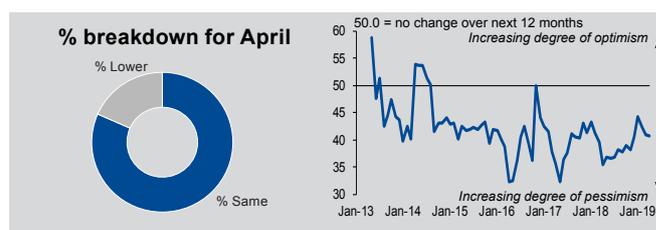


Despite the decline in purchasing activity at the start of the second quarter, stocks of inputs at Lebanese private sector businesses rose modestly. Stockpiles have now expanded in every month since November 2015. Moreover, the latest increase was the fastest in 2019 so far and sharper than the historical average.

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
2018	Dec	0.0	81.3	18.7	-18.7	40.7	n/a
2019	Jan	0.0	88.6	11.4	-11.4	44.3	n/a
	Feb	1.9	80.8	17.3	-15.5	42.3	n/a
	Mar	0.0	82.0	18.0	-18.0	41.0	n/a
	Apr	0.0	81.6	18.4	-18.4	40.8	n/a



Concerns over political and economic instability continued to weigh on expectations for future growth during April. As has been the case since September 2014, businesses remained pessimistic towards output growth over the coming year. Notably, the degree of negativity was the greatest recorded in 2019 so far.

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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