

Highest PMI reading for nearly two-and-a-half years

Key findings:

- **Rate of deterioration in business conditions eases in July**
- **Softest fall in output since April 2017**
- **New order decline eases**

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 47.7 in July, the BLOM Lebanon PMI was up from 46.3 in June. The latest reading represented another decline in operating conditions faced by private sector firms in Lebanon, but the rate of deterioration eased to the softest for almost two-and-a-half years.

July data pointed to a further contraction in output at Lebanese private sector firms, extending the current sequence of decline to 74 months. However, the rate of reduction eased from June to reach the softest since April 2017. Many panellists recording a decrease in activity continued to blame political and economic instability.

Similar to the trend in output, new orders placed with private sector firms in Lebanon fell at the start of the third quarter. That said, the rate of decline decelerated noticeably since June and was the slowest for almost two-and-a-half years. Survey participants commonly associated the ongoing contraction to a weak demand environment.

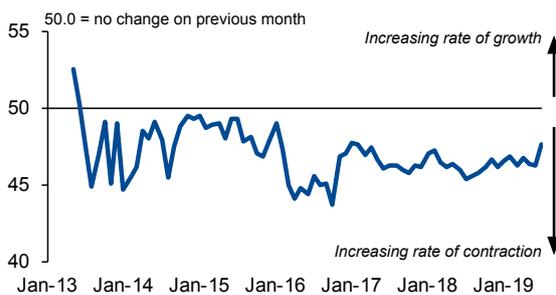
The latest fall in overall new business was in part driven by another decline in international sales. New export orders have now fallen in each month for the past four years. However, the most recent contraction was the slowest since May 2018 and only slight overall.

Private sector firms in Lebanon continued to cut their staff numbers during July, extending the current run of workforce contraction to 17 months. However, the rate of decrease was broadly unchanged from June and only fractional overall.

On the cost front, input prices faced by firms in Lebanon's private sector continued to rise. For the fourth month in a row, the rate of inflation was broadly unchanged and only marginal overall. Underlying data suggested that higher purchase prices drove the latest increase.

Finally, private sector businesses remained pessimistic towards the 12-month business outlook in July, amid fears that the current economic downturn would persist. That said, the degree of negativity eased for the second month in a row.

Lebanon Purchasing Managers' Index™ (PMI®)



Purchasing Managers' Index			
		Unadj.	Seas. Adj.
2019	May	46.0	46.3
	Jun	45.7	46.3
	Jul	48.2	47.7

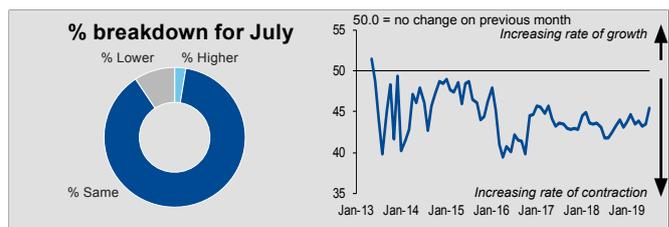
Index Summary

(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
May'19	46.3	43.2	43.2	48.2	45.0	49.8	48.5	50.5	50.7	50.1	50.0	47.0	51.3	36.9
Jun	46.3	43.5	43.0	48.8	45.2	49.9	48.8	50.5	50.5	50.2	50.2	47.3	51.0	39.2
Jul	47.7	45.5	45.6	49.3	47.6	49.8	49.2	50.4	50.4	50.0	49.6	48.5	51.1	39.8

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

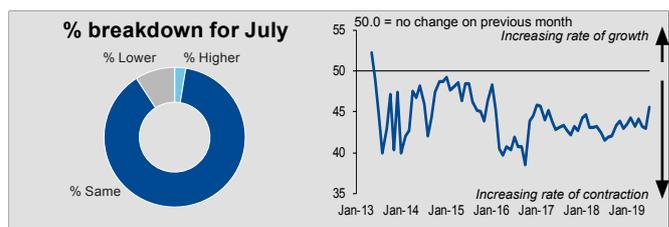
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2019	Mar	3.3	82.4	14.3	-11.1	44.5	43.5
	Apr	4.0	83.9	12.1	-8.2	45.9	43.9
	May	1.6	82.1	16.3	-14.7	42.7	43.2
	Jun	1.3	82.2	16.5	-15.1	42.4	43.5
	Jul	2.5	88.1	9.3	-6.8	46.6	45.5



Firms in Lebanon's private sector recorded another decline in output at the start of the third quarter. The latest contraction extended the current sequence of decline to 74 months, as panellists continued to blame political and economic instability for the deterioration. That said, the rate of reduction eased noticeably from June to the slowest since April 2017.

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

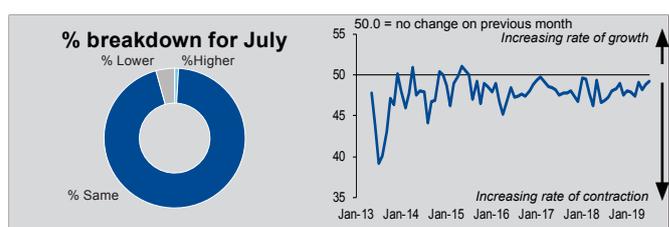
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2019	Mar	2.4	83.1	14.5	-12.0	44.0	43.2
	Apr	3.1	84.7	12.2	-9.1	45.4	44.1
	May	1.6	81.2	17.2	-15.6	42.2	43.2
	Jun	1.3	82.0	16.6	-15.3	42.3	43.0
	Jul	2.5	88.4	9.1	-6.6	46.7	45.6



July data pointed to a further decrease in new orders placed with Lebanese private sector companies. Many survey participants associated the continued decline with a softening in demand. However, the pace of contraction decelerated from June and was softer than the historical average.

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

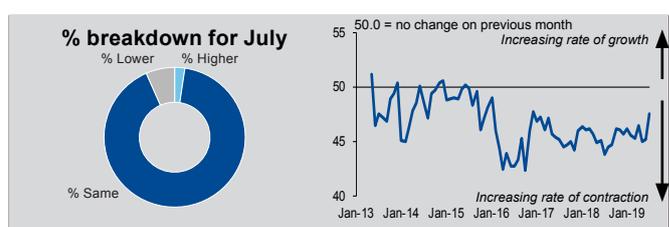
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2019	Mar	0.0	97.2	2.8	-2.8	48.6	47.4
	Apr	1.1	95.4	3.5	-2.5	48.8	49.1
	May	0.9	93.8	5.4	-4.5	47.8	48.2
	Jun	0.9	96.8	2.3	-1.4	49.3	48.8
	Jul	0.9	94.8	4.3	-3.4	48.3	49.3



The further fall in overall new business was partially driven by another contraction in international sales in July. The decrease in new export orders extended the current run of reduction to four years. However, easing for the third time in four months, the rate of decline was the slowest since May 2018 and only marginal overall.

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

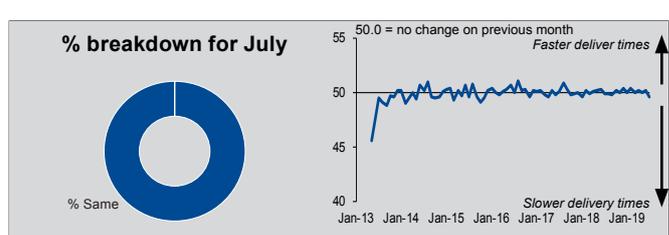
		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2019	Mar	3.3	85.3	11.4	-8.1	45.9	45.3
	Apr	2.9	87.0	10.1	-7.3	46.4	46.5
	May	1.3	86.2	12.5	-11.2	44.4	45.0
	Jun	1.3	86.3	12.4	-11.0	44.5	45.2
	Jul	2.3	91.1	6.6	-4.2	47.9	47.6



Easing capacity pressure at private sector companies remained a feature of the survey data at the start of the third quarter, as backlogs of work fell for the forty-ninth month in a row. However, the rate of contraction eased for the second month succession to the slowest since December 2016.

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
2019	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
	May	0.3	99.1	0.6	-0.2	49.9	50.0
	Jun	0.5	99.5	0.0	+0.5	50.2	50.2
	Jul	0.0	100.0	0.0	0.0	50.0	49.6

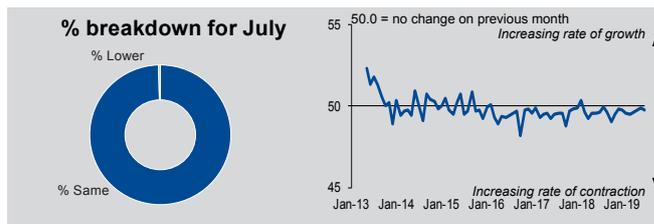


Vendor performance faced by Lebanon's private sector firms deteriorated for the first time since September 2018 during July. This was indicated by the seasonally adjusted Suppliers' Delivery Times Index registering below the 50.0 neutral threshold. The extent to which lead times lengthened was marginal overall, however.

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
2019	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
	May	0.6	98.9	0.4	+0.2	50.1	49.8
	Jun	0.6	97.9	1.4	-0.8	49.6	49.9
	Jul	0.0	99.6	0.4	-0.4	49.8	49.8

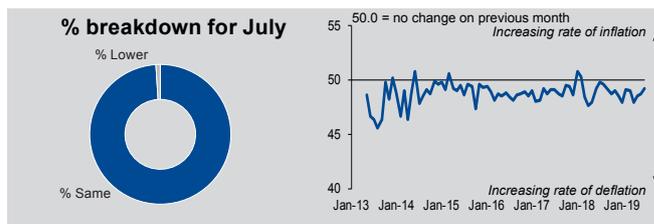


Private sector businesses in Lebanon continued to cut their staff numbers at the start of the third quarter, extending the current sequence of workforce contraction to almost a year-and-a-half. That said, the rate of decrease in employment was little-changed from the previous survey period and only fractional 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
2019	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
	May	0.0	98.7	1.3	-1.3	49.4	48.5
	Jun	0.0	98.2	1.8	-1.8	49.1	48.8
	Jul	0.0	99.0	1.0	-1.0	49.5	49.2

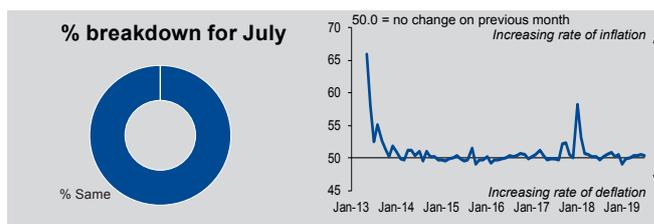


Output charges set by Lebanese private sector firms were reduced further in July. Output prices have now fallen in each month since March 2018. That said, the rate of deflation decelerated for the third month in succession and was only marginal overall, registering at the joint-softest for nearly a year.

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
2019	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
	May	0.2	99.8	0.0	+0.2	50.1	50.5
	Jun	0.6	99.4	0.0	+0.6	50.3	50.5
	Jul	0.0	100.0	0.0	0.0	50.0	50.4

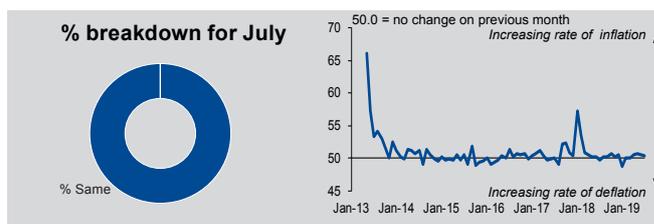


Private sector companies in Lebanon saw cost burdens rise slightly in July, extending the current run of increase to five months. As has been the case since March, the rate of inflation was subdued. Underlying data suggested that the latest rise was driven by higher purchase prices.

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
2019	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
	May	0.5	99.5	0.0	+0.5	50.3	50.7
	Jun	0.6	99.4	0.0	+0.6	50.3	50.5
	Jul	0.0	100.0	0.0	0.0	50.0	50.4

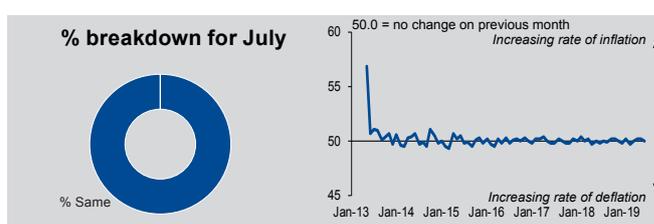


Private sector businesses recorded a marginal increase in paid prices at the start of the third quarter. This was signalled by seasonally adjusted Purchase Prices Index registering above, but close to the 50.0 no-change mark. The rate of inflation was broadly in line with that recorded in June and softer than the series average.

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
2019	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
	May	0.3	99.7	0.0	+0.3	50.1	50.1
	Jun	0.0	100.0	0.0	0.0	50.0	50.2
	Jul	0.0	100.0	0.0	0.0	50.0	50.0

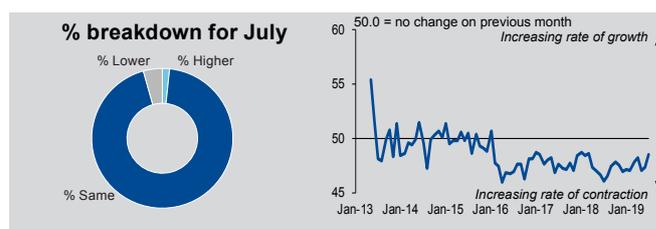


Following a fractional rise in the final month of the second quarter, wages paid by Lebanese private sector were unchanged during July. The result meant that there has been no fall in staff costs since March. All businesses surveyed recorded no change in wages paid in the latest survey period compared to June.

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
2019	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
	May	1.3	90.4	8.3	-7.0	46.5	47.0
	Jun	1.3	90.9	7.8	-6.4	46.8	47.3
	Jul	1.7	94.0	4.3	-2.7	48.7	48.5

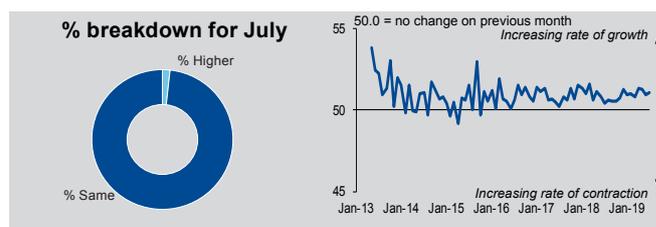


July data pointed to another fall in purchasing activity at private sector businesses in Lebanon. The latest decline in input buying extended the current run of reduction to three-and-a-half years. That said, the rate of deterioration eased from June to reach the slowest since March last year.

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
2019	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
	May	2.9	97.0	0.1	+2.9	51.4	51.3
	Jun	1.4	97.7	0.9	+0.5	50.3	51.0
	Jul	1.7	98.3	0.0	+1.7	50.9	51.1

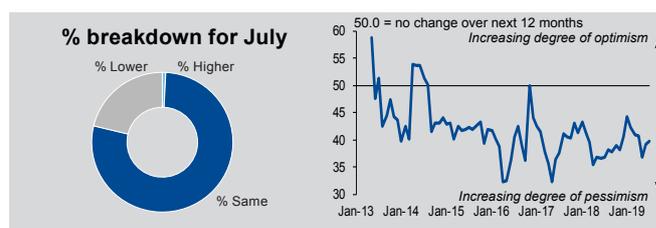


Despite the fall in quantity of purchases, reduced output and sales saw inventories expand at the start of the third quarter. Stocks of purchases have now risen in each month since November 2015. The rate of growth was broadly in line with that registered in June and modest overall.

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
2019	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
	May	0.0	73.8	26.2	-26.2	36.9	n/a
	Jun	0.0	78.5	21.5	-21.5	39.2	n/a
	Jul	0.8	78.0	21.2	-20.4	39.8	n/a



Lebanese private sector firms remained pessimistic towards the business outlook in July, amid fears that current economic climate will prevail in the medium term. Although the degree of negativity was softer than in the previous survey period, sentiment remained weak compared with the series average.

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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