



BLOM Lebanon PMI®

Operating conditions deteriorate further in August

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Headline PMI little-changed from July

Slowest fall in output since January 2016

Softest reduction in new orders for just over two-and-a-half years

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.

The BLOM Lebanon PMI registered at

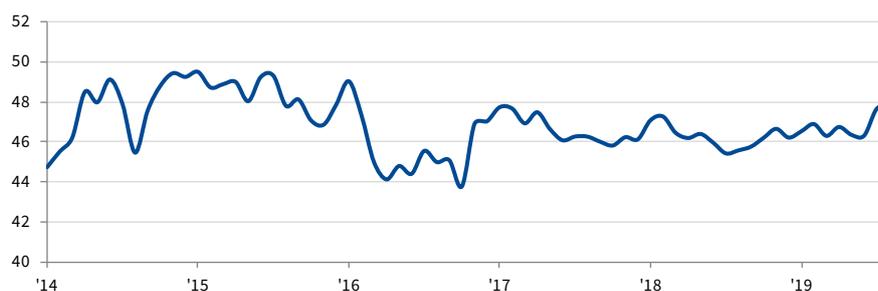
47.8 in August, little-changed from 47.7 in July. The result represented a further deterioration in operating conditions, but one that was the slowest since January 2016.

Output at private sector firms in Lebanon continued to fall in the middle of the third quarter, but the rate of contraction eased for the third month in a row. In fact, the latest reduction was the softest since January 2016. Where survey participants noted a decrease in output, they often suggested that political instability was weighing on economic demand.

In line with the trend in output, new orders placed with Lebanese private sector businesses contracted at a softer rate in August. Although the reduction was marked overall, it was the slowest for just over two-and-a-half-years. Anecdotal evidence pointed to continued demand weakness.

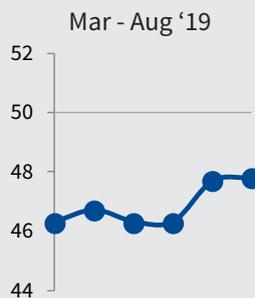
continued...

Lebanon PMI
sa, >50 = improvement since previous month



Lebanon PMI

Aug '19
47.8
Jul: 47.7



Overview continued...

Despite the softer decline in total new orders, international sales fell at the fastest pace for five months. That said, the decrease was modest overall and softer than the series average.

Meanwhile, staff numbers at private sector firms in Lebanon were unchanged in the middle of the third quarter. The result ended a 17-month sequence of workforce contraction. However, companies continued to reduce their purchasing activity, albeit at the joint-softest rate since January last year.

Capacity pressures in Lebanon's private sector eased further in August, with volumes of outstanding business contracting for the fiftieth month in a row. Panellist commonly linked the reduction in backlogs to a fall in new business.

On the price front, input cost inflation eased slightly from July and was only fractional overall. Underlying data suggested the latest rise was driven by higher purchasing and staff costs. Firms opted not to pass on increased input prices to their clients, with output charges falling further in August.

Finally, firms remained pessimistic towards the business outlook, driven by expectations for prolonged political instability. The degree of negativity was stronger than in July.

Comment

Commenting on the August 2019 PMI results, Marwan Mikhael, Head of Research at BLOMINVEST Bank, said:

“The tourism sector was able to give some breathing space for the country, thus stabilizing the PMI at 47.8 in August, its highest level since January 2016. Hence economic growth averaged 0%-0.5% in the first eight months of the year. Nonetheless investors’ confidence remains very low with Credit Default Swap reaching 1200 basis points before the recent downgrade by Fitch Ratings. The only way out of this vicious cycle

of stagnation, high public debt, and low confidence is for the government to accelerate the pace of structural reforms and finish the 2020 budget on time, including all the necessary tough measures in it in order to reduce the deficit and unlock CEDRE funds.”



Output and demand

Output

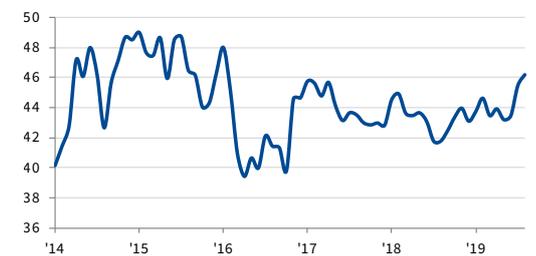
Although firms in Lebanon's private sector continued to record a decline in output in the middle of third quarter, the rate of contraction eased to the softest since January 2016. Where panellists reported a fall in output, many cited political instability that continued to weigh on economic conditions.

Output Index

sa, >50 = growth since previous month

46.2

Aug '19



New orders

New orders placed with Lebanese private sector companies fell further in August, extending the current sequence of contraction that began in June 2013. That said, the rate of deterioration decelerated to the slowest for just over two-and-a-half years. Many survey participants mentioned weak demand conditions.

New Orders Index

sa, >50 = growth since previous month

45.9

Aug '19



New export orders

Another reduction in international sales contributed to the overall decline in new business during August. The latest decrease was slightly stronger than in the previous survey period, but remained modest overall. Some panellists associated the contraction in new export orders with regional instability.

New Export Orders Index

sa, >50 = growth since previous month

48.1

Aug '19



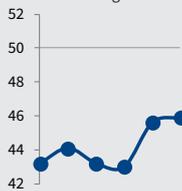
Output Index

Mar - Aug '19



New Orders Index

Mar - Aug '19



New Export Orders Index

Mar - Aug '19



Business expectations

Future Output Index

Mar - Aug '19



Private sector businesses in Lebanon remained pessimistic towards the 12-month business outlook in August, driven by expectations of further political instability. The degree of negativity was stronger than in the previous survey period, although weaker than those recorded in May and June.

Future Output Index

>50 = growth expected over next 12 months

39.3

Aug '19



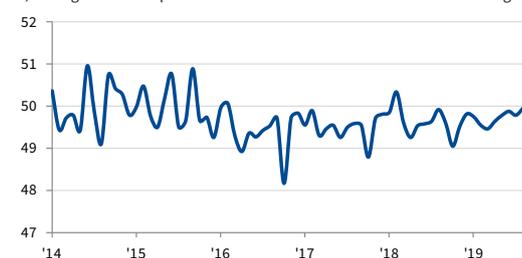
Employment and capacity

Employment

Staff numbers at Lebanese private sector firms were unchanged in August, ending a sequence of workforce contraction that began in March 2018. This was indicated by the seasonally adjusted Employment Index registering in line with the 50.0 no-change threshold. The vast majority of panellists recorded unchanged headcounts.

Employment Index

50.0
sa, >50 = growth since previous month
Aug '19

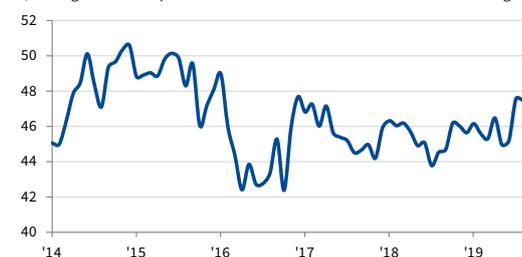


Backlogs of work

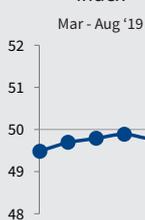
Capacity pressures continued to ease at private sector businesses in August, with backlogs of work falling for the fiftieth month in a row. This was indicated by the respective seasonally adjusted index registering below the 50.0 no-change mark. Anecdotal evidence suggested that outstanding business decreased as a result of falling new business.

Backlogs of Work Index

47.5
sa, >50 = growth since previous month
Aug '19



Employment Index



Backlogs of Work Index



Purchasing and inventories

Quantity of purchases

August data pointed to a further reduction in purchasing activity at private sector companies in Lebanon. The latest result extended the current sequence of decline to just over three-and-a-half years. The rate of contraction was little-changed from July, remaining modest overall. Panellists often attributed the decrease in input buying to a fall in demand.

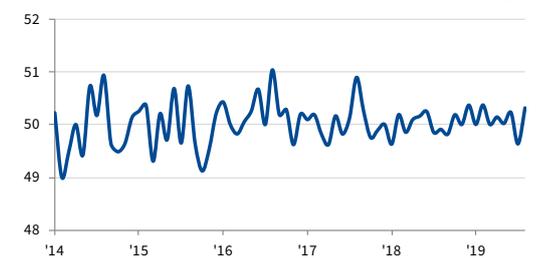
Quantity of Purchases Index 48.6
 sa, >50 = growth since previous month Aug '19



Suppliers' delivery times

As has been the case in three of the past five months, vendor performance faced by private sector firms in Lebanon improved during August. The extent to which supplier delivery times shortened was the greatest since February, albeit only marginal overall.

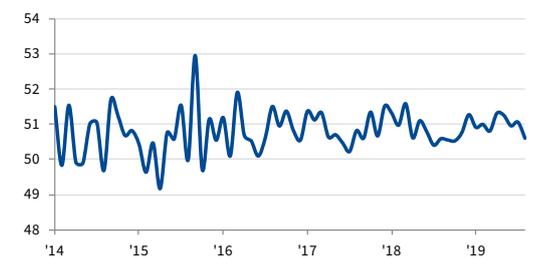
Suppliers' Delivery Times Index 50.3
 sa, >50 = faster times since previous month Aug '19



Stocks of purchases

As has been the case in each month since November 2015, stocks of purchases at Lebanese private sector businesses rose in August. That said, the rate of growth eased from July to reach the softest for ten months. Approximately 2% of panellists saw an expansion in inventories, while the other 98% recorded no change.

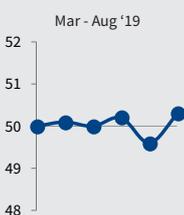
Stocks of Purchases Index 50.6
 sa, >50 = growth since previous month Aug '19



Quantity of Purchases Index



Suppliers' Delivery Times Index



Stocks of Purchases Index

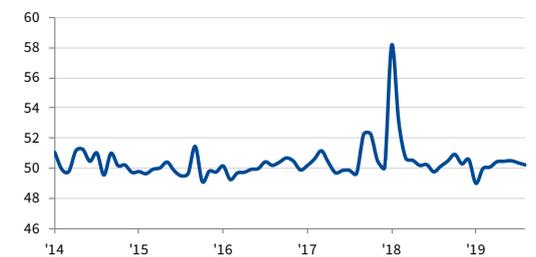


Prices

Overall input prices

Cost burdens faced by private sector firms in Lebanon increased further in August. That said, the rate of inflation decelerated slightly from July and was only fractional overall. Underlying data suggested that the latest rise in input prices was driven by both higher purchasing and staff costs.

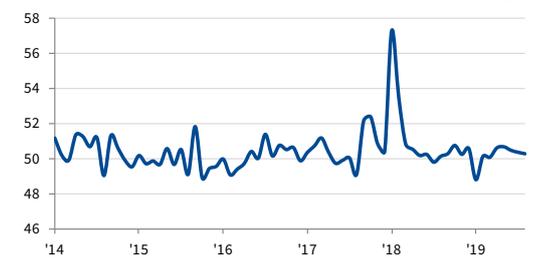
Overall Input Prices Index 50.2
sa, >50 = inflation since previous month Aug '19



Purchase prices

Lebanese private sector businesses saw paid prices increase for the seventh month in a row during August. This was indicated by the seasonally adjusted Purchase Prices Index posting above the 50.0 no-change mark. The rate of inflation was broadly unchanged from July, remaining only marginal overall.

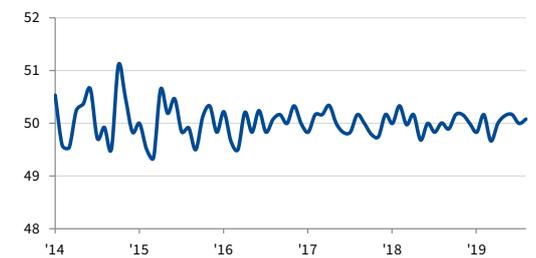
Purchase Prices Index 50.3
sa, >50 = inflation since previous month Aug '19



Staff costs

Following a stagnation in the previous survey period, wages paid by firms in Lebanon's private sector remained broadly unchanged in the middle of the third quarter. After adjusting for seasonality, the Staff Costs Index registering roughly in with the 50.0 threshold that separates salary growth and reduction.

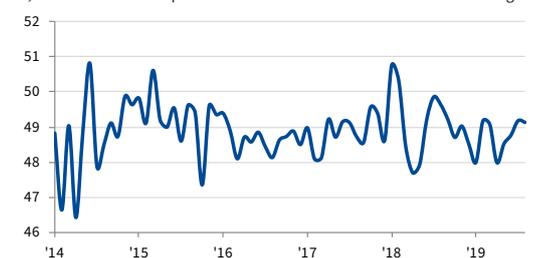
Staff Costs Index 50.1
sa, >50 = inflation since previous month Aug '19



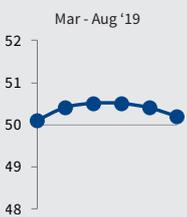
Output prices

Lebanese private sector firms continued to cut their average output charges in the middle of the third quarter. The latest reduction extended the current run of decline to a year-and-a-half. The rate of deterioration was little-changed from the modest pace recorded in the previous survey period.

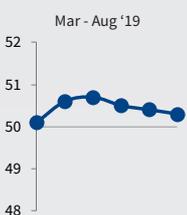
Output Prices Index 49.1
sa, >50 = inflation since previous month Aug '19



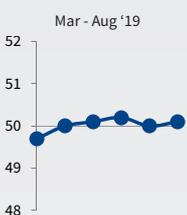
Overall Input Prices Index



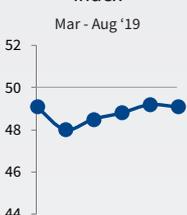
Purchase Prices Index



Staff Costs Index



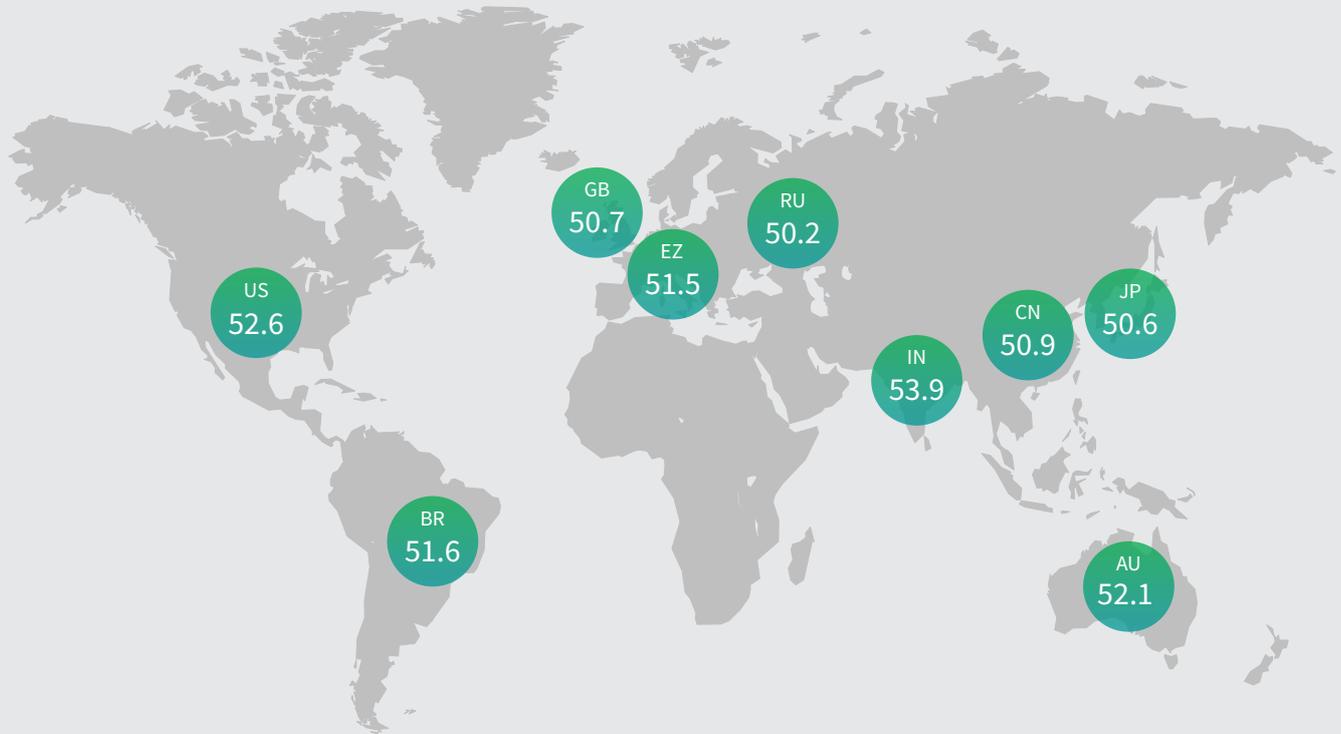
Output Prices Index



International PMI

Composite Output Index, Jul '19
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index
sa, >50 = growth since previous month



Index summary

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	PMI	Output	New Orders	New Export Orders	Future Output*	Employment	Backlogs of Work	Quantity of Purchases	Suppliers' Delivery Times	Stocks of Purchases	Overall Input Prices	Purchase Prices	Staff Costs	Output Prices
03 '19	46.3	43.5	43.2	47.4	41.0	49.5	45.3	47.9	50.0	50.8	50.1	50.1	49.7	49.1
04 '19	46.7	43.9	44.1	49.1	40.8	49.7	46.5	48.3	50.1	51.3	50.4	50.6	50.0	48.0
05 '19	46.3	43.2	43.2	48.2	36.9	49.8	45.0	47.0	50.0	51.3	50.5	50.7	50.1	48.5
06 '19	46.3	43.5	43.0	48.8	39.2	49.9	45.2	47.3	50.2	51.0	50.5	50.5	50.2	48.8
07 '19	47.7	45.5	45.6	49.3	39.8	49.8	47.6	48.5	49.6	51.1	50.4	50.4	50.0	49.2
08 '19	47.8	46.2	45.9	48.1	39.3	50.0	47.5	48.6	50.3	50.6	50.2	50.3	50.1	49.1

Methodology

The BLOM Lebanon PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include manufacturing, construction, wholesale, retail and services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

August 2019 data were collected 12-23 August 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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 ihsmarkit.com/products/pmi.html.

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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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IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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