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Fastest decline in operating conditions since June

Both output and new orders fall at quicker rates

Input prices continue to rise marginally, but charges fall again

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

46.4 in September, down from 47.8 in August. The result signalled the fastest deterioration in business conditions faced by Lebanese private sector firms for three months.

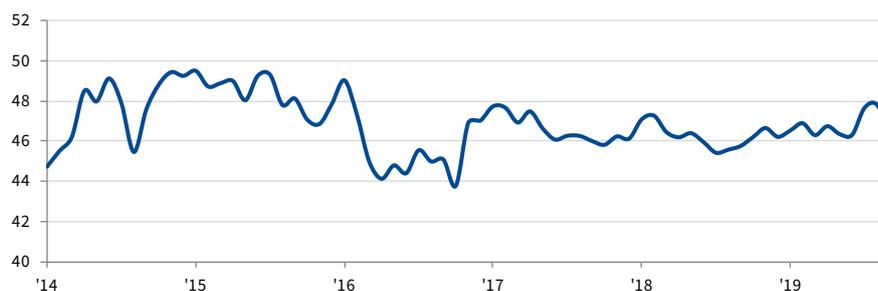
A key factor behind the faster decline in operating conditions was an accelerated contraction in output during September. The latest reduction was the quickest recorded since June and marked overall. Many survey participants cited political instability when explaining lower business activity.

Similar to the trend in output, new orders placed with private sector firms in Lebanon continued to decrease at the start of the third quarter. The rate of deterioration quickened from August to reach the strongest since June.

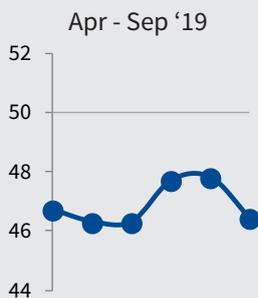
The further decline in overall new orders was in part driven by another reduction in new export business. International

continued...

Lebanon PMI
sa, >50 = improvement since previous month



Lebanon PMI



Overview continued...

sales have now fallen in each month since August 2015. The rate of decline accelerated to the fastest for six months and was moderate overall.

On the cost front, input prices faced by Lebanese businesses rose further in September. Though only marginal overall, the rate of inflation was slightly quicker than in August. Underlying data suggested that the latest increase was driven by higher purchasing costs.

Despite a further rise in cost burdens, companies continued to reduce their average output charges at the end of the third quarter. Albeit modest overall, the latest decrease was the quickest for three months.

Following a brief stabilisation in employment during August, private

sector firms reverted to cutting staff numbers in September. That said, the rate of reduction was only slight overall and broadly in line with the series average.

Meanwhile, purchasing activity in Lebanon's private sector continued to decline. The result extended the current run of deterioration that began in February 2016. Moreover, the rate of decline accelerated from August to reach the fastest for three months.

Finally, private sector firms remained pessimistic towards the one-year business outlook in September, with sentiment dampened by expectations for ongoing demand weakness. The degree of negativity was the strongest for four months and historically marked.

Comment

Commenting on the September 2019 PMI results, Rouba Chbeir, Senior Economist at BLOMINVEST Bank, said:

“Despite the renewed political willpower to reform and the plan to drive GCC investments into the country’s infrastructure, reports by Fitch Ratings among others this month downgraded Lebanon to “CCC” from “B-”, which also reflects the new rating of Lebanese banks. As a result, economic growth faltered and is expected to have registered 0 to 0.5% in the first 9 months of the year. The statements of rating

agencies weighed down on investors’ confidence which is now key, to drive back inflows into the economy. Lebanon must implement structural reforms and reduce its fiscal deficit to unlock CEDRE funds and restore confidence.”



Output and demand

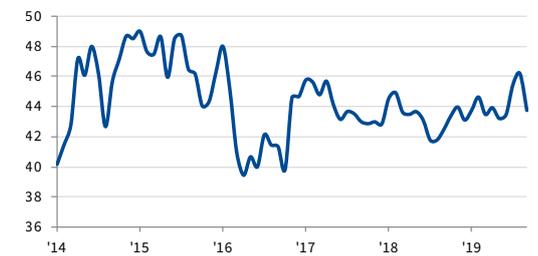
Output

Private sector firms in Lebanon recorded a further fall in output at the end of the third quarter. Moreover, the rate of decline accelerated to the fastest for three months and was historically marked. Anecdotal evidence suggested that political and economic instability continued to weigh on demand conditions.

Output Index

sa, >50 = growth since previous month

43.7
Sep '19



New orders

New orders placed with firms operating in Lebanon's private sector continued to decrease in September, extending the current sequence of contraction that began in June 2013. The pace of reduction was the fastest for three months and marked overall.

New Orders Index

sa, >50 = growth since previous month

43.3
Sep '19



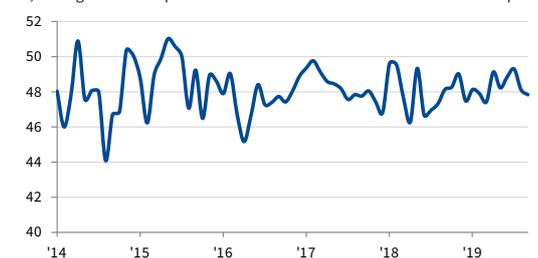
New export orders

September data pointed to another decrease in new export business at Lebanese private sector companies. Though modest overall, the latest reduction was the quickest in the past six months. Some panellists mentioned instability in the region when explaining lower international sales.

New Export Orders Index

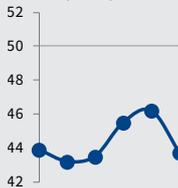
sa, >50 = growth since previous month

47.8
Sep '19



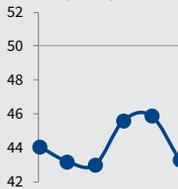
Output Index

Apr - Sep '19



New Orders Index

Apr - Sep '19



New Export Orders Index

Apr - Sep '19



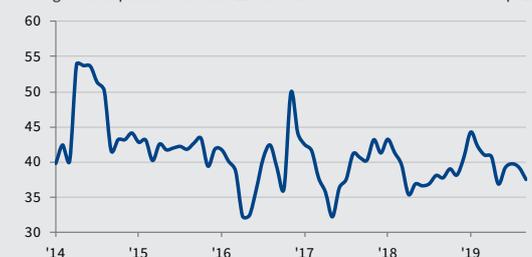
Business expectations

Firms remained pessimistic towards the one-year business outlook during September, with sentiment dampened by expectations for ongoing demand weakness. Moreover, the degree of negativity was stronger than in August and historically marked.

Future Output Index

>50 = growth expected over next 12 months

37.6
Sep '19



Future Output Index

Apr - Sep '19



Employment and capacity

Employment

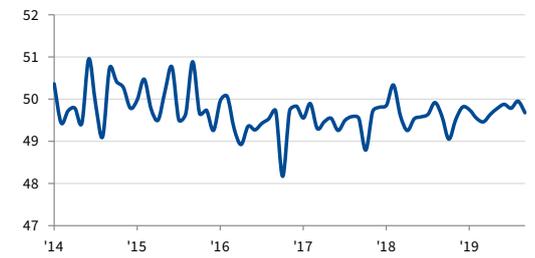
Following a brief stabilisation in employment during August, businesses recorded renewed job reductions in September. However, the rate of decrease was only marginal overall and broadly in line with the series average. Some survey respondents linked lower headcounts to a fall in new orders.

Employment Index

sa, >50 = growth since previous month

49.7

Sep '19



Backlogs of work

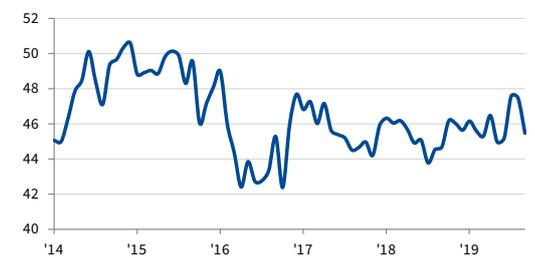
Capacity pressures faced by private sector firms in Lebanon continued to ease in September, as backlogs of work fell for the fifty-first month in a row. Moreover, the rate of contraction accelerated to the fastest for three months and was marked overall.

Backlogs of Work Index

sa, >50 = growth since previous month

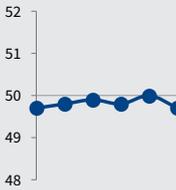
45.5

Sep '19



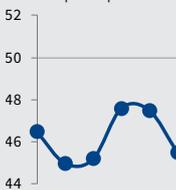
Employment Index

Apr - Sep '19



Backlogs of Work Index

Apr - Sep '19



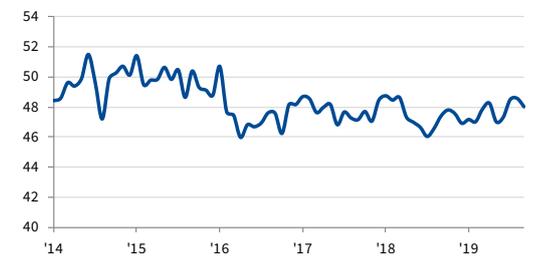
Purchasing and inventories

Quantity of purchases

As has been the case in each month since February 2016, purchasing activity at Lebanese private sector firms fell in September. Anecdotal evidence suggested the latest decline was driven by a lack of new work. The pace of decline remained moderate overall, but was slightly quicker than in August.

Quantity of Purchases Index
sa, >50 = growth since previous month

48.0
Sep '19

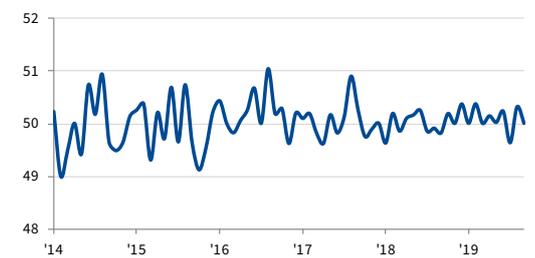


Suppliers' delivery times

Businesses operating in Lebanon's private sector reported no change in supplier delivery times in the latest survey period. This was indicated by the respective seasonally adjusted index registering in line with the 50.0 neutral threshold.

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

50.0
Sep '19

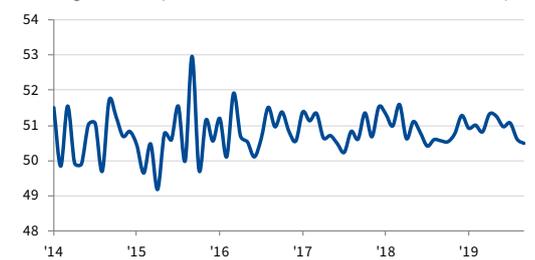


Stocks of purchases

Lebanese private sector companies recorded a further expansion in inventories at the end of the third quarter, extending the current sequence of growth to nearly four years. However, the rate of increase was broadly consistent that registered in August and only marginal overall.

Stocks of Purchases Index
sa, >50 = growth since previous month

50.5
Sep '19



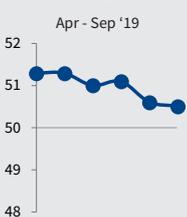
Quantity of Purchases Index
Apr - Sep '19



Suppliers' Delivery Times Index
Apr - Sep '19



Stocks of Purchases Index
Apr - Sep '19

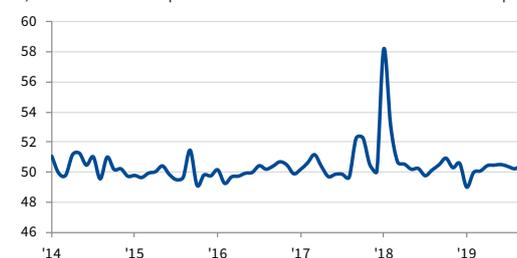


Prices

Overall input prices

Cost burdens faced by Lebanese businesses continued to rise in September. Though marginal overall, the rate of inflation accelerated slightly from August. Underlying data suggested that the latest increase in input costs was driven by higher purchasing prices.

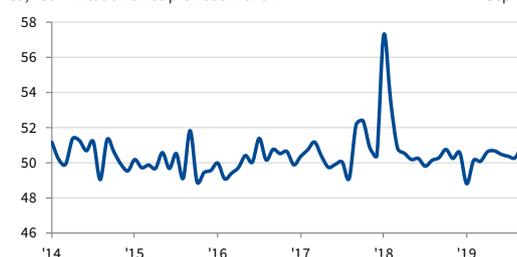
Overall Input Prices Index 50.5
sa, >50 = inflation since previous month Sep '19



Purchase prices

Prices paid for raw materials and other inputs continued to rise at the end of the third quarter, extending the current run of increase to eight months. Although only marginal overall, the rate of inflation accelerated to fastest since February 2018.

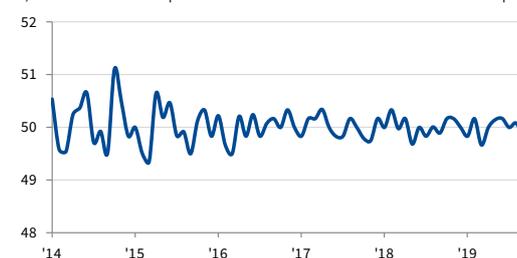
Purchase Prices Index 51.0
sa, >50 = inflation since previous month Sep '19



Staff costs

Wages paid by firms in Lebanon's private sector fell during September. This was indicated by the seasonally adjusted Staff Costs Index registering below the 50.0 no-change mark. The result represented the first decline for six months, although it was only fractional overall.

Staff Costs Index 49.8
sa, >50 = inflation since previous month Sep '19



Output prices

Private sector firms in Lebanon opted to cut their average output prices further during September. The rate of reduction was the fastest for three months, although only moderate overall. Some survey participants commented that discounts were required to secure new business.

Output Prices Index 48.8
sa, >50 = inflation since previous month Sep '19



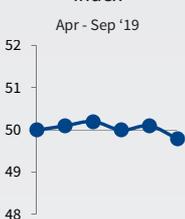
Overall Input Prices Index



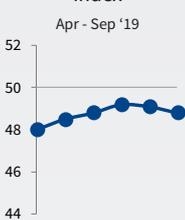
Purchase Prices Index



Staff Costs Index



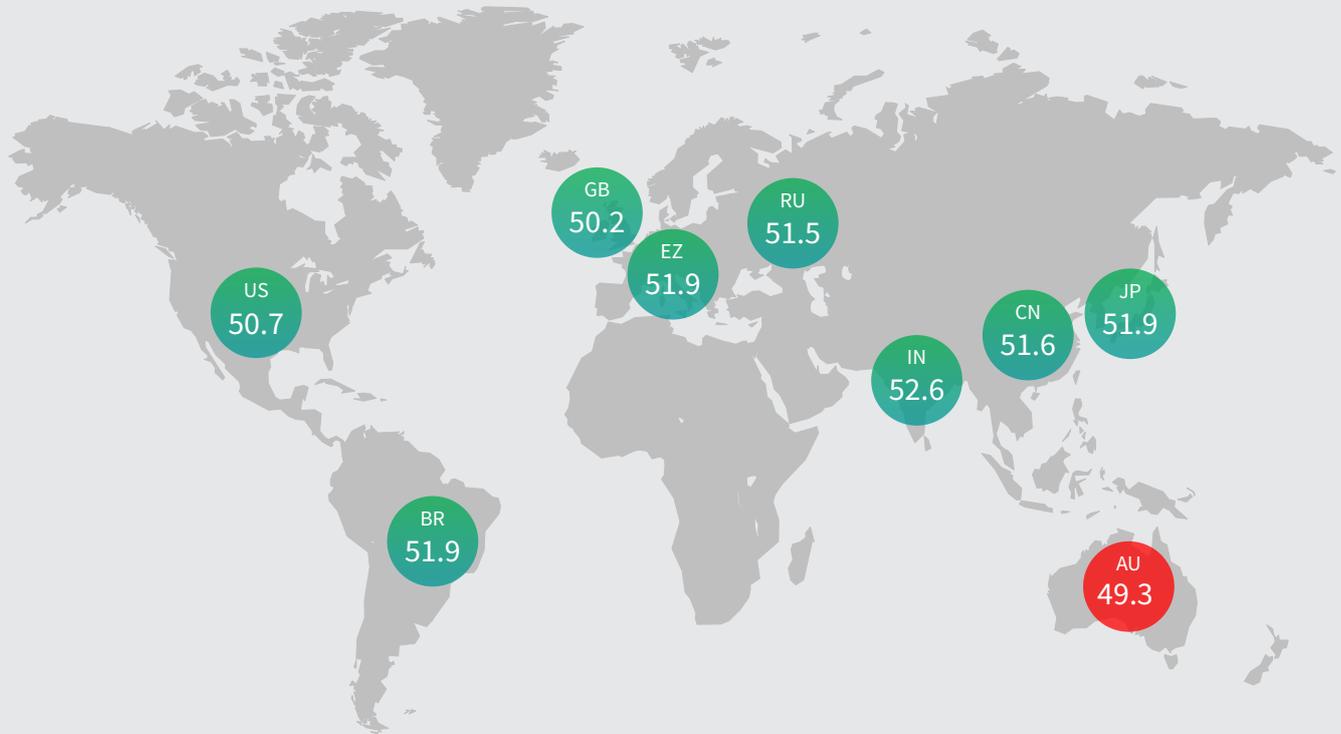
Output Prices Index



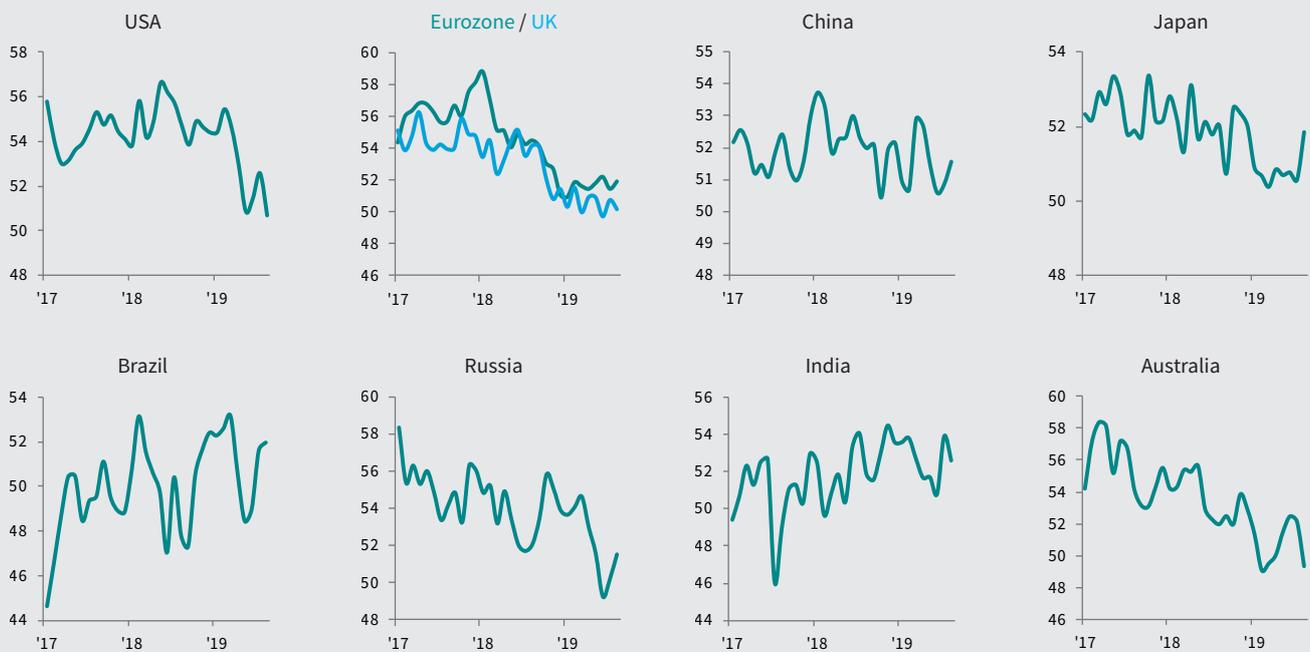
International PMI

Composite Output Index, Aug '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
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
09 '19	46.4	43.7	43.3	47.8	37.6	49.7	45.5	48.0	50.0	50.5	50.5	51.0	49.8	48.8

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.

September 2019 data were collected 12-24 September 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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About BLOMINVEST BANK

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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