



BLOM Lebanon PMI®

Private sector operating conditions continue to decline by mid-October

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Further deterioration in private sector business conditions

Output and new orders fall at softer rates

Input prices increase slightly

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.

Due to business closures amid protests

across Lebanon since October 17th, the data collection period for the latest PMI results closed earlier than planned. All results are therefore based upon responses collected on or before the 17th of October.

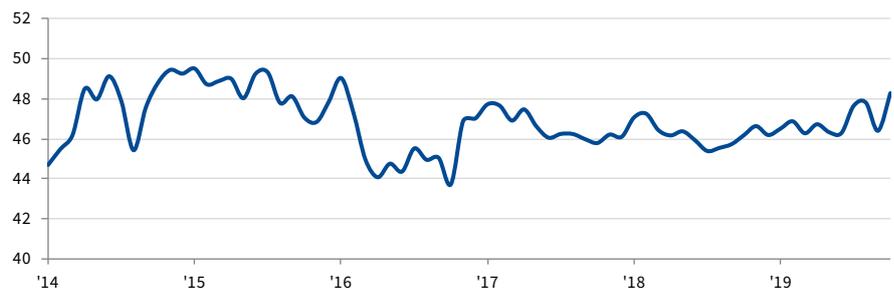
The BLOM Lebanon PMI registered at 48.3 in October, up from 46.4 in September. The result signalled the slowest decline in business conditions since January 2016. However, it should be noted that the majority of survey responses were collected before the onset of protest disruptions.

The slower deterioration in operating conditions was in part driven by a softer fall in output at Lebanese private sector firms in October, according to the PMI survey results collected by October 17th. Though solid, the rate of contraction was the slowest for 45 months.

Similarly, new orders placed with

continued...

Lebanon PMI
sa, >50 = improvement since previous month



Lebanon PMI



Overview continued...

businesses in Lebanon decreased at the start of the fourth quarter, but the rate of decline eased from September. In fact, the latest reduction was slowest since January 2016. The softer contraction in total new orders was centred on the domestic market, as new export orders fell at a pace broadly consistent with that in September.

Following a slight decline in September, staff numbers in the Lebanese private sector were broadly stable in October before the waves of demonstrations. In fact, employment has been little-changed in five of the past six months.

Despite virtually unchanged workforce numbers, capacity pressures continued to ease in October as backlogs of work fell for the fifty-second month in a row. That

said, the pace of reduction decelerated to the slowest since January 2016.

On the cost front, overall input prices faced by Lebanese businesses increased in October. The rate of inflation was little-changed from September and only marginal. Underlying data pointed to increases in both paid prices and wages.

Firms opted not to pass on higher costs to their clients and instead cut average output charges for the twentieth month in a row. The rate of reduction was slightly quicker than in the previous survey period but remained modest overall.

Finally, firms remained pessimistic towards the one-year business outlook in October. However, the degree of negativity eased to the weakest since April.

Comment

Commenting on the October 2019 PMI results, Dr. Fadi Osseiran, General Manager of BLOMINVEST Bank, said:

“Economic growth ranged between 0% to 0.5% since the beginning of the year. While the October PMI score reflects an uptick to 48.3 from September’s 46.4, the former is based on companies’ input prior to the onset of ongoing demonstrations as of October 17th. However, the operations of private sector companies since the protests are paralyzed. Therefore, the materialization of economic cost of

the business impasse is expected in November’s PMI, noting that every day of closure will have an additional cost on the economy.”



Output and demand

Output

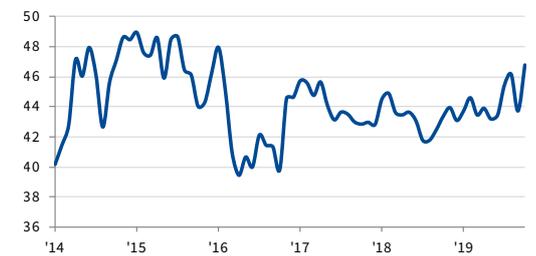
Lebanese private sector firms recorded a further reduction in output at the start of the fourth quarter, extending the current sequence of contraction to almost six-and-a-half years. The pace of decline was the slowest since January 2016, although the latest results were mainly based upon responses collected before disruption due to protests that began on October 17th.

Output Index

sa, >50 = growth since previous month

46.8

Oct '19



New orders

Softening demand conditions were again evident in October, as new orders placed with business in Lebanon continued to fall. The rate of contraction eased to the softest since January 2016, but results mainly included responses received before the start of the recent protests.

New Orders Index

sa, >50 = growth since previous month

46.7

Oct '19



New export orders

As has been the case in each month since August 2015, new export orders placed with Lebanese private sector firms decreased in October. This was signalled by the respective seasonally adjusted index registering below the 50.0 no-change mark. The pace of contraction was little-changed from September and quicker than that of total new business.

New Export Orders Index

sa, >50 = growth since previous month

47.7

Oct '19



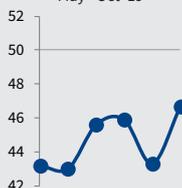
Output Index

May - Oct '19



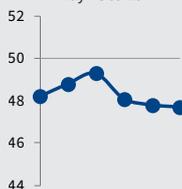
New Orders Index

May - Oct '19



New Export Orders Index

May - Oct '19



Business expectations

Firms in Lebanon's private sector remained pessimistic towards the 12-month outlook for output in October. However, the degree of negativity eased to the weakest since April. When panellists reported anticipation for a fall in activity, some mentioned expectations for weak demand conditions to prevail.

Future Output Index

>50 = growth expected over next 12 months

40.5

Oct '19



Future Output Index

May - Oct '19

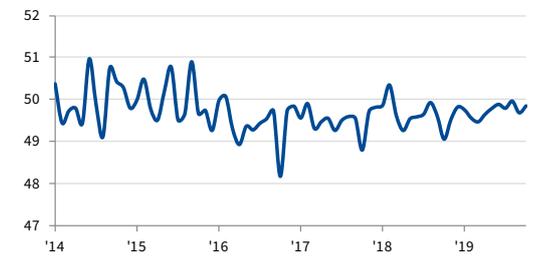


Employment and capacity

Employment

Following a slight contraction during September, staff numbers in the Lebanese private were broadly stable in October. This was indicated by the seasonally adjusted Employment Index registering roughly in line with the 50.0 no-change mark.

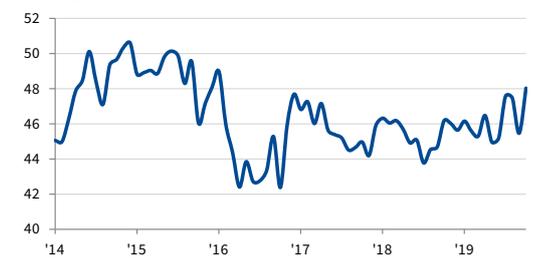
Employment Index 49.9
 sa, >50 = growth since previous month Oct '19



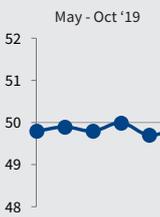
Backlogs of work

Survey data collected before the recent protests pointed to a further reduction in capacity pressures in the Lebanese private sector in October. Backlogs of work fell for the fifty-second time in as many months. That said, the rate of reduction eased to the softest since January 2016.

Backlogs of Work Index 48.1
 sa, >50 = growth since previous month Oct '19



Employment Index



Backlogs of Work Index

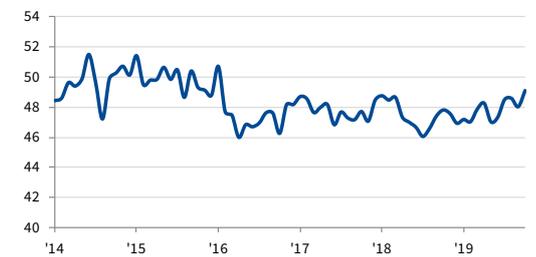


Purchasing and inventories

Quantity of purchases

Purchasing activity at businesses in Lebanon decreased further at the start of the fourth quarter, extending the current run of contraction that began in February 2016. The pace of reduction decelerated to the slowest in the current sequence and was only marginal overall. Results were mainly based on responses collected before temporary closures amid political disruption.

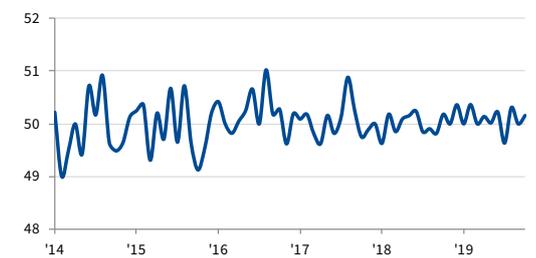
Quantity of Purchases Index 49.1
 sa, >50 = growth since previous month Oct '19



Suppliers' delivery times

Following a stabilisation in September, average lead times faced by private sector firms in Lebanon improved slightly during October. This was signalled by the seasonally adjusted Suppliers' Delivery Times Index registered fractionally above the 50.0 no-change mark.

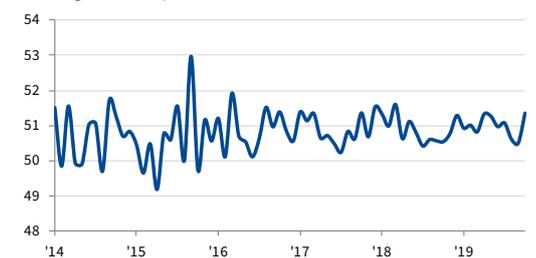
Suppliers' Delivery Times Index 50.2
 sa, >50 = faster times since previous month Oct '19



Stocks of purchases

Stocks of purchases continued to increase at the start of the fourth quarter, extending the current run of growth to four years. Though modest overall, the latest rise was the quickest since May.

Stocks of Purchases Index 51.3
 sa, >50 = growth since previous month Oct '19



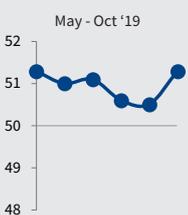
Quantity of Purchases Index
May - Oct '19



Suppliers' Delivery Times Index
May - Oct '19



Stocks of Purchases Index
May - Oct '19

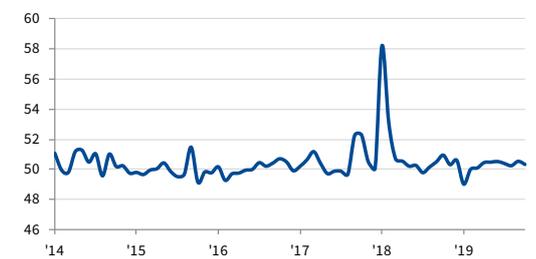


Prices

Overall input prices

Cost burdens faced by private sector firms in Lebanon increased further during October. The rate of inflation was little-changed from September and marginal overall. Underlying data revealed rises in both purchase prices and wages.

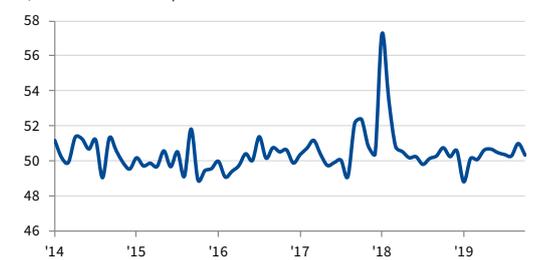
Overall Input Prices Index 50.3
sa, >50 = inflation since previous month Oct '19



Purchase prices

Prices paid by Lebanese businesses for purchased items increased at the start of the fourth quarter. The rate of inflation was slightly softer than in September and only slight overall. Some panellists cited unfavourable exchange rate movements when explaining higher purchase prices.

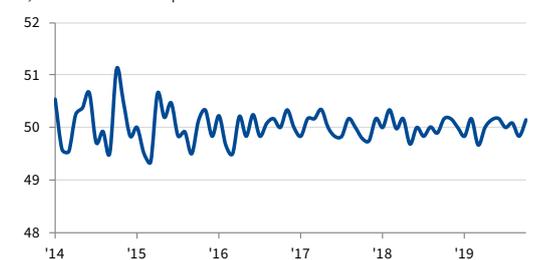
Purchase Prices Index 50.3
sa, >50 = inflation since previous month Oct '19



Staff costs

Following a fractional decline in September, wages paid by private sector companies in Lebanon registered the smallest of increases in October as per the results collected by October 17th. This was indicated by the respective seasonally adjusted index registering just above the 50.0 no-change mark.

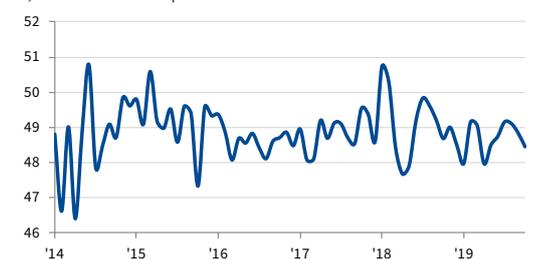
Staff Costs Index 50.1
sa, >50 = inflation since previous month Oct '19



Output prices

The increase in overall input prices in October led to further pressure on profit margins, as private sector firms opted to cut average output charges for the twentieth month in a row. Moreover, the rate of reduction accelerated to the quickest since May.

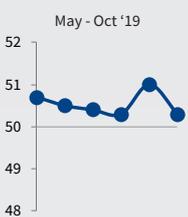
Output Prices Index 48.5
sa, >50 = inflation since previous month Oct '19



Overall Input Prices Index
May - Oct '19



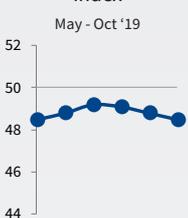
Purchase Prices Index
May - Oct '19



Staff Costs Index
May - Oct '19



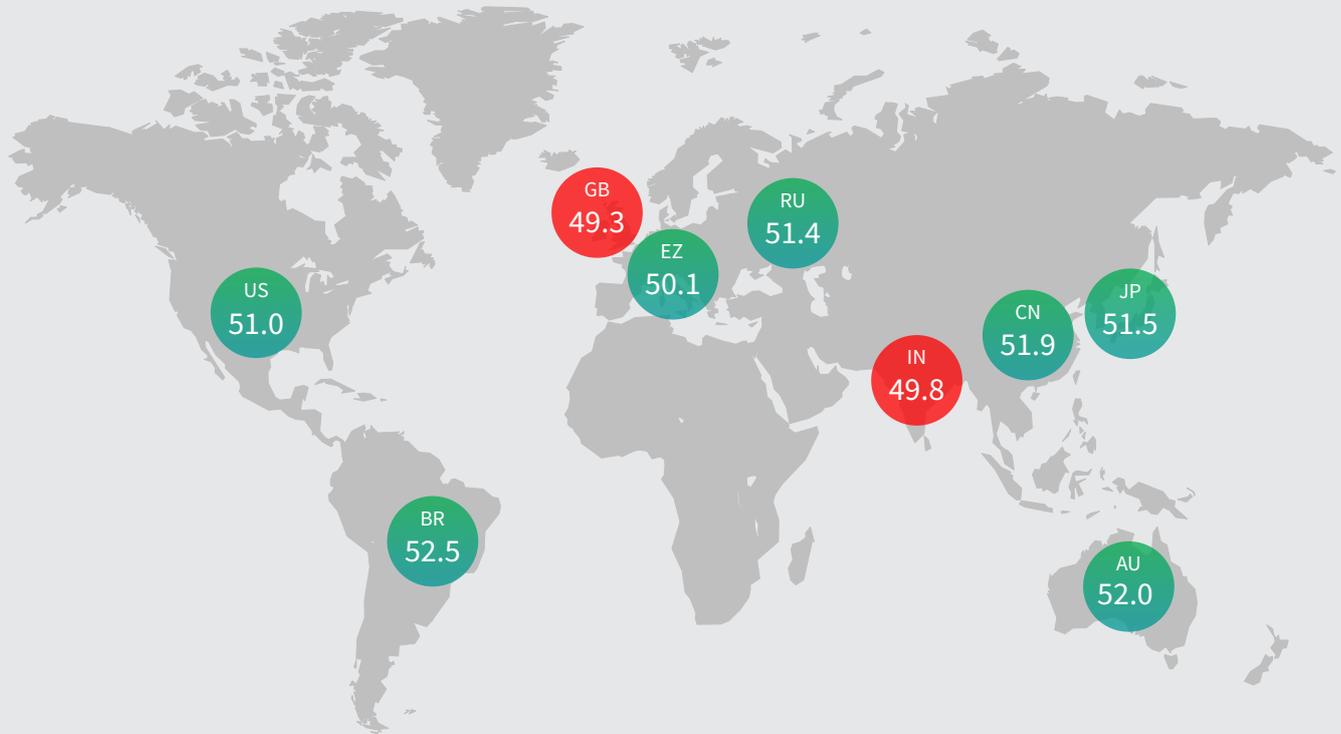
Output Prices Index
May - Oct '19



International PMI

Composite Output Index, Sep '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
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
10 '19	48.3	46.8	46.7	47.7	40.5	49.9	48.1	49.1	50.2	51.3	50.3	50.3	50.1	48.5

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.

October 2019 data were collected 11-17 October 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.

About IHS Markit

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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