

Embargoed until 1100 EET (0900 UTC) 7 November 2019

BLOM Lebanon PMI®

Private sector operating conditions continue to decline by mid-October

Key findings

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 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.

Lebanon PMI

sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

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."

continued...

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.

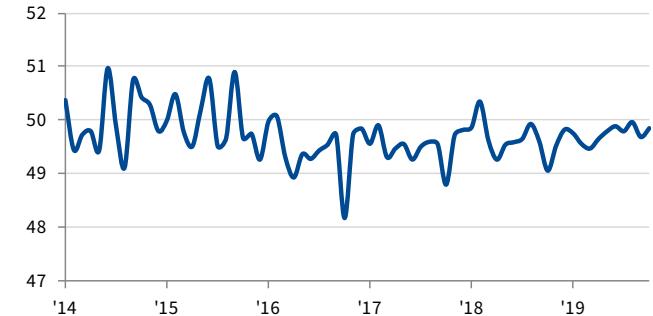
Despite virtually unchanged workforce numbers, capacity pressures continued to ease in October as backlogs of work fell for the fifty-second month in a row. That said, the pace of reduction decelerated to the slowest since January 2016.

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.

Employment Index sa, >50 = growth since previous month



Sources: BLOMINVEST BANK, IHS Markit.

Contact

Marwan Mikhael
Head of Research
BLOMINVEST Bank
T: +961 173 7247
F: +961 175 1953
marwan.mikhael@blominvestbank.com

Eliot Kerr
Economist
IHS Markit
T: +44-203-159-3381
eliot.kerr@ihsmarkit.com

Katherine Smith
Corporate Communications
IHS Markit
T: +1-781 301-9311
katherine.smith@ihsmarkit.com

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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).