



Contents

[Overview and comment](#)

[Output and demand](#)

[Business expectations](#)

[Employment and capacity](#)

[Purchasing and inventories](#)

[Prices](#)

[International PMI](#)

[Further information](#)

[Sharp deterioration in business conditions amid protest disruptions](#)

[Fastest reductions in output and new orders since data collection began](#)

[Supply disruption leads to sharp input price inflation](#)

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.

November data pointed to the sharpest

deterioration in Lebanese private sector business conditions since the survey's inception in May 2013. The result was driven by widespread protests that saw both output and new orders decline at historically marked rates. Meanwhile, amid reports of road and port blockages, supplier delivery times lengthened to the greatest extent on record. The supply issues also saw input prices rise at the fastest rate since January 2018.

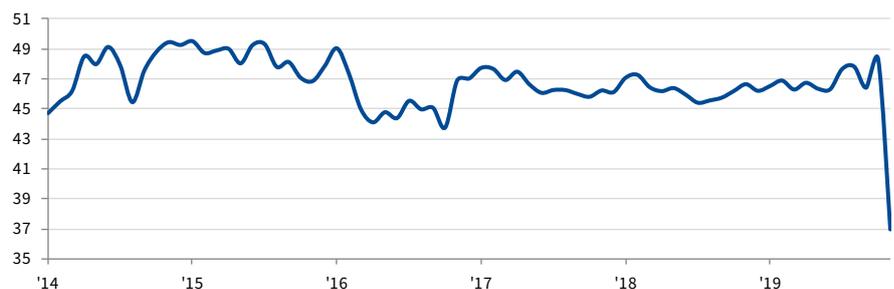
The BLOM Lebanon PMI registered at 37.0 in November, down from 48.3 recorded in October before the onset of the civic protests on the 17th of the month. The latest reading was the lowest on record and pointed to a sharp deterioration in business conditions in the Lebanese private sector.

The decline in business conditions was partly driven by a marked contraction in output at private sector firms. In fact, the

continued...

Lebanon PMI

sa, >50 = improvement since previous month



Lebanon PMI



Overview continued...

rate of decrease was the sharpest in the series' history, as panellists suggested that a lack of liquidity had stifled business.

Similarly, disruptions led to a fall in new orders midway through the fourth quarter. The rate of contraction was the fastest since the survey's inception in May 2013. Anecdotal evidence suggested that protests had acted to dampen demand.

Amid delays and resulting input shortages caused by road and port blockages, cost burdens faced by Lebanese businesses increased markedly during November. The rate of inflation was the quickest since January 2018, back when the country's sales tax rose. Underlying data suggested the latest increase was driven by purchase prices, while staff costs fell.

Firms opted to pass on some of the higher expenses to their clients, with the first increase in average output charges since February 2018. That said, the rate of inflation was only marginal overall.

In the context of protests and diminished new business, firms continued to reduce their staff numbers in the latest survey period. Albeit modest overall, the rate of job cutting was the quickest for just over three years.

Finally, companies remained pessimistic towards the one-year business outlook, driven by fears that the current political and economic turmoil would persist. Notably, sentiment was at the weakest level since May 2017.

Comment

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

“The PMI reached its lowest level since inception in November because of the political deadlock and the protests that have been going on from October 17. Output and new orders went down to hit the level of 25, knowing that 50 is the level that separates contraction from expansion, while new export orders were also hit and reached 30. These very low levels of production and demand were accompanied by a large increase

in input and output prices as a parallel exchange market emerged due to the capital controls measures taken by banks. The LBP is exchanged at a 25 to 35 percent discount on this market, with importers being obliged to use this parallel market in order to get the foreign currency necessary for their imports. A new government has to be formed as soon as possible to start tackling the current unsustainable situation through a series of drastic structural and short term measures.”



Output and demand

Output

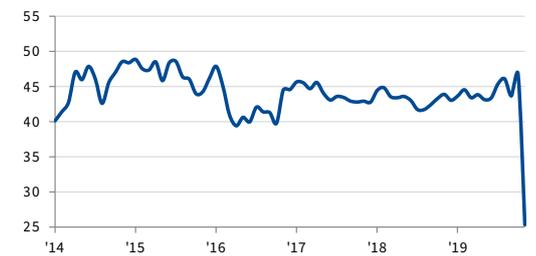
Amid political protests that have hindered economic activity, output at private sector firms in Lebanon fell during November. Moreover, the rate of decline was the sharpest since the survey's inception in May 2013. Some panellists suggested that bank closures and a lack of liquidity were to blame for the latest contraction.

Output Index

sa, >50 = growth since previous month

25.3

Nov '19



New orders

As has been the case in each of the past 78 months, new orders placed with private sector firms decreased in November. However, the rate of contraction accelerated to the fastest in series history in the latest survey period. According to panellists, the result was driven by widespread protests which have acted to stifle demand.

New Orders Index

sa, >50 = growth since previous month

25.3

Nov '19



New export orders

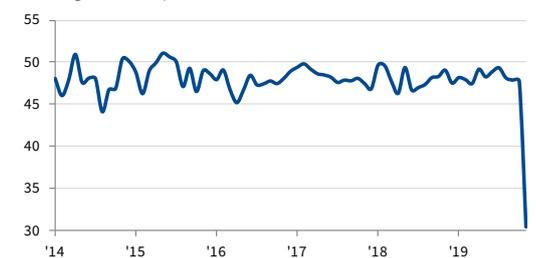
Similar to the trend in overall new business, international sales fell at a quicker rate during November. In fact, the contraction was also the fastest since the survey was initiated in May 2013. Many panellists attributed the latest decline to both local and regional instability.

New Export Orders Index

sa, >50 = growth since previous month

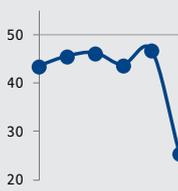
30.4

Nov '19



Output Index

Jun - Nov '19



New Orders Index

Jun - Nov '19



New Export Orders Index

Jun - Nov '19



Business expectations

Amid the current economic and political turmoil, private sector firms remained pessimistic towards the one-year business outlook in November. Notably, sentiment was at one of the weakest levels since data collection began just over six-and-a-half years ago.

Future Output Index

>50 = growth expected over next 12 months

32.7

Nov '19



Future Output Index

Jun - Nov '19



Employment and capacity

Employment

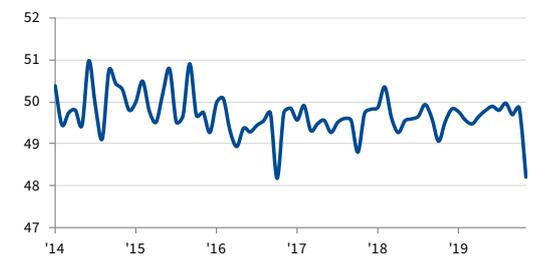
November data pointed to a workforce contraction in the Lebanese private sector. Moreover, the rate of job cutting accelerated from the previous survey period to the quickest since October 2016. Survey respondents often mentioned that fewer workers were required amid the current slowdown in demand.

Employment Index

sa, >50 = growth since previous month

48.2

Nov '19



Backlogs of work

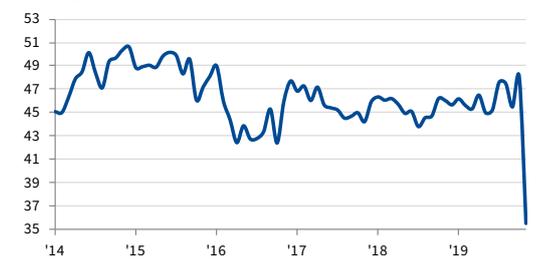
Amid reports of declines in new business, private sector firms in Lebanon were able to alleviate backlogs of work midway through the fourth quarter. Furthermore, the rate of reduction was the quickest in the survey's 79-month history and marked overall.

Backlogs of Work Index

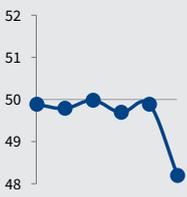
sa, >50 = growth since previous month

35.5

Nov '19



Employment Index
Jun - Nov '19



Backlogs of Work Index
Jun - Nov '19



Purchasing and inventories

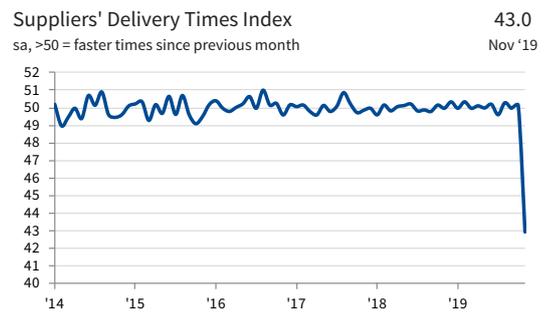
Quantity of purchases

Purchasing activity at Lebanese businesses continued to fall in November, extending the current run of decline that began just under four years ago. This was indicated by the seasonally adjusted Quantity of Purchases Index registering below the 50.0 mark.



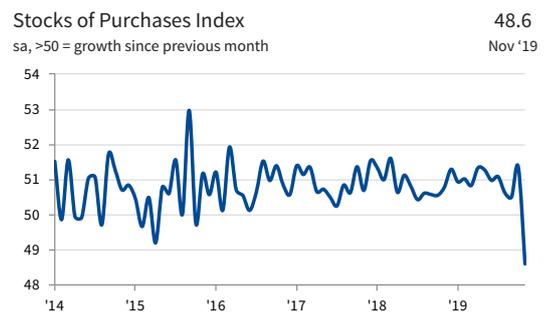
Suppliers' delivery times

Vendor performance faced by private sector firms in Lebanon deteriorated for the first time since July in the latest survey period. Moreover, the extent to which average lead times lengthened was the greatest since data collection began. Panellists cited road and port blockages caused by protesters when explaining slower deliveries.



Stocks of purchases

Following four years of continuous accumulation, stocks of purchases were depleted in November. Panellists suggested fewer inputs were required amid softer demand. Though moderate overall, the decline was the quickest since the survey's inception.



Prices

Overall input prices

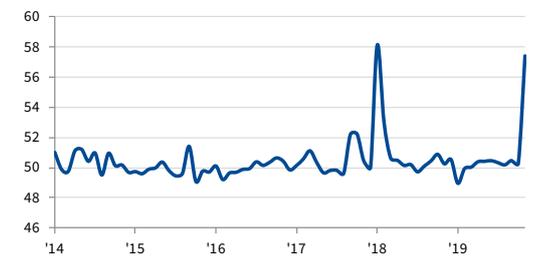
Cost burdens faced by private sector firms in Lebanon rose sharply midway through the fourth quarter. In fact, the latest increase was the most marked since the sales tax hike in January 2018, and among the quickest since data collection began. Underlying data suggested that the rise was driven by purchase prices.

Overall Input Prices Index

sa, >50 = inflation since previous month

57.5

Nov '19



Purchase prices

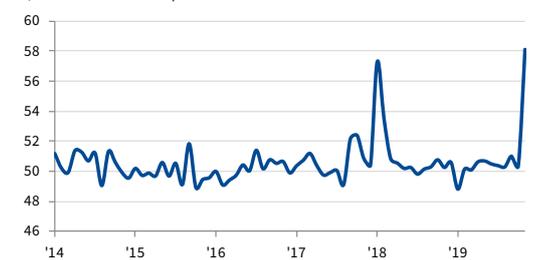
November data pointed to a marked rise in purchase prices in the Lebanese private sector. The rate of inflation accelerated to the quickest since May 2013. Panellists cited national liquidity issues and unfavourable exchange rate movements when explaining higher costs.

Purchase Prices Index

sa, >50 = inflation since previous month

58.1

Nov '19



Staff costs

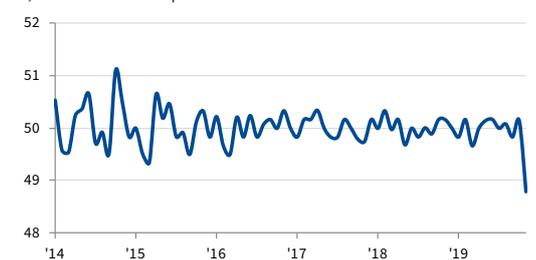
Amid weak inflows of new work and higher purchase prices, firms attempted to control costs by reducing wages in November. This was signalled by the seasonally adjusted Staff Costs Index registering below the 50.0 mark. Notably, the rate of decline was sharp overall.

Staff Costs Index

sa, >50 = inflation since previous month

48.8

Nov '19



Output prices

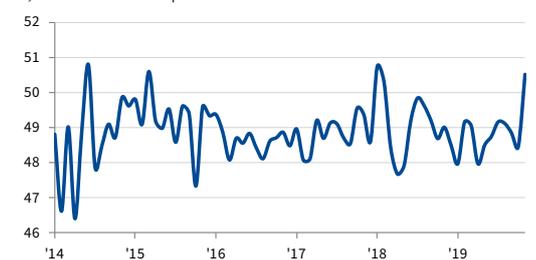
Firms opted to pass on some of their higher costs to clients, with a rise in average output charges in the latest survey period. The result represented the first increase since February 2018. That said, the rate of inflation was only slight overall.

Output Prices Index

sa, >50 = inflation since previous month

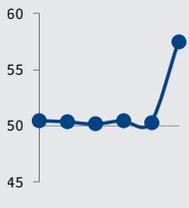
50.5

Nov '19



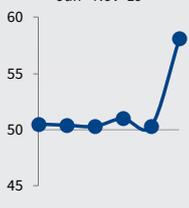
Overall Input Prices Index

Jun - Nov '19



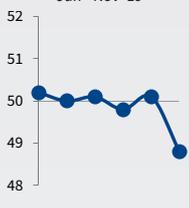
Purchase Prices Index

Jun - Nov '19



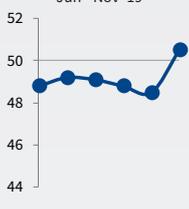
Staff Costs Index

Jun - Nov '19



Output Prices Index

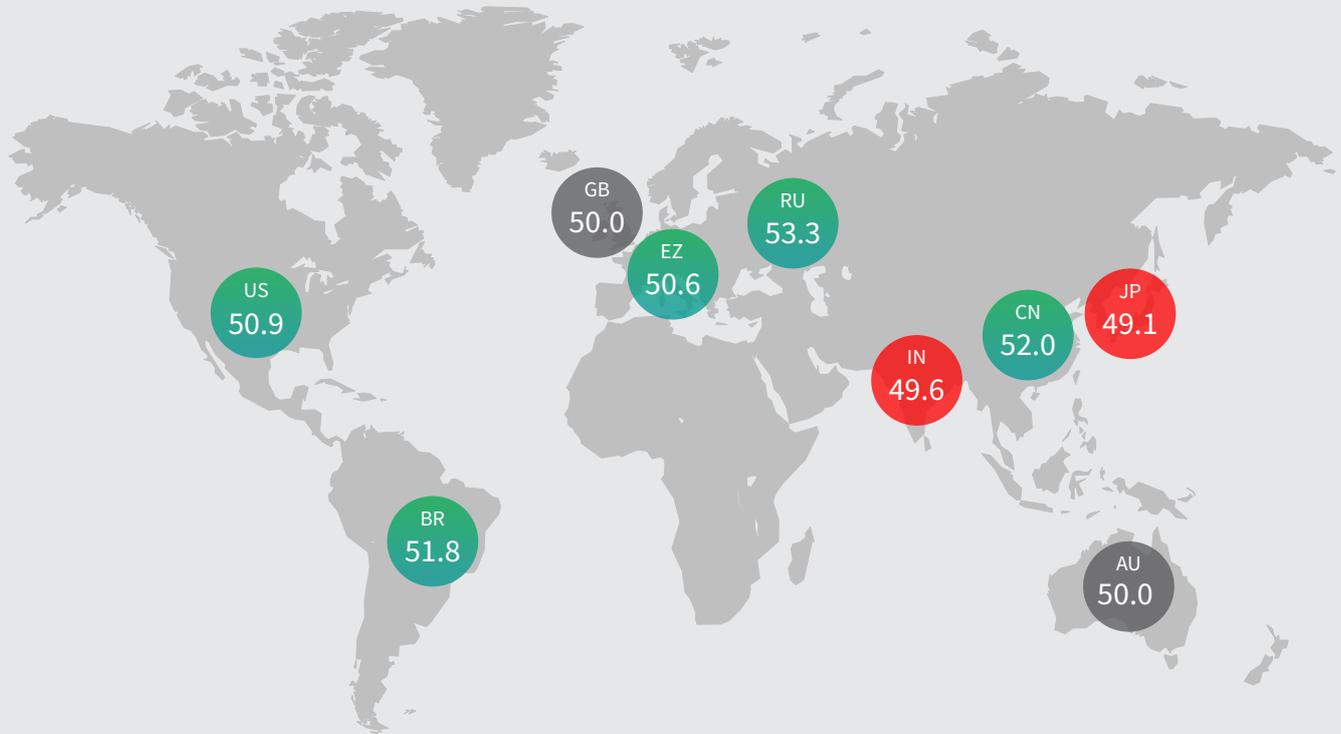
Jun - Nov '19



International PMI

Composite Output Index, Oct '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
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
11 '19	37.0	25.3	25.3	30.4	32.7	48.2	35.5	42.9	43.0	48.6	57.5	58.1	48.8	50.5

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.

November 2019 data were collected 12-25 November 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.