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## BLOM Lebanon PMI®

### Marked deterioration in business conditions, but rate of decline eases

#### Key findings

Slower but historically marked contractions in output and new orders

Employment falls further

Firms continue to reduce purchasing activity

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.

Despite rising from a record low of 37.0 in November, the latest PMI reading of 45.1 pointed to another sharp deterioration in business conditions across the Lebanese private sector in December.

The result was partially driven by a decline in output that was faster than the long-run average. However, similar to the trend for the headline index, the rate of contraction in output eased from November's. Many panellists stated that lower activity was driven by political uncertainty.

Another contributing factor to the deterioration in the performance of companies in the private sector was a decrease in new business during December. The result extended the current run of decrease that began in June 2013. The rate of decline was historically strong overall, but eased compared to protest-hit November.

Weighing on total new orders was another decline in international sales in the final month of the year. The decline was softer than that registered in November, but remained historically marked overall. Some survey respondents attributed the decrease in exports to regional instability.

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Lebanon PMI

sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

#### Comment

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

*“In Lebanon, the PMI benchmark of ‘45’ correlates to a below-zero real GDP growth. The stakes remain high in December 2019, with Lebanon’s 5-year credit default swaps averaging 1,733 basis points in November and heightened to 2,413 bps by December. Corporates anticipate further reductions in output and new business in 2020 with the future output index standing at 37.4 points in December. Other indicators corroborated the PMI results as the new cars’ market slumped by an unprecedented 78% in November 2019 and the number of real estate transactions also fell by an annual 34.5% during the same month.”*

Amid softening demand conditions, Lebanese businesses recorded a further cut to worker numbers at the end of 2019. The reduction extended the current sequence to four months and was the second-quickest in that period (after November). That said, the rate of workforce contraction was only slight overall.

Similarly, private sector firms pared back input buying in December, with many panellists citing a fall in new business. The pace of decline was slower than that registered in November, but marked overall.

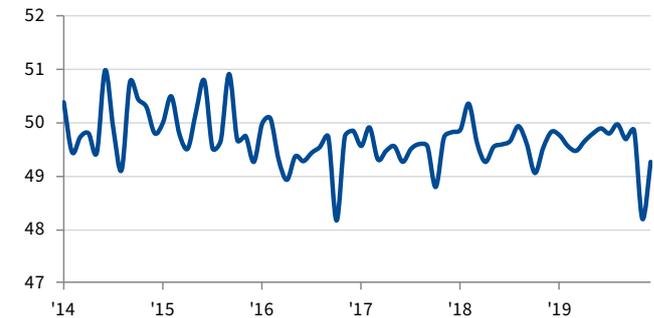
On the cost front, input prices continued to rise, but the rate of inflation eased from the previous survey period. The moderate increase was slightly quicker than the long-run trend and driven by higher purchasing costs. Meanwhile, average wages fell for the second month in a row.

Despite higher average cost burdens, firms opted to resume cuts to average output charges in December. The slight reduction followed a brief rise in November.

Finally, private sector firms anticipated a contraction in output during 2020. The degree of positivity was softer than that registered in November, but panellists continued to cite fears that political turmoil would persist.

## Employment Index

sa, >50 = growth since previous month



Sources: BLOMINVEST BANK, IHS Markit.

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### 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.

December 2019 data were collected 5-17 December 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](https://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](http://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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