



# BLOM Lebanon PMI®

## Sharpest deterioration in business conditions in survey history

### Contents

- [Overview and comment](#)
- [Output and demand](#)
- [Business expectations](#)
- [Employment and capacity](#)
- [Purchasing and inventories](#)
- [Prices](#)
- [International PMI](#)
- [Further information](#)

### Health of private sector declines at fastest pace since data collection began

#### Output and new orders plummet at record rates

#### Unprecedented contraction in employment

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 results presented in this report are best analysed in the context of the global coronavirus outbreak which triggered severe preventive measures in Lebanon, including the closure of most businesses. Therefore, the response rate of panellists was lower than usual in March.

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 latest PMI reading of 35.0, down markedly from 45.4 in February, pointed to the quickest deterioration in Lebanese private sector business conditions since data collection began in May 2013.

A primary factor for the decline was a historically marked contraction in output amid the global coronavirus outbreak. In fact, the reduction was the fastest since the survey's inception, as firms pared back activity amid widespread business closures.

Further contributing to the deterioration in business conditions was a collapse of demand in March. New orders plummeted at the quickest pace on record. Panellists once more cited the coronavirus pandemic. The decrease in aggregate new orders was partially driven the sharpest export decline in the survey's history.

In response to softening demand conditions, Lebanese business continued

*continued...*

Lebanon PMI

sa, >50 = improvement since previous month



## Lebanon PMI

Mar '20  
**35.0**  
Feb: 45.4



## Overview continued...

to reduce staff numbers. Though moderate overall, the latest workforce contraction was the fastest since data collection began.

There was a similar picture for purchasing activity, with input buying falling drastically. The decrease extended a run that began in February 2016, but the latest fall was the fastest on record.

On the price front, cost burdens faced by Lebanese firms continued to rise solidly in March. The rate of inflation remained broadly in line with those recorded in January and February. Underlying data suggested that the continued increase was driven by higher purchasing prices, while staff costs fell for the fifth month in a row.

Firms opted to pass on some of the burden of higher input prices to their clients, with a further increase in average output charges in March. However, the latest rise was only

fractional overall.

Finally, Lebanese businesses remained pessimistic towards the 12-month business outlook in March, driven by anticipation for prolonged financial instability. That said, the degree of negativity was fractionally softer than February's record low.

## Comment

Commenting on the March 2020 PMI results, Rouba Chbeir, Senior Economist at BLOM Bank, said:

*“Lebanon registered its first Covid-19 case on Feb. 21st 2020. By mid-March the government had banned all flights from countries witnessing significant coronavirus outbreaks and announced a national lockdown. The new cabinet urged citizens to stay at home and companies to split employee shifts in cases of extreme necessity. Consequently, private sector companies already grappling with the country’s*

*severe economic and financial crisis before the virus outbreak slashed their employment further. Meanwhile, coronavirus closures sent output and new orders to historical lows as March’s PMI, not surprisingly, slumped to 35 points.”*



## Output and demand

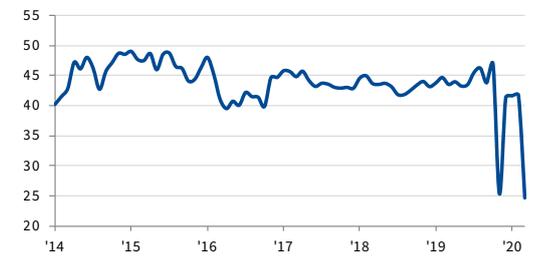
### Output

Lebanese businesses recorded another contraction in output during March. Furthermore, the pace of decline accelerated to the sharpest since the survey's inception in May 2013. Panellists often cited coronavirus driven shutdowns when explaining the decrease.

### Output Index

sa, >50 = growth since previous month

24.6  
Mar '20



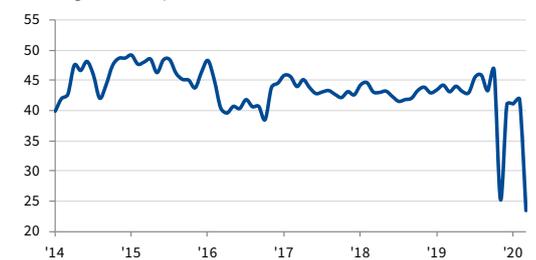
### New orders

Amid softening demand conditions as a result of the coronavirus outbreak, new orders placed with Lebanese private sector firms plummeted in March. The rate of decline was the sharpest since data collection began almost seven years ago.

### New Orders Index

sa, >50 = growth since previous month

23.5  
Mar '20



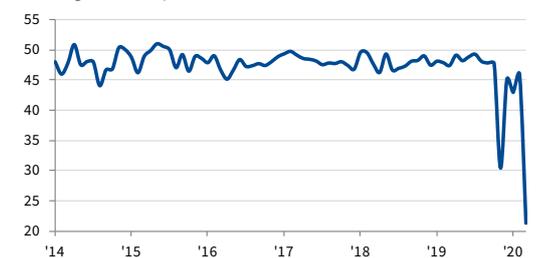
### New export orders

Softer international demand was evident across the Lebanese private sector in March, as new export orders fell further. The result extended the current run of decline that began in August 2015. Moreover, the rate of contraction accelerated to the fastest on record.

### New Export Orders Index

sa, >50 = growth since previous month

21.3  
Mar '20



## Business expectations

Firms remained pessimistic towards the one-year business outlook in March, with some reporting expectations for an escalation of the current financial difficulties. The degree of negativity was slightly softer than February's series low, however.

### Future Output Index

>50 = growth expected over next 12 months

31.7  
Mar '20



### Future Output Index

Oct '19 - Mar '20



## Employment and capacity

### Employment

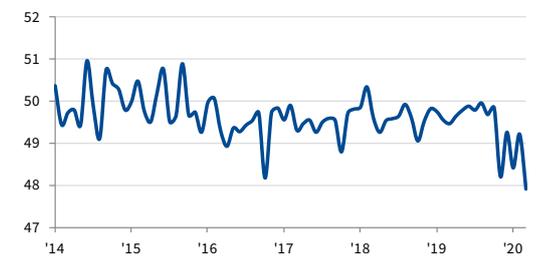
Private sector companies continued to cut their staff numbers in March, extending the current run of workforce contraction to seven months. Though only modestly overall, employment fell at the fastest rate since data collection commenced in May 2013.

### Employment Index

sa, >50 = growth since previous month

47.9

Mar '20



### Backlogs of work

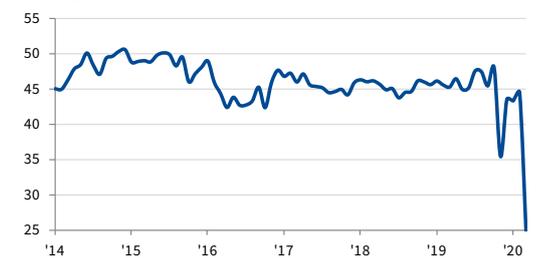
Amid softer inflows of new orders, Lebanese business were able to alleviate backlogs of work at the end of the first quarter. This was indicated by the respective seasonally adjusted index remaining below the 50.0 no-change mark. Notably, the pace of reduction in outstanding business was the quickest in the survey's near seven-year history.

### Backlogs of Work Index

sa, >50 = growth since previous month

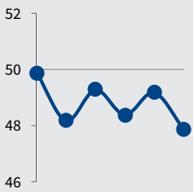
25.0

Mar '20



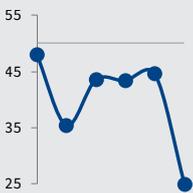
Employment Index

Oct '19 - Mar '20



Backlogs of Work Index

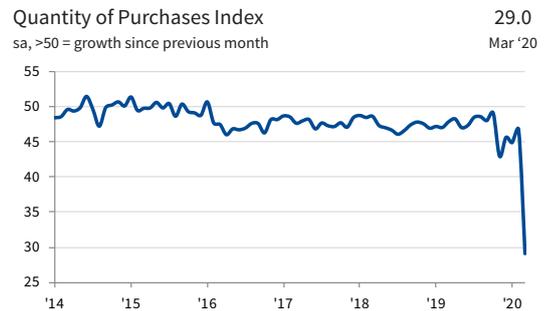
Oct '19 - Mar '20



## Purchasing and inventories

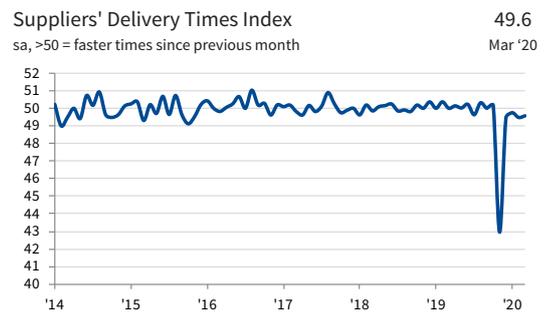
### Quantity of purchases

As has been the case in each month since February 2016, purchasing activity in the Lebanese private sector fell during March. Moreover, the latest decrease was the quickest since the survey's inception in May 2013. Panellists often linked the reduction to fewer new orders.



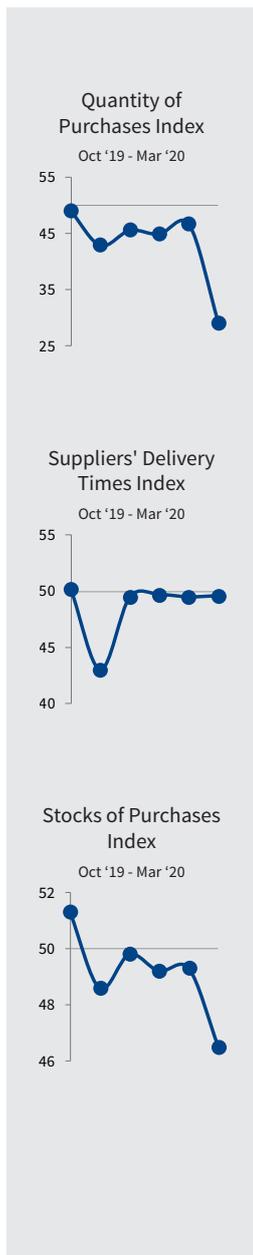
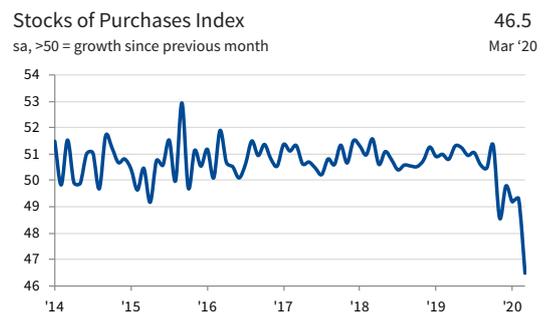
### Suppliers' delivery times

Average lead times faced by Lebanese businesses continued to lengthen in March. The rate at which vendor performance deteriorated was broadly in line with those seen in each of the previous three months.



### Stocks of purchases

Inventories of inputs and goods for resale across the Lebanese private sector contracted for the fifth month in a row during March. The latest decrease was the quickest in the survey's near seven-year history and solid overall.

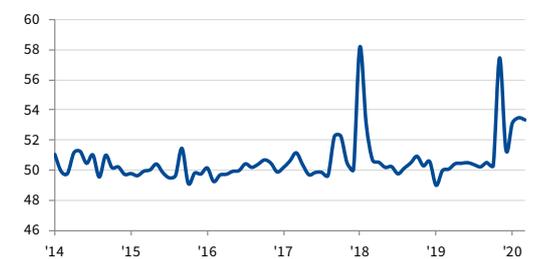


## Prices

### Overall input prices

Cost burdens faced by businesses in Lebanon continued to increase in March. The rate of inflation was little-changed for the second month in a row and solid overall. Underlying data suggested that the latest rise was driven by higher purchasing costs.

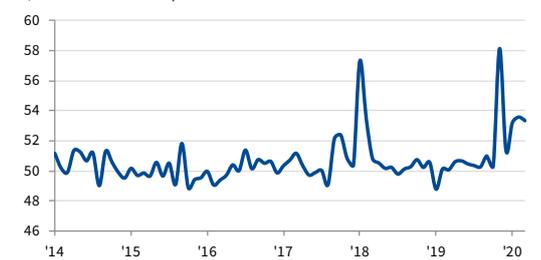
Overall Input Prices Index 53.3  
 sa, >50 = inflation since previous month Mar '20



### Purchase prices

Purchasing costs for private sector firms continued to increase in March, extending the current sequence of inflation that began in February 2019. The latest rise was broadly consistent with those recorded in January and February. Some panellists mentioned unfavourable exchange rate movements.

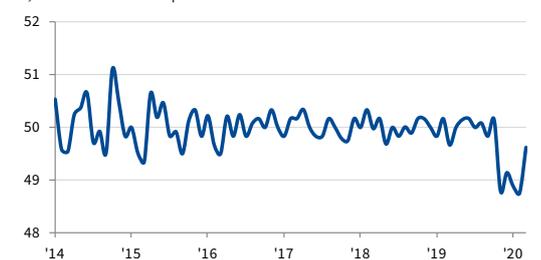
Purchase Prices Index 53.3  
 sa, >50 = inflation since previous month Mar '20



### Staff costs

Average wage payments made by Lebanese businesses fell for the fifth month in a row during the latest survey period. However, the rate of reduction eased to the softest in that sequence and was only marginal overall.

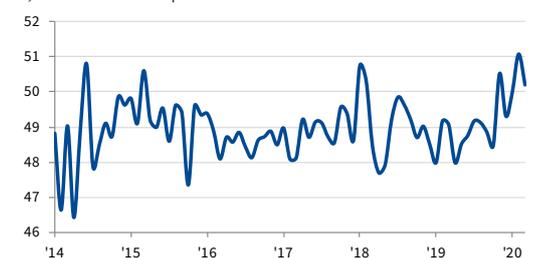
Staff Costs Index 49.6  
 sa, >50 = inflation since previous month Mar '20



### Output prices

Amid rising input costs, private sector firms opted to increase their average output charges at the end of the first quarter. This was indicated by the seasonally adjusted index registering above the 50.0 no-change mark. That said, the rate of inflation was fractional overall.

Output Prices Index 50.2  
 sa, >50 = inflation since previous month Mar '20



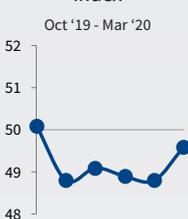
Overall Input Prices Index



Purchase Prices Index



Staff Costs Index



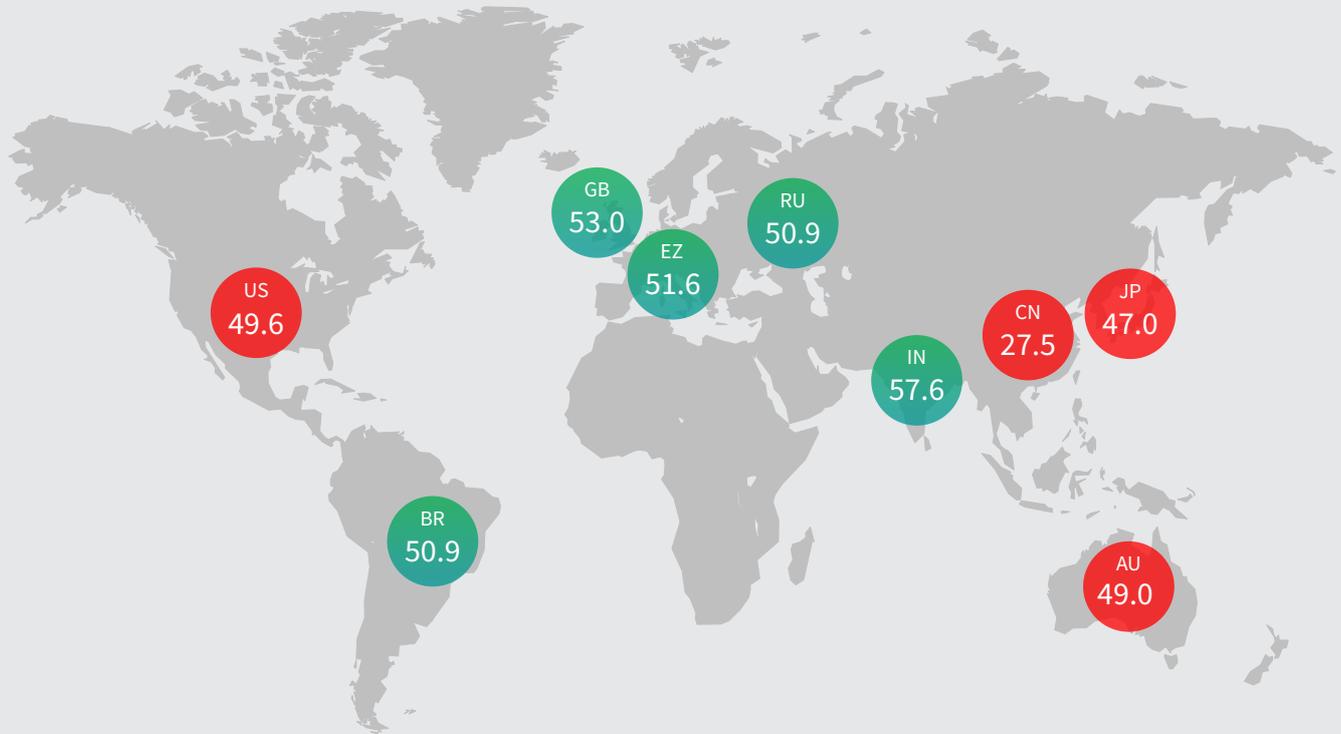
Output Prices Index



## International PMI

Composite Output Index, Feb '20  
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
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
12 '19	45.1	41.3	41.1	45.1	37.4	49.3	43.6	45.6	49.5	49.8	51.3	51.4	49.1	49.3
01 '20	44.9	41.6	41.2	43.0	37.8	48.4	43.4	44.9	49.7	49.2	53.1	53.2	48.9	50.0
02 '20	45.4	41.7	41.9	45.9	31.0	49.2	44.6	46.7	49.5	49.3	53.5	53.6	48.8	51.1
03 '20	35.0	24.6	23.5	21.3	31.7	47.9	25.0	29.0	49.6	46.5	53.3	53.3	49.6	50.2

### 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.

March 2020 data were collected 12-25 March 2020.

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.

[ihsmarkit.com/products/pmi.html](https://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](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.

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 © 2020 IHS Markit Ltd. All rights reserved.