

Embargoed until 1100 EEST (0800 UTC) 3 April 2020

BLOM Lebanon PMI[®]

Sharpest deterioration in business conditions in survey history

Key findings

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.

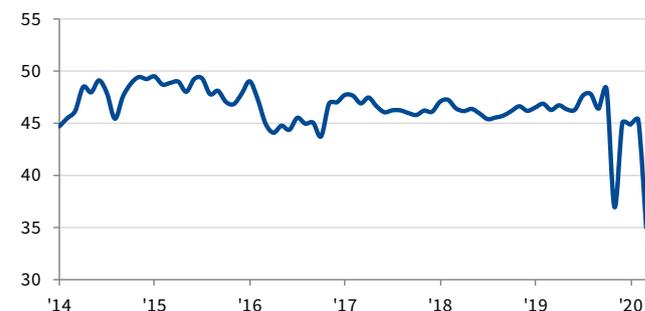
A primary factor for the decline was a historically marked contraction in output amid the global coronavirus outbreak. In fact, the reduction was the fastest since the survey's inception, as firms pared back activity amid widespread business closures.

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...

Lebanon PMI

sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

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.”

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.

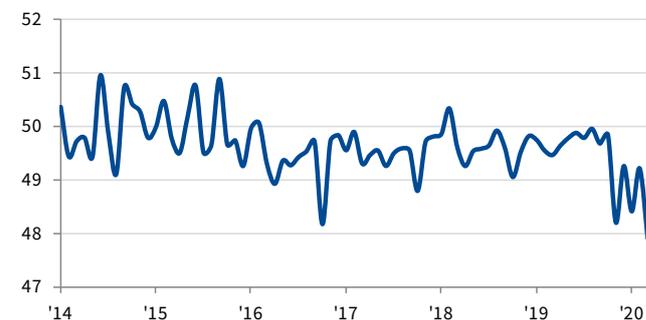
On the price front, cost burdens faced by Lebanese firms continued to rise solidly in March. The rate of inflation remained broadly in line with those recorded in January and February. Underlying data suggested that the continued increase was driven by higher purchasing prices, while staff costs fell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

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.

March 2020 data were collected 12-25 March 2020.

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.
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.

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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