



Contents

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

Headline PMI hits new record low

Unprecedented collapse in business activity

Sentiment plummets amid expectations for prolonged downturn

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 April.

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 30.9, down from 35.0 in March, pointed to a record deterioration in business conditions faced by Lebanese private sector companies. A national lockdown led to widespread business closures and severe disruption to both supply and demand.

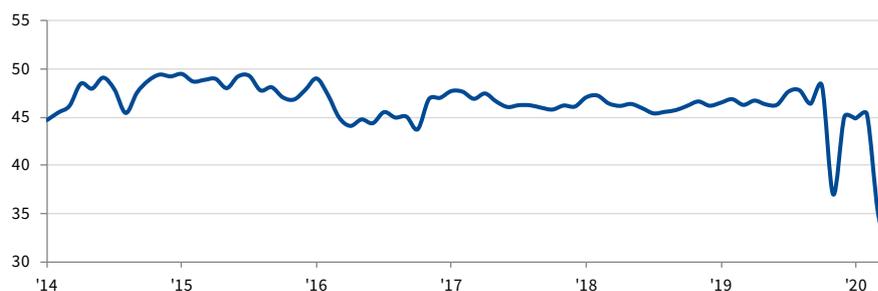
A key factor behind the record-low PMI was a further collapse in output during April. In fact, the rate of contraction was the sharpest since data collection began seven years ago, eclipsing the previous record set in March.

New business placed with private sector firms continued to plummet in April, pointing to an evaporation of demand amid the COVID-19 shutdown. The latest decrease in sales was sharper than in March, setting a new series record.

Overall demand received little support from international markets at the start of the

continued...

Lebanon PMI
sa, >50 = improvement since previous month



Lebanon PMI

Apr '20
30.9
 Mar: 35.0



Overview continued...

second quarter, with new export business tumbling. The decline was even faster than March's historic collapse, as foreign clients looked to cut costs amid the crisis.

With demand conditions faltering, Lebanese businesses pared back their purchasing activity in April. Moreover, the rate of reduction was the steepest since the survey's inception and sharp overall.

Looking forward, firms were severely pessimistic towards the 12-month business outlook. Sentiment fell to an unprecedented level, with the vast majority of firms expecting a decline in business activity over the next year.

Meanwhile, cost burdens faced by private sector companies rose drastically in April. The latest increase was the quickest since May 2013. The result was driven by a steep rise in purchase prices, which was in turn

linked to a stronger US dollar. Higher material costs more than offset a record decline in wages.

Finally, despite the ongoing economic turmoil, firms reduced staff numbers at a softer rate in April. Although the result extended the current run of job losses that began last September, the latest cut was only marginal overall.

Comment

Commenting on the April 2020 PMI results, Sarah Hadchiti, Research Analyst at BLOMINVEST Bank, said:

“The impact of Lebanon’s coronavirus lockdown fully materialized in April. Businesses are facing sharp economic uncertainties while consumers demand weakened, which generated losses reflected in the PMI of 30.9. Moreover, the Lebanese pound accelerated its depreciation and reached unprecedented levels against the dollar, nurturing hyperinflation. On the monetary level, the Central Bank issued

a series of circulars aiming to ease the pressure on the dollar and protect the purchasing power of citizens. These measures have to be complemented by reform plan and support from international financial institutions.”



Output and demand

Output

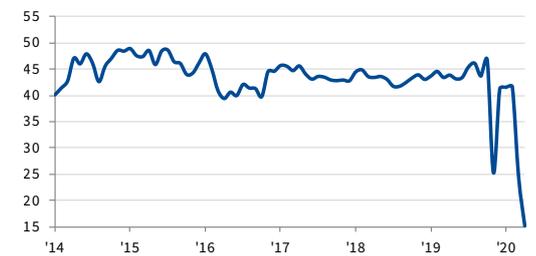
Private sector output plunged at an unprecedented rate in April, eclipsing the previous record set in March. There were widespread panellist reports of business closures amid restrictions imposed to stem the spread of the coronavirus pandemic.

Output Index

sa, >50 = growth since previous month

15.2

Apr '20



New orders

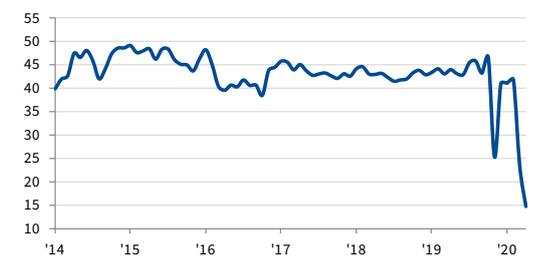
April data pointed a further evaporation of demand in the Lebanese private sector, with new business falling drastically. In fact, the latest decline was the sharpest since the survey's inception in May 2013.

New Orders Index

sa, >50 = growth since previous month

14.7

Apr '20



New export orders

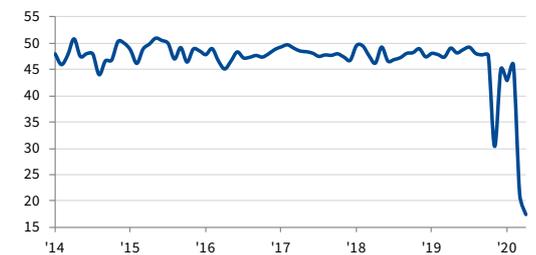
Aggregate demand received little support from international markets in April as new export business continued to collapse. Moreover, the rate of contraction accelerated from March to set a new series record. Panellists cited a broad-based reduction in demand from foreign clients.

New Export Orders Index

sa, >50 = growth since previous month

17.5

Apr '20



Business expectations

Future Output Index

Nov '19 - Apr '20



Although business sentiment has been negative for over six-and-a-half years, pessimism hit a new low in April. The Future Output Index fell to an unprecedented level, with 97% of survey respondents anticipating a decline in activity over the next 12 months. Panellists often cited expectations for a prolonged global economic slowdown.

Future Output Index

>50 = growth expected over next 12 months

1.7

Apr '20



Employment and capacity

Employment

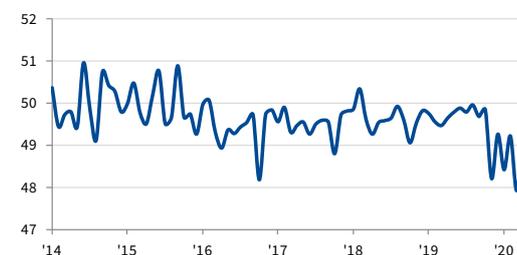
Firms continued to cut back on staff numbers in April, extending the current sequence of workforce contraction to eight months. However, the latest reduction in employment was softer than in March and only marginal overall.

Employment Index

sa, >50 = growth since previous month

49.2

Apr '20



Backlogs of work

Despite employing fewer workers, severely reduced demand allowed firms to alleviate backlogs at the start of the second quarter. In fact, the latest reduction in outstanding business was the sharpest since data collection began seven years ago.

Backlogs of Work Index

sa, >50 = growth since previous month

16.4

Apr '20



Employment Index



Backlogs of Work Index

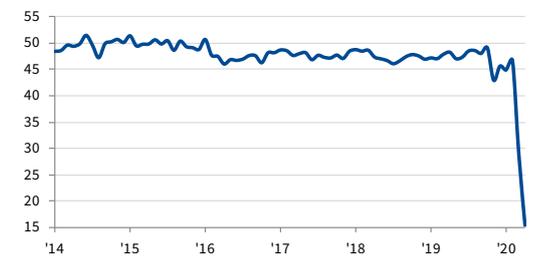


Purchasing and inventories

Quantity of purchases

Purchasing activity at private sector Lebanese firms plummeted in April, adding to the severe reduction recorded in March. Moreover, the rate of decline accelerated in the latest survey period, setting a fresh series record. Panellists often associated cutbacks with dire demand conditions.

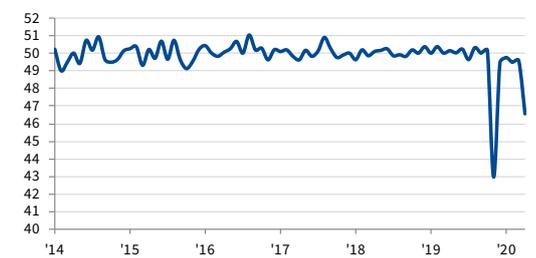
Quantity of Purchases Index 15.3
sa, >50 = growth since previous month Apr '20



Suppliers' delivery times

There was evidence of supply-side disruption in the Lebanese private sector during April, with vendor performance deteriorating solidly. In fact, average lead times lengthened at one of the sharpest rates on record, third only to November 2019 when widespread protests brought the country to a standstill, and May 2013 which had seen strong growth in purchasing activity.

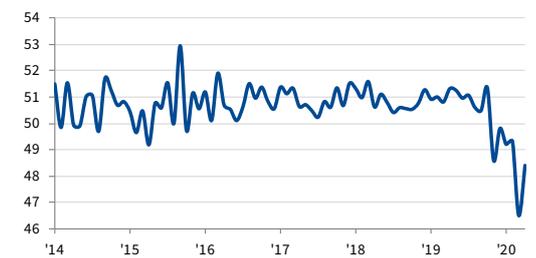
Suppliers' Delivery Times Index 46.6
sa, >50 = faster times since previous month Apr '20



Stocks of purchases

Lebanese businesses recorded a further contraction in inventories of inputs during April. Although the rate of reduction eased from March's survey record, it remained among the quickest over the series history. Anecdotal evidence suggested that firms pared back stocks in line with softer inflows of new work.

Stocks of Purchases Index 48.4
sa, >50 = growth since previous month Apr '20

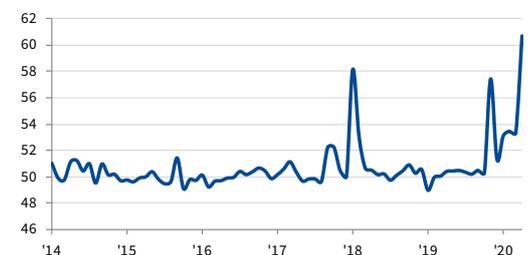


Prices

Overall input prices

Input prices faced by Lebanese private sector firms rose sharply in April. Notably, the rate of inflation accelerated to the quickest since the first month of data collection in May 2013. Underlying data suggested that a marked rise in purchasing prices more than offset a decline in wages.

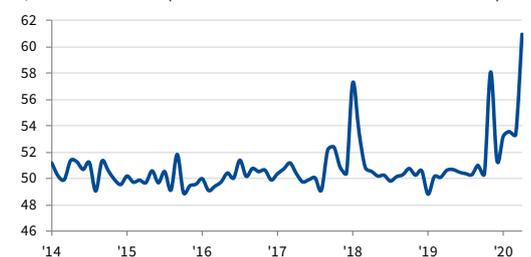
Overall Input Prices Index 60.7
sa, >50 = inflation since previous month Apr '20



Purchase prices

Purchase prices faced by private sector companies in Lebanon rose drastically in April. The rate of increase was the quickest for nearly seven years. Panellists often noted inflationary effects of a stronger US dollar.

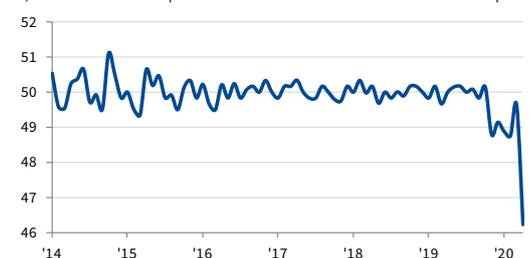
Purchase Prices Index 61.0
sa, >50 = inflation since previous month Apr '20



Staff costs

Amid widespread business closures due to the coronavirus outbreak, average wages paid by Lebanese business fell in April. This was indicated by the respective seasonally adjusted index registering below the 50.0 no-change mark. Moreover, the latest fall was the fastest in survey history.

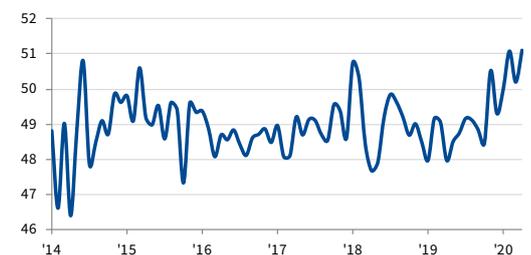
Staff Costs Index 46.2
sa, >50 = inflation since previous month Apr '20



Output prices

Private sector firms opted to increase their average output charges at the start of the second quarter, extending the current run of inflation to three months. Though marginal overall, the latest rise was the joint-fastest on record (level with February).

Output Prices Index 51.1
sa, >50 = inflation since previous month Apr '20



Overall Input Prices Index



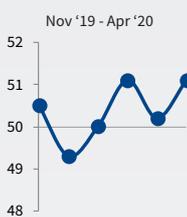
Purchase Prices Index



Staff Costs Index



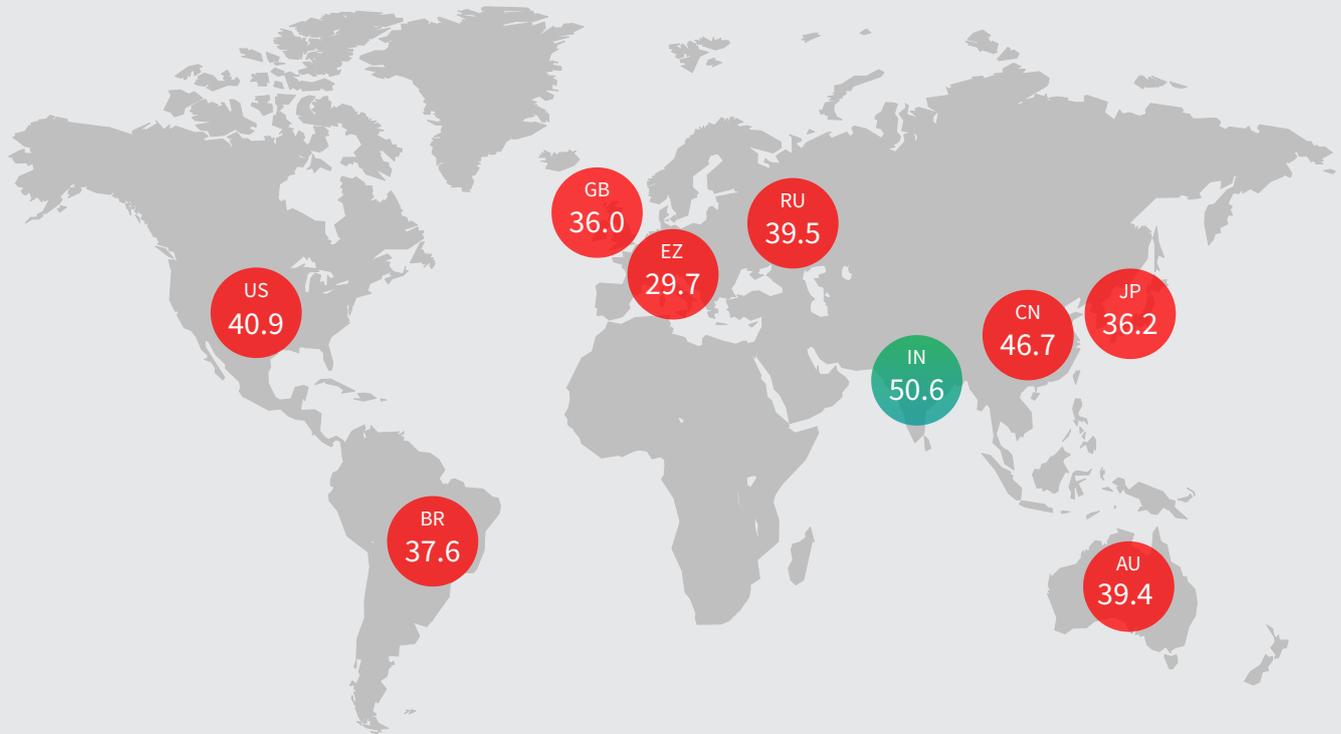
Output Prices Index



International PMI

Composite Output Index, Mar '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
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
04 '20	30.9	15.2	14.7	17.5	1.7	49.2	16.4	15.3	46.6	48.4	60.7	61.0	46.2	51.1

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.

April 2020 data were collected 7-24 April 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.

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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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