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BLOM Lebanon PMI®

Lebanese business conditions continue to deteriorate markedly in July

Key findings

Health of the Lebanese private sector deteriorates, albeit at softer rate

Declines in output and new orders ease but remain marked

Input cost inflation decelerates from June's near-series record

Data were collected 13-27 July

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.

The latest PMI reading of 44.9, up from 43.2 in June, pointed to another marked deterioration in Lebanese business conditions during July, albeit one that was softest for five months.

The decline in the health of the private sector was partially driven by a further drop in output. Despite the rate of contraction easing to the softest since before the escalation of the coronavirus pandemic in March, it remained faster than the historical average. Anecdotal evidence suggested that firms continued to face liquidity issues.

Also contributing to the latest deterioration in business conditions was a marked fall in new orders during July. Sales have now decreased in each month since June 2013. Some panellists associated the latest decline with the ongoing challenges in the domestic economy.

Overall demand received little support from international markets at the start of the third quarter, with new export orders falling at a strong rate. That said, the latest decline in foreign sales was the softest since February. Survey participants suggested regional demand remained subdued.

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Lebanon PMI

sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

Comment

Commenting on the BLOM Lebanon PMI for July 2020, Sarah Hadchiti, Research Analyst at BLOMINVEST Bank, said:

"During July, Lebanon continued to ease lockdowns and businesses reopened leading to a higher PMI compared to last month. However, the overall Lebanese business environment remained negative. The Lebanese lira's depreciation against the dollar, surge in inflation and lack of reforms are creating an uncertain environment for consumers and liquidity issues for producers. Most importantly, private sector companies remained pessimistic towards the one-year business outlook which was reflected in the Future Output Index reaching unprecedented low level."

In line with softer inflows of new work, private sector firms continued to cut their staff numbers in July. The rate of workforce contraction was broadly consistent with that recorded in June and moderate overall.

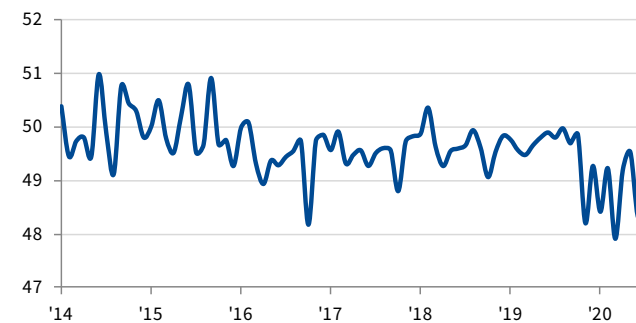
On the cost front, overall input prices rose sharply. However, the rate of inflation eased from June's near-series record. Underlying data revealed a slightly slower increase in purchase prices and another decrease in staff costs albeit at a softer rate.

Firms opted to pass on some of the higher costs to their clients during July, with average charges rising for the sixth month in a row. Although the latest increase was softer than that record in June, it was still the second-quickest since data collection began in May 2013.

Looking forward, Lebanese businesses were still severely pessimistic towards the 12-month business outlook. Negativity was driven by fears that the current liquidity crisis in the domestic economy 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.

July 2020 data were collected 13-27 July 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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