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[Health of Lebanese private sector declines at softer, but still marked, pace](#)

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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.

October's PMI reading of 43.3, up from 42.1 in September, signalled another marked deterioration in business conditions faced by Lebanese private sector firms. That said, the latest decline was the softest for three

months.

The further downturn in operating conditions was partially driven by another contraction in output at the start of the fourth quarter. However, in line with the headline trend, the rate of decline eased for the second month running. When explaining the prolonged fall in activity, panellists cited a broad-based deterioration in demand conditions.

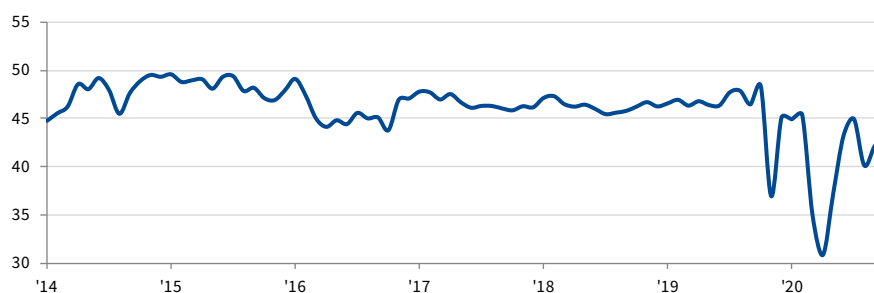
The continued reduction in demand was evidenced by a further decrease in new orders during October. Although the rate of decline eased to the softest since July, it remained far quicker than the historical average. Anecdotal evidence indicated that both the ongoing liquidity crisis and the coronavirus disease 2019 (COVID-19) pandemic were continuing to hinder demand conditions.

Aggregate new orders received little support from international markets in the latest survey period, with new export business

continued...

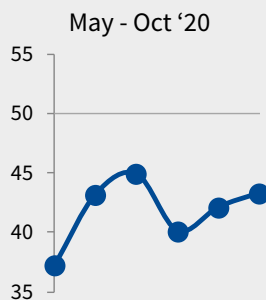
Lebanon PMI

sa, >50 = improvement since previous month



Lebanon PMI

Oct '20
43.3
 Sep: 42.1



Overview continued...

falling further. The rate of reduction continued to ease but was still marked overall.

Faced with weaker demand conditions, Lebanese business continued to cut their staff numbers in October. The result extended the current sequence of workforce contraction that began in September 2019. The rate at which employment fell was little-changed from those seen in August and September and only marginal overall.

On the cost front, input prices faced by private sector firms rose solidly at the start of the fourth quarter. In fact, the rate of inflation accelerated to the quickest for three months. Underlying data suggested that the increase was driven by higher purchasing prices. Meanwhile, staff costs continued to fall, albeit at a far softer rate than September's series record.

Firms opted to pass on some of the additional costs to their clients, with an increase in average output prices during October. The rate of charge inflation was little-changed for the second month running and slight overall.

Finally, private sector companies remained deeply pessimistic towards the one-year business outlook during October. Panellists often commented that they expect the current crisis to persist.

Comment

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

“Despite the continuous deterioration in business condition, many of the PMI Sub categories improved in October compared to September leading to a higher PMI reading of 43.3, the softest decline for 3 months. However, businesses are struggling to survive facing both supply and demand shocks due mainly to foreign currency shortages and surges in inflation, restrictions on

withdrawals and transfers, and the spread of coronavirus. Meanwhile, one year has passed since the national protests in October 2019, and policy makers have failed to try to contain the damage and properly manage the crisis, with no serious reforms and recovery plans put in place.”



Output and demand

Output

Lebanese private sector firms recorded another marked contraction in output during October, with anecdotal evidence indicating that the vast majority of sectors remained deep in economic crisis. That said, the rate of activity decline was the softest for three months.

Output Index

sa, >50 = growth since previous month

37.7

Oct '20



New orders

In a further sign of deteriorating demand conditions, Lebanese businesses registered another reduction in new orders during October. Albeit the least marked for three months, the rate of decline was sharp overall. When explaining the latest decrease in sales, panellists mentioned both the ongoing liquidity crisis and the COVID-19 pandemic.

New Orders Index

sa, >50 = growth since previous month

37.6

Oct '20



New export orders

New export orders received by private sector companies in Lebanon fell at the start of the fourth quarter, extending the current sequence of reduction that began in August 2015. The rate of reduction remained historically marked, despite easing to the softest for three months.

New Export Orders Index

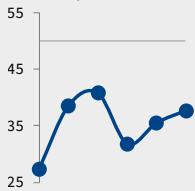
sa, >50 = growth since previous month

42.2

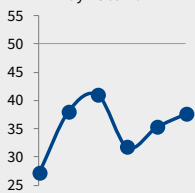
Oct '20



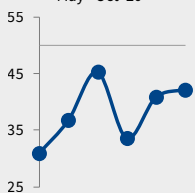
Output Index
May - Oct '20



New Orders Index
May - Oct '20

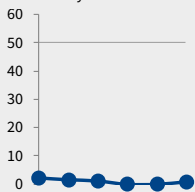


New Export Orders Index
May - Oct '20



Business expectations

Future Output Index
May - Oct '20



As was the case in each of the previous six months, sentiment towards the one-year business outlook was deeply pessimistic in October. Negative forecasts were often associated with expectations of a prolonged economic downturn.

Future Output Index

>50 = growth expected over next 12 months

0.8

Oct '20



Employment and capacity

Employment

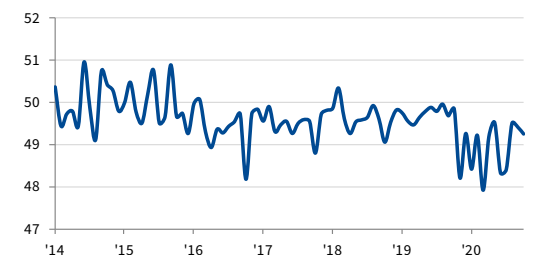
October data pointed to a further reduction in payroll numbers at Lebanese private sector firms, extending the current sequence of workforce contraction that began in September 2019. The rate of decline in employment was broadly unchanged from those seen in August and September and slight overall. Panellists widely associated the decrease in staffing with a further deterioration in demand conditions.

Employment Index

sa, >50 = growth since previous month

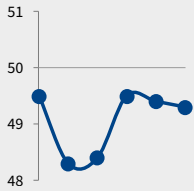
49.3

Oct '20



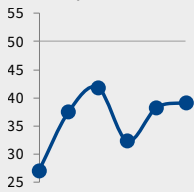
Employment Index

May - Oct '20



Backlogs of Work Index

May - Oct '20



Backlogs of work

Amid another marked reduction in new orders, backlogs of work at businesses in Lebanon fell during October. The latest decrease was the slowest since July, but still among the quickest since data collection began in May 2013.

Backlogs of Work Index

sa, >50 = growth since previous month

39.2

Oct '20



Purchasing and inventories

Quantity of purchases

Purchasing activity in the Lebanese private sector decreased markedly at the start of the fourth quarter. Survey respondents often commented that this was due to a fall in new orders. The rate of decline was little-changed from September.

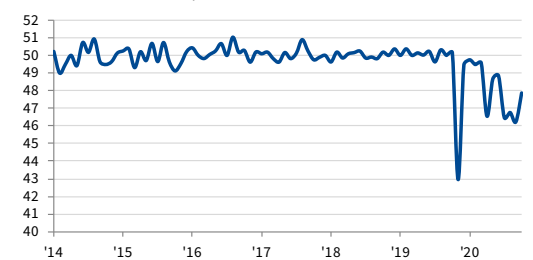
Quantity of Purchases Index 39.7
 sa, >50 = growth since previous month Oct '20



Suppliers' delivery times

Input delivery times faced by private sector firms in Lebanon continued to lengthen in October. However, vendor performance deteriorated to the least extent for four months and only modestly overall. When explaining delays, panellists mentioned shortages of US dollars preventing payments to suppliers.

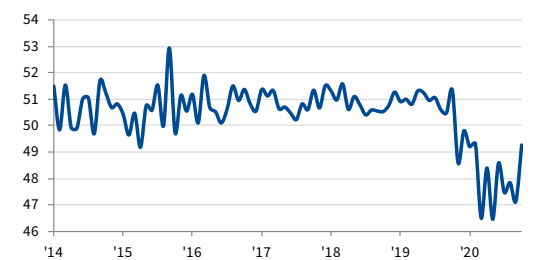
Suppliers' Delivery Times Index 47.9
 sa, >50 = faster times since previous month Oct '20



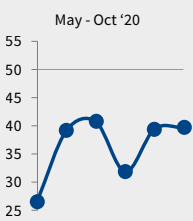
Stocks of purchases

Inventories at Lebanese businesses contracted for the twelfth month in row during October. This was indicated by the seasonally adjusted Stocks of Purchases Index remaining below the 50.0 no-change mark. However, the latest reduction was the softest since February and only marginal overall.

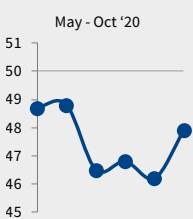
Stocks of Purchases Index 49.3
 sa, >50 = growth since previous month Oct '20



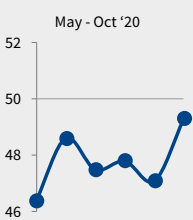
Quantity of Purchases Index
 May - Oct '20



Suppliers' Delivery Times Index
 May - Oct '20



Stocks of Purchases Index
 May - Oct '20

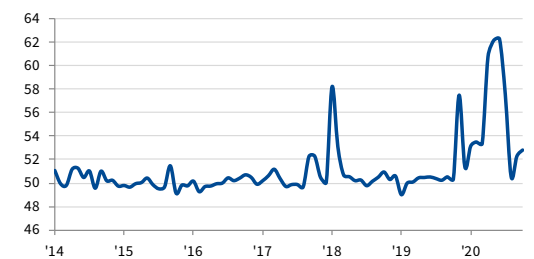


Prices

Overall input prices

Cost burdens faced by firms in the Lebanese private sector rose in the latest survey period. Moreover, the rate of inflation accelerated slightly from September and was solid overall. Underlying data indicated that the increase was driven by higher purchase prices, while staff costs continued to fall.

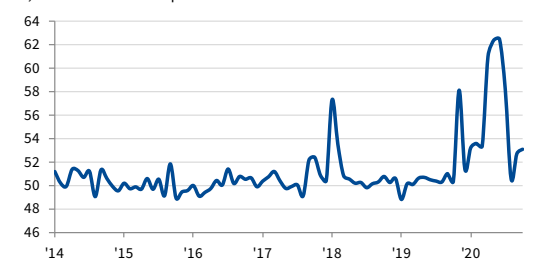
Overall Input Prices Index 52.8
 sa, >50 = inflation since previous month Oct '20



Purchase prices

Prices paid for raw materials and other physical inputs increased in October. This was signalled by the seasonally adjusted Purchase Prices Index posting above the 50.0 no-change threshold. The rate of inflation was the quickest for three months and historically solid.

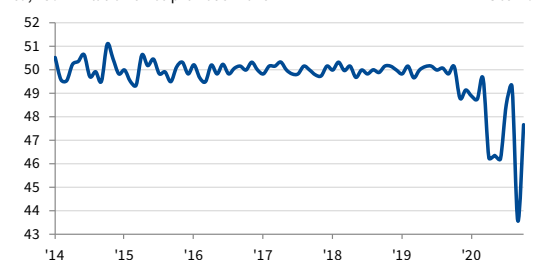
Purchase Prices Index 53.1
 sa, >50 = inflation since previous month Oct '20



Staff costs

Amid another reduction in staff numbers, average wage expenditure at private sector firms in Lebanon fell at the start of the fourth quarter. However, the rate of reduction eased substantially from September's series record and was modest overall.

Staff Costs Index 47.7
 sa, >50 = inflation since previous month Oct '20



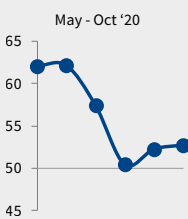
Output prices

Faced with higher input costs, firms opted to pass on some of the burden to their clients, with an increase in average output prices during October. The rate of charge inflation was little-changed for the second month running and only marginal overall.

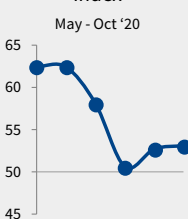
Output Prices Index 50.8
 sa, >50 = inflation since previous month Oct '20



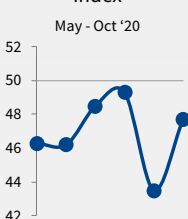
Overall Input Prices Index



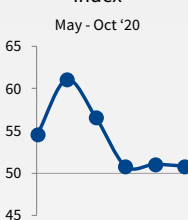
Purchase Prices Index



Staff Costs Index



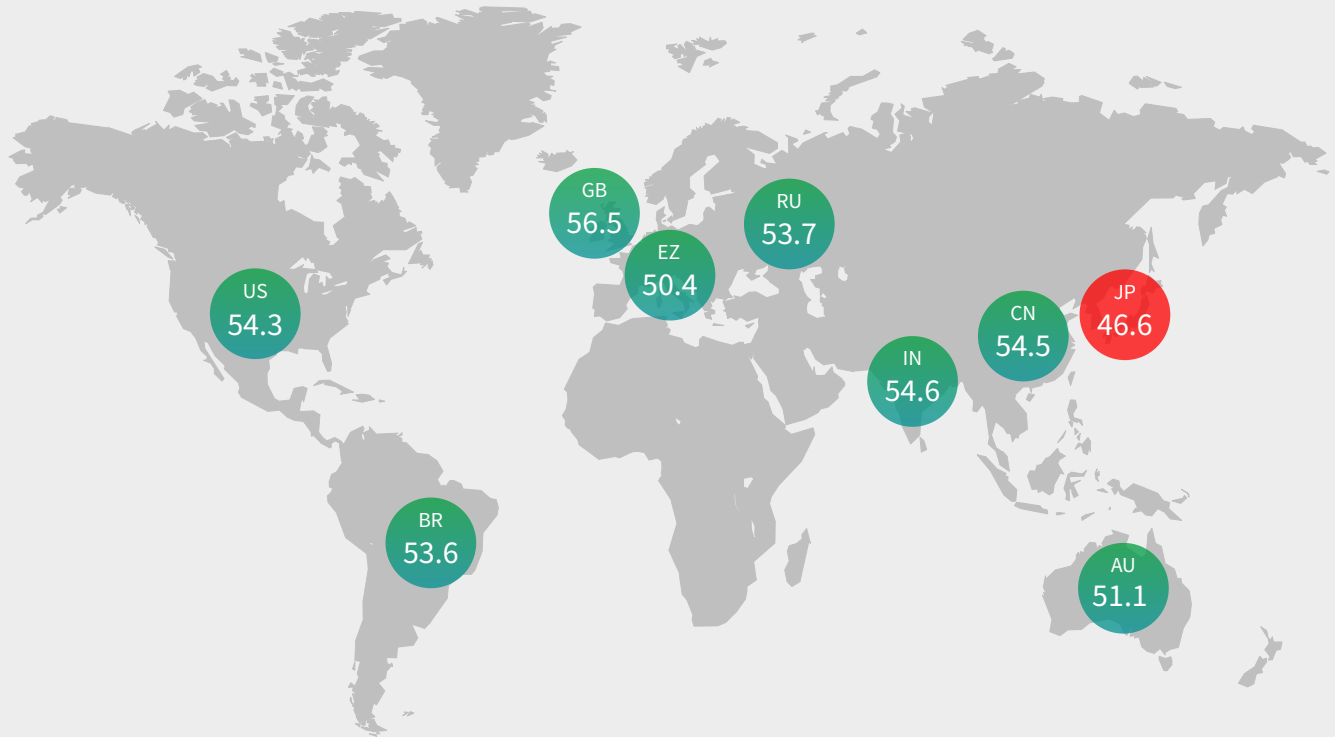
Output Prices Index



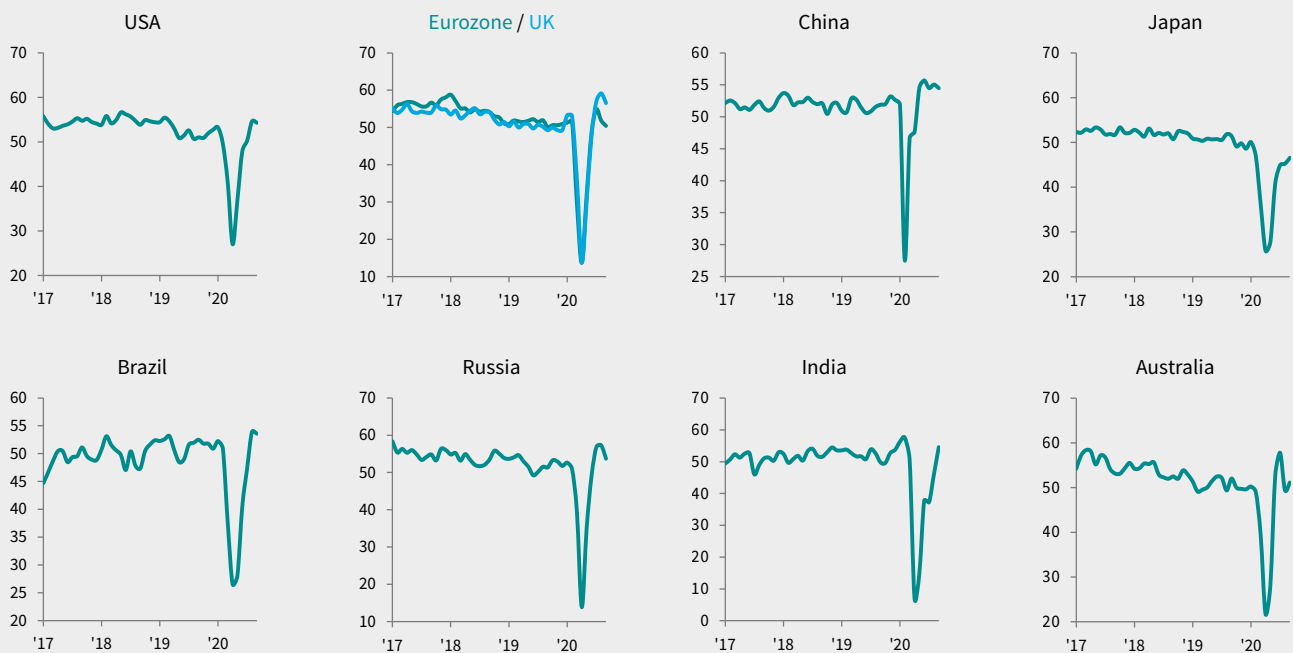
International PMI

Composite Output Index, Sep '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
05 '20	37.2	27.3	27.2	30.9	2.1	49.5	27.1	26.6	48.7	46.4	62.1	62.4	46.3	54.5
06 '20	43.2	38.5	38.0	36.7	1.5	48.3	37.5	39.2	48.8	48.6	62.2	62.4	46.2	61.1
07 '20	44.9	40.8	40.9	45.3	1.1	48.4	41.9	40.8	46.5	47.5	57.5	58.1	48.5	56.6
08 '20	40.1	31.8	31.7	33.6	0.0	49.5	32.4	31.9	46.8	47.8	50.5	50.6	49.3	50.8
09 '20	42.1	35.5	35.2	40.8	0.0	49.4	38.3	39.5	46.2	47.1	52.3	52.7	43.5	51.0
10 '20	43.3	37.7	37.6	42.2	0.8	49.3	39.2	39.7	47.9	49.3	52.8	53.1	47.7	50.8

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.

October 2020 data were collected 12-26 October 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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