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Headline PMI falls for the first time in three months

Contractions in output and new orders accelerate

Employment continues to decline, albeit at a marginal pace

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 42.4, down from 43.3 in October, indicated a sharper deterioration in Lebanese business conditions during November. The result marked the first acceleration in the rate of

decline since August.

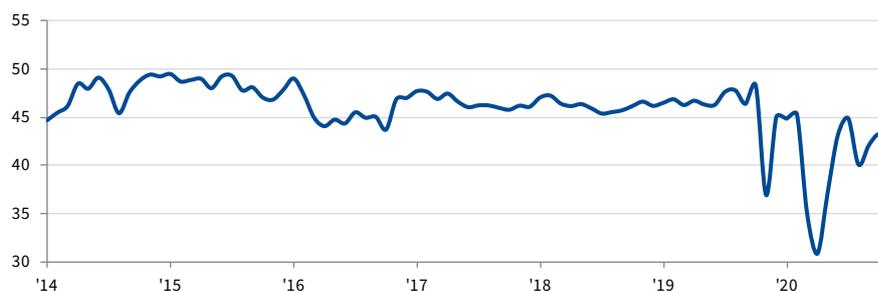
The quicker deterioration in business conditions was partially driven by a stronger contraction in output midway through the fourth quarter. The decline in business activity was sharp, with panellists often citing the introduction of coronavirus disease 2019 (COVID-19) lockdown restrictions.

November data also pointed to a marked reduction in new orders received by Lebanese businesses. The rate of contraction was far stronger than the historical average and among the quickest since data collection began just over seven-and-a-half years ago. Some survey respondents noted that their clients were hesitant to place orders amid COVID-19 uncertainty.

Amid deteriorating demand conditions, businesses continued to pare back their staff numbers in November. The result extended the current sequence of workforce

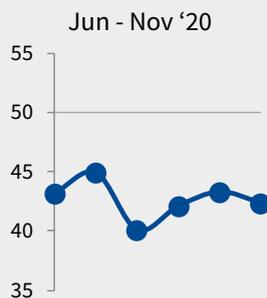
continued...

Lebanon PMI
sa, >50 = improvement since previous month



Lebanon PMI

Nov '20
42.4
 Oct: 43.3



Overview continued...

contraction that began in September 2019. However, the rate of reduction remained only marginal overall.

The COVID-19 pandemic caused disruption at suppliers midway through the fourth quarter, with input delivery times continuing to lengthen. That said, the rate at which vendor performance deteriorated eased to the softest for five months and was moderate overall.

On the cost front, input prices faced by Lebanese businesses rose further in November, extending the current sequence of inflation that began in March 2019. Moreover, the latest increase was the quickest for four months and solid overall. Underlying data revealed that overall expenses were driven higher by purchase prices, while staff costs fell at a quicker pace.

Firms opted to pass on some of the additional costs to their clients, with another increase in average output prices during November. The rate of charge inflation was the quickest for four months, but far slower than June's series record.

Finally, sentiment towards the one-year business outlook remained deep in negative territory during November. The degree of pessimism was among the most severe since the survey's inception in May 2013. Panellists often commented that the expect the current economic crisis to continue.

Comment

Commenting on the BLOM Lebanon PMI for November 2020, Dr. Fadi Osseiran, General Manager of BLOMINVEST Bank, said:

"The Blom Lebanon PMI of November 2020 at 42.4 confirms yet again what the Lebanese economy has been going through since at least a year, made worse by the latest COVID-19 lockdown: that is, severe declines in income, production and business expectations. What is truly surprising is how decision makers have let the economy to free fall without taking any corrective actions to

the contrary, allowing it to painfully and irresponsibly adjust on its own. This has hardly happened in any country of the world today."



Output and demand

Output

Lebanese businesses reported another decline in output midway through the fourth quarter. Moreover, the rate of contraction accelerated for the first time in three months and was sharp overall. Panellists often commented that lower activity was linked to the new COVID-19 lockdown restrictions.

New orders

In a sign of deteriorating demand conditions, new orders received by private sector firms in Lebanon fell markedly during November. The rate of decline was far stronger than the historical average and among the quickest since data collection began in May 2013. Survey respondents noted that their clients were hesitant to place orders amid uncertainty surrounding the duration of the COVID-19 crisis.

New export orders

Foreign sales at Lebanese businesses continued to fall during November. This was indicated by the seasonally adjusted New Export Orders Index registering below the 50.0 no-change mark. Moreover, the rate of contraction accelerated for the time since August and was marked overall.

Output Index

sa, >50 = growth since previous month

36.1

Nov '20



New Orders Index

sa, >50 = growth since previous month

36.0

Nov '20

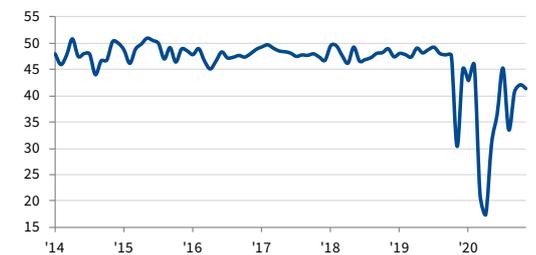


New Export Orders Index

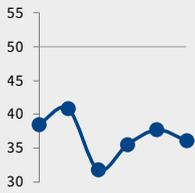
sa, >50 = growth since previous month

41.4

Nov '20



Output Index
Jun - Nov '20



New Orders Index
Jun - Nov '20



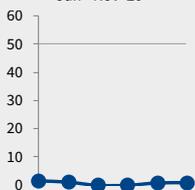
New Export Orders Index
Jun - Nov '20



Business expectations

Future Output Index

Jun - Nov '20



Lebanese businesses remained severely pessimistic towards the 12-month outlook for activity in November. The level of sentiment remained among the weakest since the series began just over seven-and-a-half years ago. When explaining negativity, panellists commented that they expected a further deterioration in economic conditions.

Future Output Index

>50 = growth expected over next 12 months

0.9

Nov '20



Employment and capacity

Employment

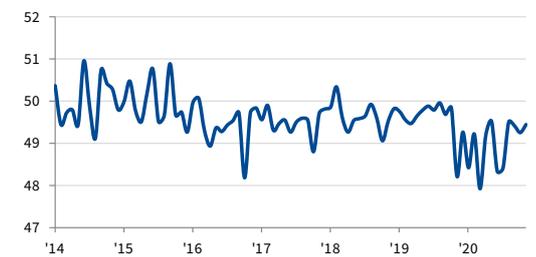
Although private sector companies continued to cut their staff numbers in the latest survey period, the rate of workforce contraction remained only marginal overall. This was indicated by the seasonally adjusted Employment Index registering just slightly below the 50.0 no-change mark.

Employment Index

sa, >50 = growth since previous month

49.5

Nov '20



Backlogs of work

Despite firms employing fewer staff, another drop in new orders saw backlogs of work fall markedly in November. That said, the rate of depletion eased to the softest for four months. Approximately 18% of survey participants registered a decrease in outstanding business, while the remaining 82% reported no change.

Backlogs of Work Index

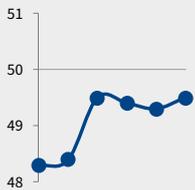
sa, >50 = growth since previous month

40.4

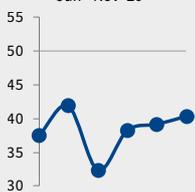
Nov '20



Employment Index
Jun - Nov '20



Backlogs of Work Index
Jun - Nov '20

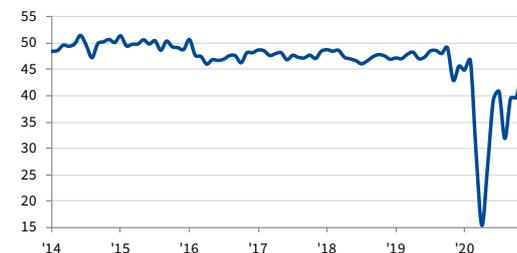


Purchasing and inventories

Quantity of purchases

Purchasing activity at private sector firms in Lebanon continued to fall at a marked pace in November. However, the latest decline was the slowest since before the escalation of the COVID-19 pandemic in March. Anecdotal evidence indicated that the fall in input buying was driven by a softening in demand conditions.

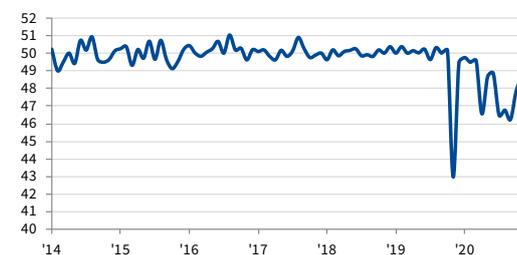
Quantity of Purchases Index 44.6
 sa, >50 = growth since previous month Nov '20



Suppliers' delivery times

Input delivery times continued to lengthen in November, extending the current sequence to just over a year. That said, the rate at which vendor performance deteriorated eased to the softest for five months and was only modest overall. Panellists often commented that delays were driven by COVID-19 disruption.

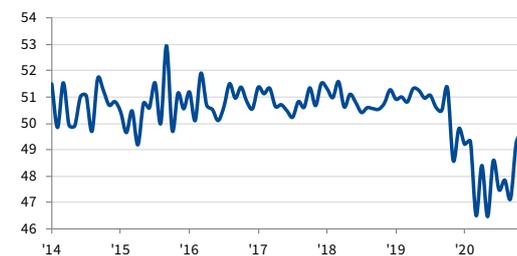
Suppliers' Delivery Times Index 48.6
 sa, >50 = faster times since previous month Nov '20



Stocks of purchases

November data pointed to another contraction in input inventories across the Lebanese private sector. However, the rate of reduction was the slowest in 2020 so far and only marginal overall. Approximately 1% of panellists saw input stocks fall, while around 99% recorded no change from October.

Stocks of Purchases Index 49.7
 sa, >50 = growth since previous month Nov '20



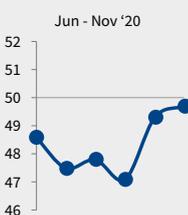
Quantity of Purchases Index



Suppliers' Delivery Times Index



Stocks of Purchases Index

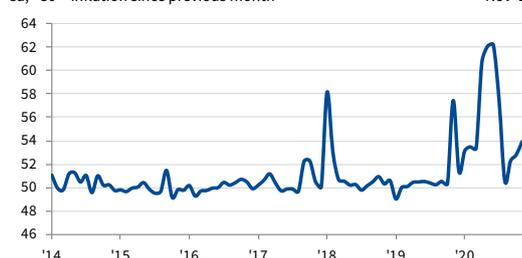


Prices

Overall input prices

Input prices paid by Lebanese businesses rose further in November, extending the current run of inflation that began in March 2019. Moreover, the latest increase was the quickest for four months and solid overall. Underlying data indicated the result was driven by higher purchase prices, while staff costs continued to decline.

Overall Input Prices Index 53.9
 sa, >50 = inflation since previous month Nov '20



Purchase prices

Prices paid for raw materials and other physical inputs in the Lebanese private sector rose midway through the fourth quarter. The rate of inflation was the quickest for four months and marked overall.

Purchase Prices Index 54.6
 sa, >50 = inflation since previous month Nov '20



Staff costs

Amid a further decrease in employment, staff costs at Lebanese private sector firms continued to decline in November. This was indicated by the respective seasonally adjusted index posting below the 50.0 no-change mark. The rate of reduction accelerated from October and was solid.

Staff Costs Index 46.4
 sa, >50 = inflation since previous month Nov '20



Output prices

Average output charges rose further in November, albeit with the rate of inflation remaining far softer than June's series record. When explaining higher output prices, survey respondents often cited an increase in cost burdens and the need to maintain profit margins.

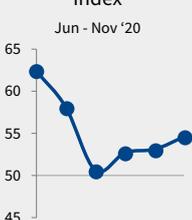
Output Prices Index 51.6
 sa, >50 = inflation since previous month Nov '20



Overall Input Prices Index
 Jun - Nov '20



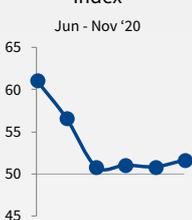
Purchase Prices Index
 Jun - Nov '20



Staff Costs Index
 Jun - Nov '20



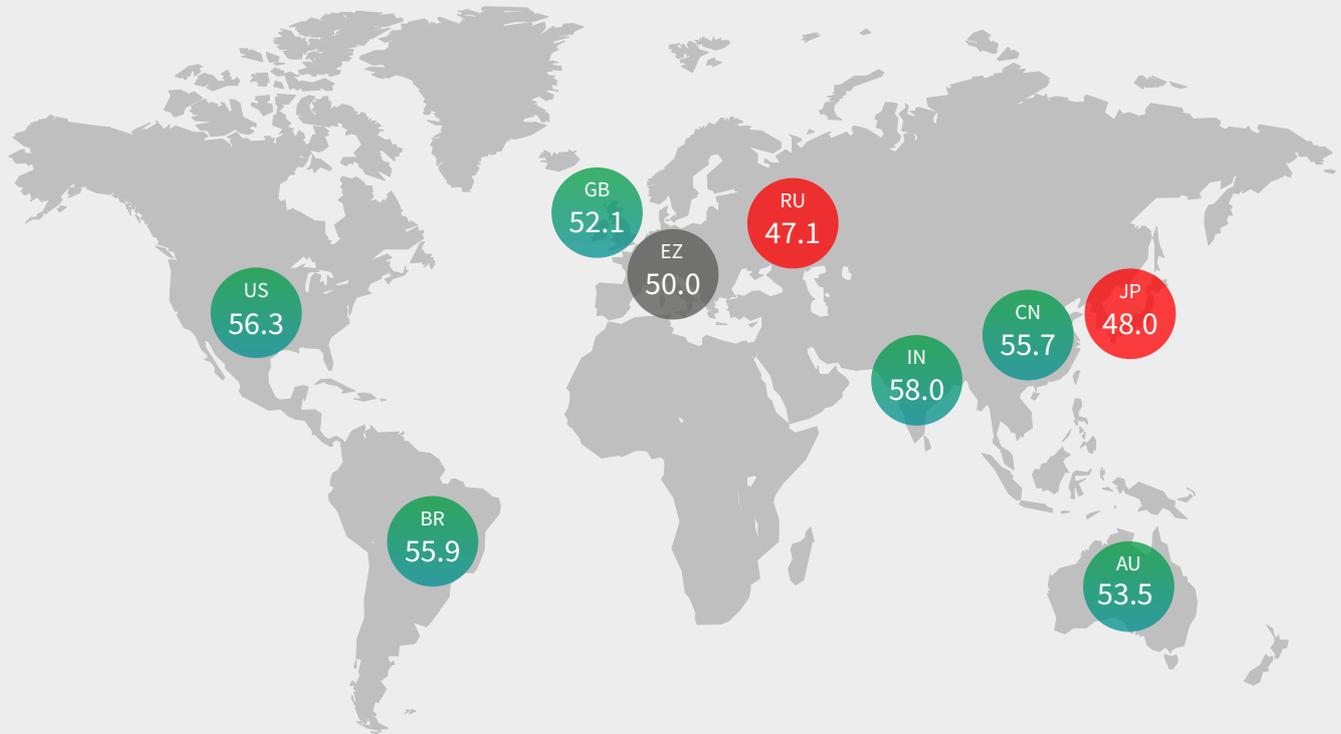
Output Prices Index
 Jun - Nov '20



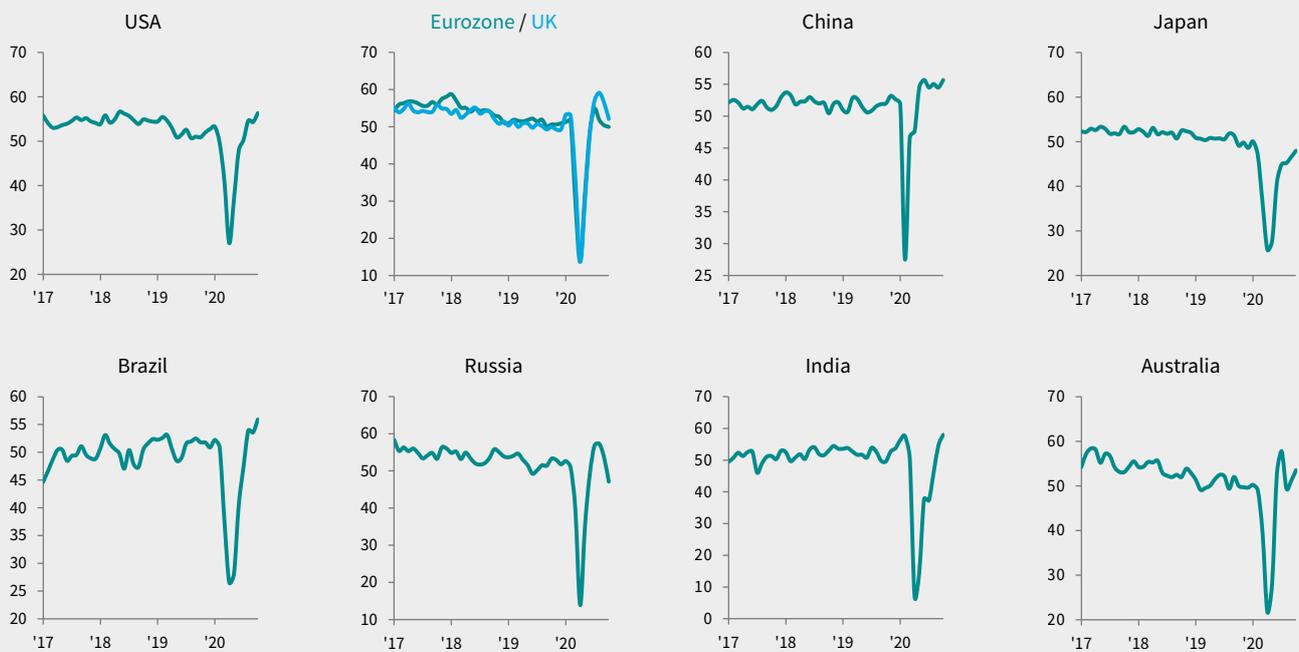
International PMI

Composite Output Index, Oct '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
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
11 '20	42.4	36.1	36.0	41.4	0.9	49.5	40.4	44.6	48.6	49.7	53.9	54.6	46.4	51.6

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.

November 2020 data were collected 12-24 November 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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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.

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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