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BLOM Lebanon PMI®

Deterioration in business conditions softens in December

Key findings

Health of Lebanese private sector declines further, albeit at softer pace

Output and new orders fall at slowest rates for five months...

... but pace of job shedding accelerates

Data were collected 4-17 December

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 43.2, up from 42.4 in November, pointed to a softer deterioration in Lebanese business conditions during December. That said, the rate of decline was still sharper than the historical average.

The latest downturn in operating conditions was partially driven by a further contraction in output across the private sector. Anecdotal evidence suggested that demand conditions remained severely subdued due to the ongoing political and economic crisis in the country. Although marked overall, the latest reduction in activity was, however, the softest since July.

Similar to the trend for output, new orders received by private sector companies continued to decline in the final month of 2020. The result extended the current sequence of contraction that began in June 2013. The rate of reduction eased slightly from November but remained marked.

Overall demand received little support from international markets, with new export orders falling further in December. That said, the pace of decline eased to the slowest for five months. Some panellists
continued...

Lebanon PMI

sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

Comment

Dr Ali Bobloul, Chief Economist/Head of Research at BLOM Bank, commented the following on the BLOM Lebanon PMI for December 2020:

"The Lebanese economy finished the year 2020 worse than it had started it, as the BLOM Lebanon PMI fell from 45.1 in December 2019 to 43.2 in December 2020. Overall, this implies that business conditions for the private sector have declined at an accelerating pace in 2020. And so has private sector employment, an index that points towards further emigration and brain drain for Lebanon. And it is not like 2021 and the near future is looking better, as the economic crisis, Covid-19, and regional instability continue to rage. Perhaps putting an end to the senseless political deadlock over the formation of a functioning government will turn things around, as the country can't afford the luxury of losing more and more time."

commented that regional instability had weighed on foreign sales.

Amid the continued reduction in both output and new orders, Lebanese business cut their staff numbers at the end of the fourth quarter. Moreover, the rate of job shedding accelerated to the quickest since July.

Lower output requirements and softer demand conditions also saw firms reduce their purchasing activity in December, extending the current run that began in February 2016. Moreover, the rate of decline quickened slightly from November, when it was the softest for nine months.

The decrease in input buying led to a fourteenth successive monthly contraction in inventories. Although slightly faster than in the previous survey period, the pace of contraction was only marginal.

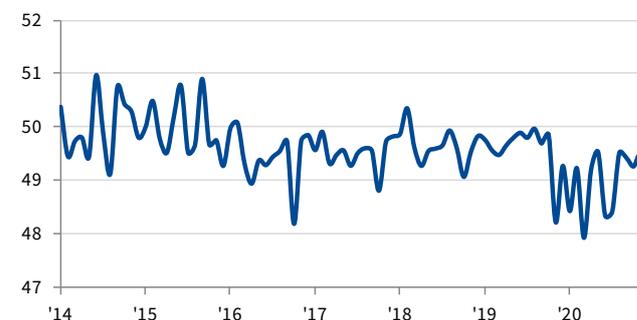
On the supply, input delivery times faced by private sector firms continued to lengthen. That said, the rate at which vendor performance deteriorated was the softest for six months.

Meanwhile, cost burdens continued to rise at a solid pace, despite the rate of input price inflation softening from November. Underlying data revealed that the latest increase was predominantly driven by higher purchase prices, while staff costs continued to fall, though each at a softer pace

Private sector firms opted to pass on some of the additional costs to their clients with an increase in average output prices during December. That said, the rate of charge inflation decelerated slightly from the previous survey period and was only slight overall.

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.

December 2020 data were collected 4-17 December 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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