

Embargoed until 1100 EET (0900 UTC) 3 February 2021

BLOM Lebanon PMI®

Quickest deterioration in Lebanese business conditions for five months

Key findings

Health of private sector declines at fastest rate since Beirut port explosion

Firms see marked contractions in both output and new orders

Employment continues to fall, albeit at a slower pace

Data were collected 12-25 January

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 41.0, down from 43.2 in December, pointed to a sharper deterioration in Lebanese business conditions at the start of 2021. In fact, the rate of decline was the strongest since the Beirut port explosion in August 2020 and among the fastest since data collection began in May 2013.

January's downturn was partially driven by a further contraction in output at Lebanese businesses. The latest reduction was the quickest for five months. Panellists often commented that restrictions related to the coronavirus disease 2019 (COVID-19) pandemic continued to reduce operating capacity.

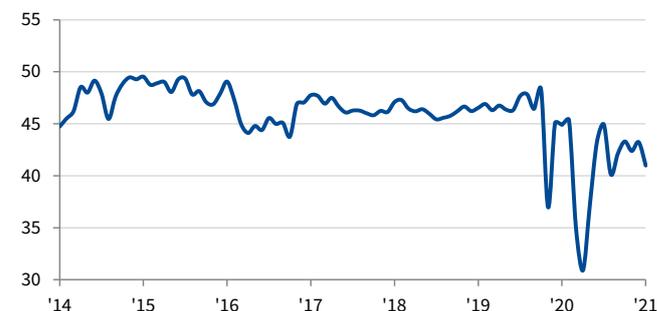
Latest data also signalled a further deterioration in demand conditions faced by private sector firms. New orders fell sharply and at the quickest rate since last August. The reduction was partially driven by weaker international demand, with foreign sales continuing to decline.

Amid lower output capacity and subdued demand conditions, businesses continued to cut their staff numbers in January. The decrease extended the current run that began in September 2019.

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Lebanon PMI

sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

Comment

Dr Fadi Osseiran, GM of BLOMINVEST Bank, commented on the January 2021 BLOM Lebanon PMI:

“In terms of BLOM Lebanon PMI, it was really no surprise that the beginning of year 2021 has picked up where the year 2020 has ended. At 41, the January 2021 PMI was in fact notably lower than the December 2020 PMI of 45.1. Moreover, what especially marked the January 2021 PMI was the deterioration in output, new orders and export orders, and higher inflation. These were explained by a worsening in the usual suspects of factors, ranging from exchange rate depreciations to liquidity shortages to adverse demand conditions, not to mention the total lockdown due to the Corona epidemic. But what casts the darkest shadow on business conditions is the absence so far of any government action to deal with the country's deepening economic crisis.”

That said, the rate of job shedding eased from December and was marginal overall.

On the supply-side, input delivery times lengthened further in the latest survey period. The rate at which vendor performance deteriorated was slightly stronger than in the previous two months, but still only modest overall. Some panellists commented that US dollar liquidity issues had contributed to delivery delays.

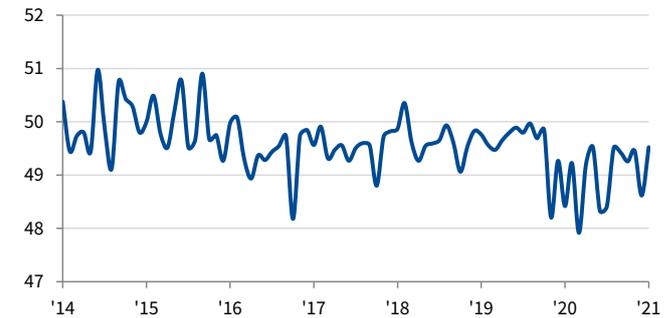
Cost burdens faced by private sector firms continued to rise in opening month of 2021, extending the current run of input price inflation to almost two years. However, the latest increase was the slowest for four months and moderate overall. Underlying data indicated that the rise in input prices was driven by higher purchasing costs, while wage expenditure continued to fall.

In response to higher input costs, Lebanese businesses increased their average output prices in January. Moreover, the rate of charge inflation was one of the quickest since the series was inception, surpassed only by those recorded in May, June and July last year.

Looking forward, firms remained severely pessimistic towards the one-year business outlook. Anecdotal evidence suggested that negativity was driven by fears of a prolonged economic downturn due to the COVID-19 crisis.

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.

January 2021 data were collected 12-25 January 2021.

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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