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Output continues to fall markedly, but at softest rate since October 2019

Slower contraction in new orders as exports near stabilisation

Input prices increase sharply

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 46.4 in March, up from 42.2 in February, pointed to a further deterioration in Lebanese business conditions. However, the rate of decline eased to the softest since October 2019.

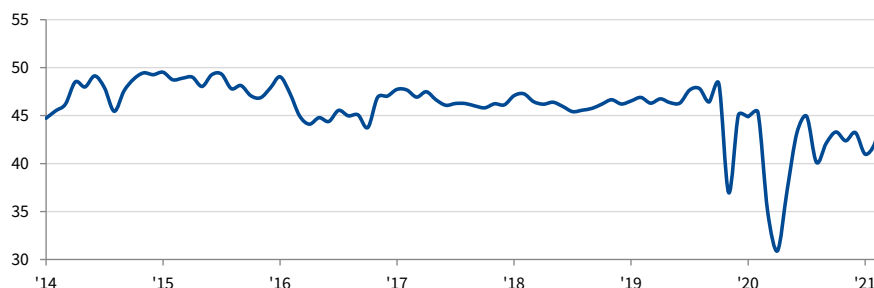
The softer downturn was partially supported by a slower fall in output during March. Though marked overall, the rate of contraction was the softest for 17 months. Where panellists recorded lower activity, some noted ongoing deterioration in demand conditions.

Concurrently, new orders received by Lebanese businesses continued to decline in the latest survey period. However, matching the trend for output, the rate of reduction was the slowest since October 2019. When explaining the ongoing downturn, survey participants often mentioned lower purchasing power of clients, following a sharp rise in the relative value of the US dollar.

Underlying data indicated that the reduction in overall sales was partially driven by weaker international demand. However, the rate of decline in foreign sales eased to the slowest since July 2019 and was moderate overall.

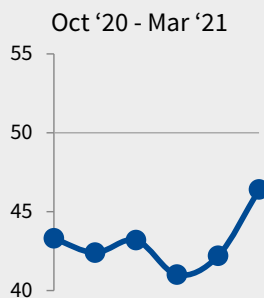
continued...

Lebanon PMI
sa, >50 = improvement since previous month



Lebanon PMI

Mar '21
46.4
 Feb: 42.2



Overview continued...

Meanwhile, cost burdens faced by private sector firms rose sharply in March. In fact, the rate of inflation accelerated to the quickest since June 2020 and was the fifth-fastest since data collection began in May 2013. The increase was driven by a sharp rise in purchase prices caused by US dollar liquidity issues. That more than offset a further, albeit slower, decline in staff cost.

Firms opted to pass on some of the additional costs to their clients in March, with an increase in average output prices. Moreover, the rate of charge inflation was the quickest for nine months and sharp overall.

Finally, following a stabilisation in February, there was a renewed downturn in staff numbers during March. However, the rate of job shedding was only marginal overall.

Comment

Commenting on the BLOM Lebanon PMI for March 2021, Tala Nasrallah, Senior Research Analyst at BLOMINVEST Bank, said:

“The March 2021 BLOM Lebanon PMI reached its highest level in 17 months, signalling a softer decline in operating conditions. The PMI reading was 46.4, higher by 4.2 points from February and driven mainly by slower contractions in output and new orders indexes that each hit 43.2 at end of the first quarter 2021. However, business expectations remain very depressed, marred by political instability, liquidity constraints, and

lower purchasing power. As important, and added to that, is the collapse in the Lebanese pound that incited double digit inflation, following a shortage in foreign currency liquidity, and led to a sharp rise in output cost, noting that Lebanese sectors rely on imports to secure their basic needs, despite the subsidization of the main essential goods. Most important, enhancing business conditions necessarily depends on a new government formation and effective action plan to reverse the lingering economic crisis.”



Output and demand

Output

Lebanese private sector output continued to decline at the end of the first quarter. However, the rate of contraction eased to softest since October 2019. When explaining reductions in activity, some panellists mentioned persistent weakness in demand conditions.

Output Index

sa, >50 = growth since previous month

43.2

Mar '21



New orders

March data pointed to a further deterioration in demand conditions faced by private sector firms in Lebanon, with new orders falling further. Though sharp overall, the latest decrease was, however, the slowest for nearly a year-and-a-half. Anecdotal evidence indicated that the rising value of the US dollar had decreased purchasing power.

New Orders Index

sa, >50 = growth since previous month

43.2

Mar '21



New export orders

Foreign sales at Lebanese businesses continued to trend towards stabilisation in March. Although exports fell further, extending the current run of decline to 68 months, the latest reduction was the softest since July 2019 and only modest overall.

New Export Orders Index

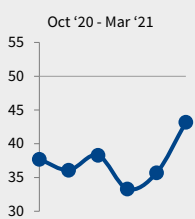
sa, >50 = growth since previous month

48.7

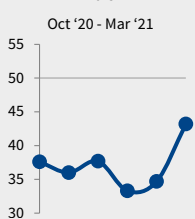
Mar '21



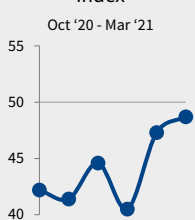
Output Index
Oct '20 - Mar '21



New Orders Index
Oct '20 - Mar '21

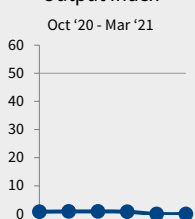


New Export Orders Index
Oct '20 - Mar '21



Business expectations

Future Output Index
Oct '20 - Mar '21



As was the case in February, expectations regarding future activity in the Lebanese private sector remained at rock bottom in March. 100% of respondents forecast a decline in output over the coming year, with many citing ongoing political instability as a primary cause of pessimism.

Future Output Index

>50 = growth expected over next 12 months

0.0

Mar '21



Employment and capacity

Employment

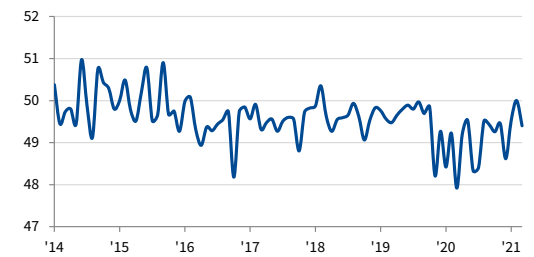
Following the first stabilisation for 18 months in February, there was a fresh downturn in private sector employment during March. The rate of job shedding was only marginal overall, however. Anecdotal evidence suggested the renewed decline was driven by the prolonged reduction in new business.

Employment Index

sa, >50 = growth since previous month

49.4

Mar '21



Backlogs of work

Capacity pressures in the Lebanese private sector remained subdued in March, with backlogs of work continuing to fall. Although marked overall, the latest decline was, however, the softest since February 2020 before the escalation of the COVID-19 pandemic.

Backlogs of Work Index

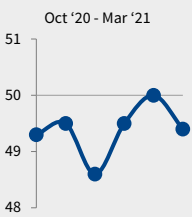
sa, >50 = growth since previous month

44.6

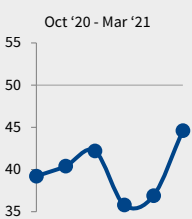
Mar '21



Employment Index
Oct '20 - Mar '21



Backlogs of Work Index
Oct '20 - Mar '21



Purchasing and inventories

Quantity of purchases

As has been the case in each month since February 2016, purchasing activity in the Lebanese private sector fell in the latest survey period. That said, the rate of decrease was the softest since before the escalation of the COVID-19 pandemic in March 2020.

Quantity of Purchases Index
sa, >50 = growth since previous month

44.9
Mar '21

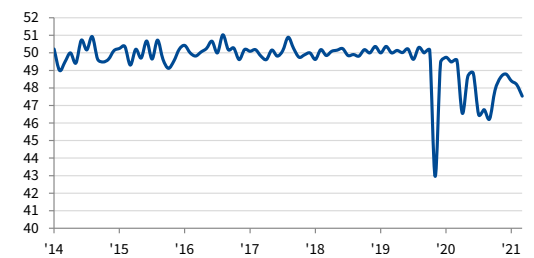


Suppliers' delivery times

Private sector firms in Lebanon continued to report lengthening delivery times in March, stretching the current run to 17 months. Moreover, vendor performance deteriorated to the greatest extent for six months in the latest survey period.

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

47.5
Mar '21



Stocks of purchases

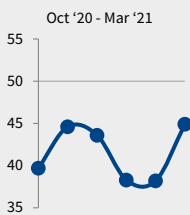
Following back-to-back monthly increases in January and February, there was a contraction in stocks of purchases during March. Although modest overall, the latest reduction was the quickest for six months.

Stocks of Purchases Index
sa, >50 = growth since previous month

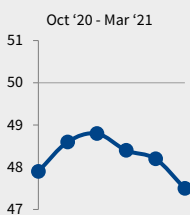
48.8
Mar '21



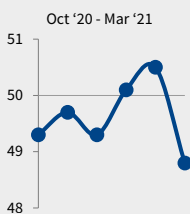
Quantity of Purchases Index



Suppliers' Delivery Times Index



Stocks of Purchases Index

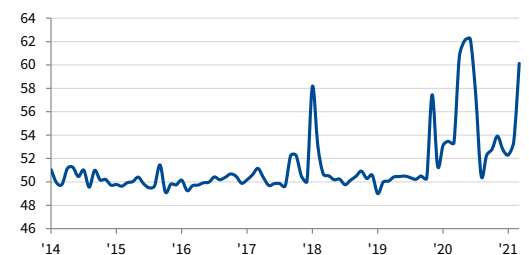


Prices

Overall input prices

Cost burdens faced by Lebanese business rose markedly during March. In fact, the rate of input price inflation accelerated to the fourth-quickest since data collection began in May 2013. Underlying data indicated that a sharp rise in purchase prices more than offset a further decline in staff costs.

Overall Input Prices Index 60.1
sa, >50 = inflation since previous month Mar '21



Purchase prices

Prices paid for raw materials and other physical inputs increased at the quickest rate for nine months during March. Moreover, the rate of inflation was historically marked. Anecdotal evidence suggested that costs were driven higher by a rise in the value of the US dollar.

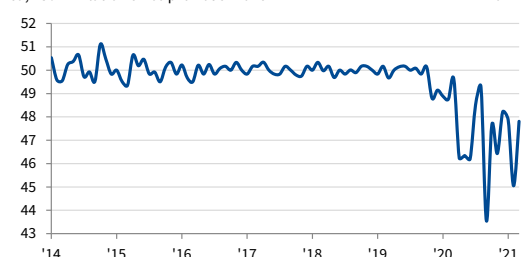
Purchase Prices Index 60.5
sa, >50 = inflation since previous month Mar '21



Staff costs

Staff costs at Lebanese businesses continued to fall in March, extending the current run of decline that began in November 2019. That said, the pace of reduction decelerated from February when it was the quickest for five months. The latest decrease was modest overall.

Staff Costs Index 47.8
sa, >50 = inflation since previous month Mar '21



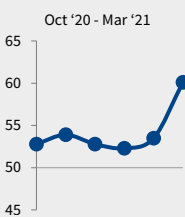
Output prices

In line with higher input costs, firms opted to continue increasing their average output prices in March. The rate of charge inflation accelerated sharply from February and was among the quickest recorded in the survey's history.

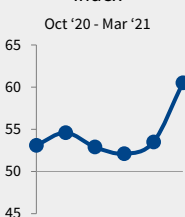
Output Prices Index 58.3
sa, >50 = inflation since previous month Mar '21



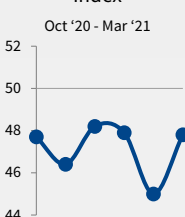
Overall Input Prices Index



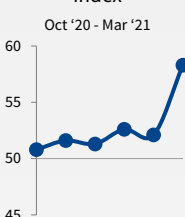
Purchase Prices Index



Staff Costs Index



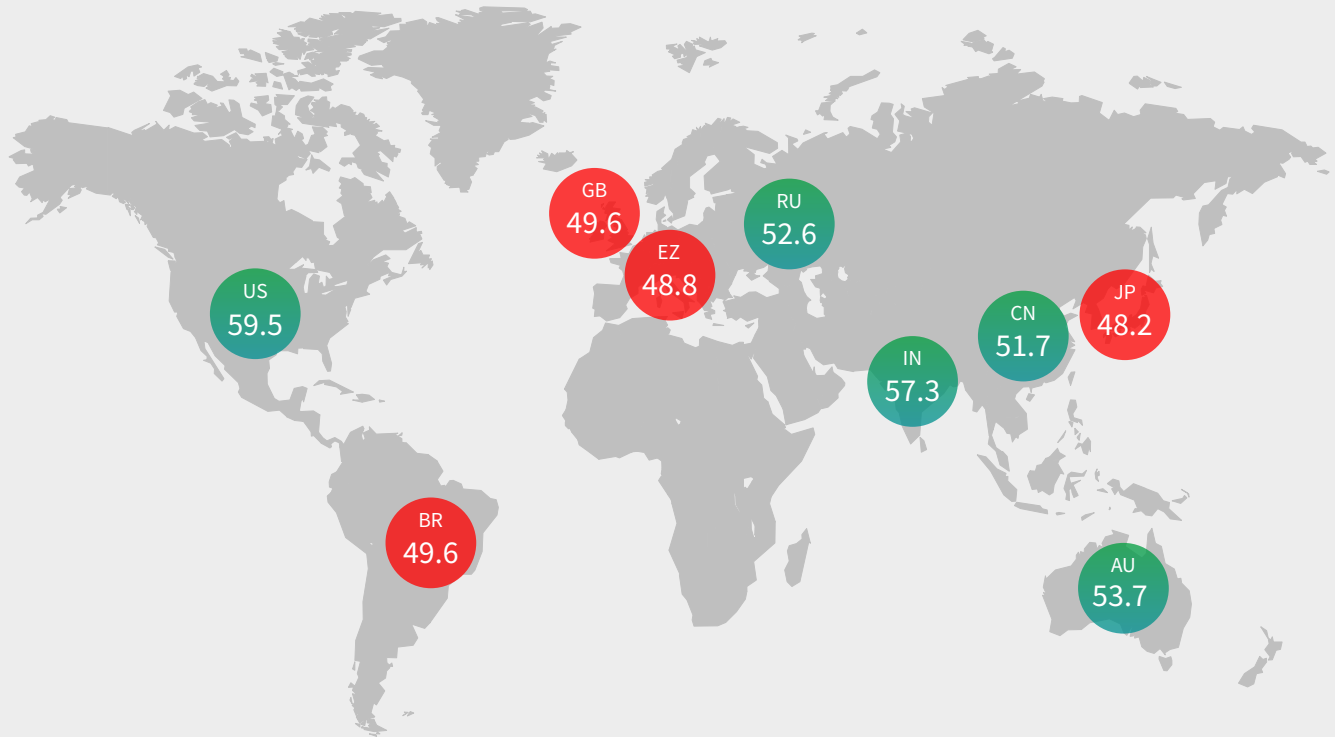
Output Prices Index



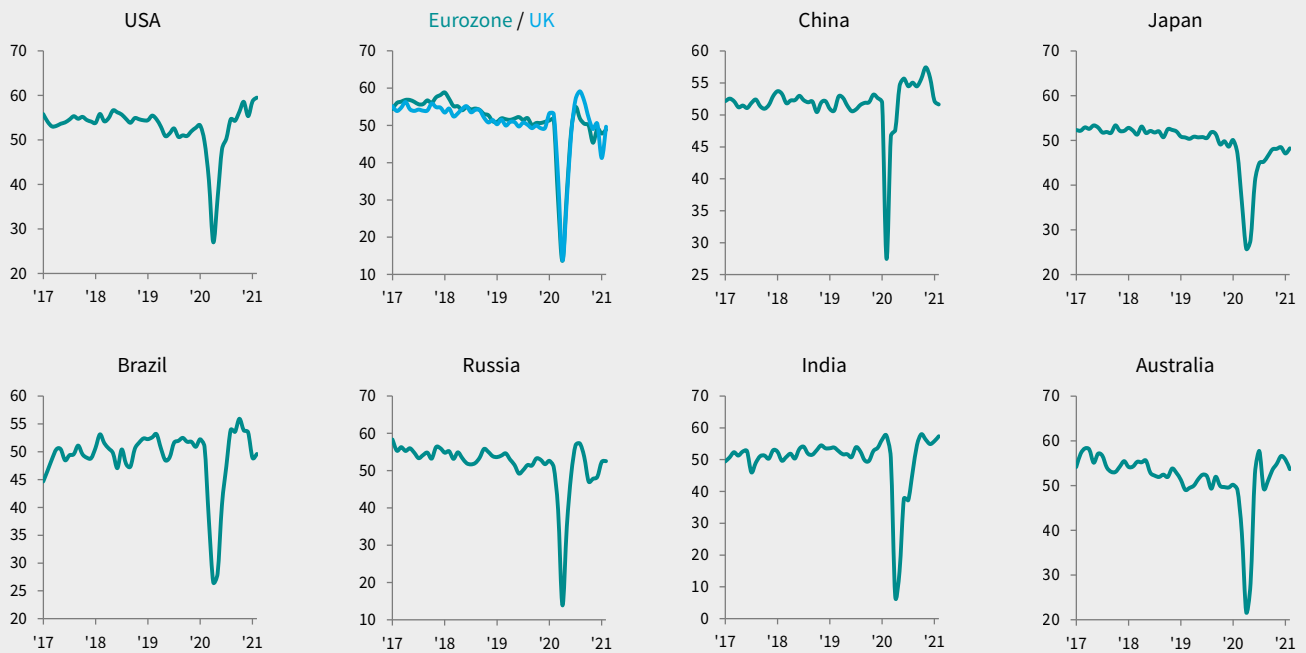
International PMI

Composite Output Index, Feb '21
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
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
12 '20	43.2	38.3	37.7	44.6	0.9	48.6	42.2	43.6	48.8	49.3	52.8	52.9	48.2	51.3
01 '21	41.0	33.3	33.3	40.5	0.8	49.5	35.8	38.3	48.4	50.1	52.3	52.1	47.9	52.6
02 '21	42.2	35.7	34.7	47.3	0.0	50.0	36.9	38.2	48.2	50.5	53.5	53.5	45.0	52.1
03 '21	46.4	43.2	43.2	48.7	0.0	49.4	44.6	44.9	47.5	48.8	60.1	60.5	47.8	58.3

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.

March 2021 data were collected 12-25 March 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.

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