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## BLOM Lebanon PMI®

# PMI hits 17-month high amid softer declines in output and new orders

### Key findings

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

Data were collected 12-25 March

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



Sources: BLOMINVEST BANK, IHS Markit.

### 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.”*

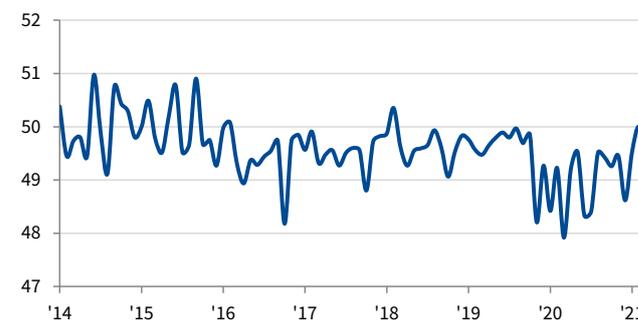
Meanwhile, cost burdens faced by private sector firms rose sharply in March. In fact, the rate of inflation accelerated to the quickest since June 2020 and was the fifth-fastest since data collection began in May 2013. The increase was driven by a sharp rise in purchase prices caused by US dollar liquidity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

### Employment Index

sa, >50 = growth since previous month



Sources: BLOMINVEST BANK, IHS Markit.

## Contact

Tala Nasrallah  
Research Analyst  
BLOMINVEST Bank  
T: +961 1 991 784  
[tala.nasrallah@blominvestbank.com](mailto:tala.nasrallah@blominvestbank.com)

Ali Bolbol  
Chief Economist / Head of Research  
BLOMINVEST Bank  
T: +961 1 739 817  
[ali.bolbol@blominvestbank.com](mailto:ali.bolbol@blominvestbank.com)

Eliot Kerr  
Economist  
IHS Markit  
T: +44-203-159-3381  
[eliot.kerr@ihsmarkit.com](mailto:eliot.kerr@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
IHS Markit  
T: +44-207-260-2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### 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](mailto: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](https://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](http://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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