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### Health of private sector declines at softest rate since October 2019

### Output and new order downturns ease, despite remaining sharp overall

### Prices continue to rise markedly

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 47.1 in April, up from 46.4 in March, pointed to the softest deterioration in business conditions faced by Lebanese private sector firms for 18 months, albeit one that was still solid

overall.

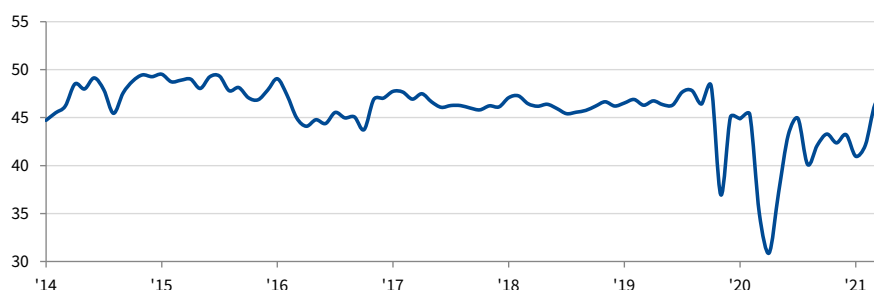
The improvement in the headline figure was partially supported by the trends in both output and new orders in April, with rates of decline easing to the slowest since October 2019 in both cases. However, the reductions in both indicators remained sharp overall. Anecdotal evidence indicated that a decline in purchasing power of firms' clients had seen demand conditions deteriorate further.

Similarly, amid a strengthening US dollar, cost burdens faced by private sector firms also rose in April. Despite easing from March's nine-month high, the rate of input price inflation was among the quickest since the survey began eight years ago. Higher purchase prices were the primary cause of increased costs, while wages continued to fall, albeit at a softer rate.

Firms opted to pass on some of the additional costs to their clients in April, with another increase in average output prices.

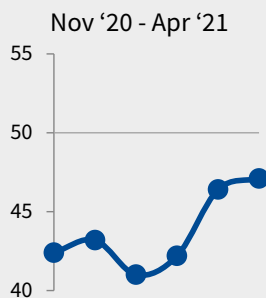
*continued...*

Lebanon PMI  
sa, >50 = improvement since previous month



## Lebanon PMI

Apr '21  
**47.1**  
 Mar: 46.4



## Overview continued...

The rate of charge inflation eased from March but remained historically marked.

Meanwhile, suppliers' delivery times faced by Lebanese businesses continued to lengthen in the latest survey period. That said, the extent to which vendor performance deteriorated was the least severe for just over a year and only marginal overall.

April data signalled a broad stabilisation in employment across the Lebanese private sector. The result followed a renewed downturn in staff numbers during March.

Despite little change to staff numbers, capacity pressures continued to ease. However, the rate of depletion in backlogs of work softened for the third month running and was the slowest since October 2019. Panel members often associated reductions in outstanding business with

weaker inflows of new work

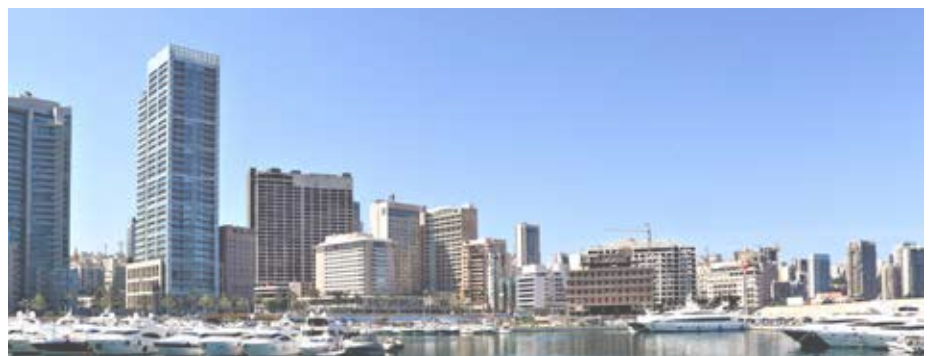
Looking forward, firms remained extremely pessimistic towards the 12-month business outlook. In fact, sentiment remained at rock bottom for the third month running. Some panellists noted concerns surrounding political instability and the difficult economic and financial situation.

## Comment

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

*“The rise in the BLOM Lebanon PMI of April 2021 to 47.1, indicates a softer deterioration in the private sector business conditions since October 2019. The rise was a result of the softer yet sharp decline in the trend of output and new orders, in addition to the easing of higher input and output cost burdens due to a weaker exchange rate coercing inflation upwards. Also, employment seemed to have broadly stabilized with wages registering a marginal decline.*”

*Despite all this, prospects regarding future business conditions and output remain in record low for the coming year, subsequent to Lebanon’s economic instability in the absence of government formation efforts and economic reform programs.”*



## Output and demand

### Output

Lebanese businesses recorded a further contraction in output at the start of the second quarter. However, the rate of decline eased to the softest for 18 months and was weaker than the series average. When explaining lower activity levels, some panellists mentioned subdued demand conditions.

### Output Index

sa, >50 = growth since previous month

44.6

Apr '21



### New orders

April data pointed to a continued reduction in new orders received by Lebanese private sector firms. Although marked overall, the latest downturn was the slowest recorded since October 2019. Anecdotal evidence indicated that a deterioration in purchasing power among firms' clients was a primary factor behind falling sales.

### New Orders Index

sa, >50 = growth since previous month

44.3

Apr '21



### New export orders

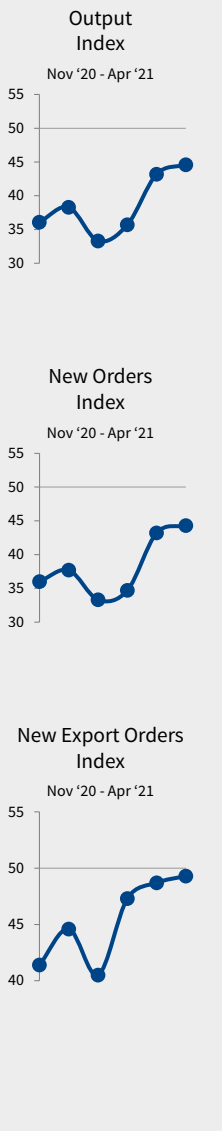
Although new export orders at Lebanese businesses fell in April, the rate of decline continued to trend towards stabilisation. In fact, the latest decrease in foreign sales was the softest since July 2019 and only slight overall.

### New Export Orders Index

sa, >50 = growth since previous month

49.3

Apr '21



## Business expectations

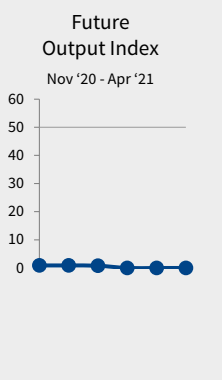
Sentiment regarding future activity remained at a record low in April, with respondents generally anticipating a fall in output over the next year. Panellists often noted expectations for further economic instability unless a sustainable government can be formed.

### Future Output Index

>50 = growth expected over next 12 months

0.0

Apr '21



## Employment and capacity

### Employment

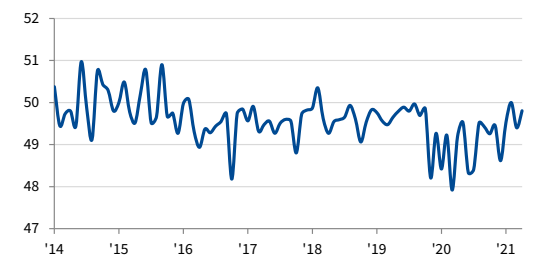
Following a slight decline in March, private sector employment broadly stabilised during April. This was indicated by the respective seasonally adjusted index posted approximately in line with the 50.0 no-change mark.

### Employment Index

sa, >50 = growth since previous month

49.8

Apr '21



### Backlogs of work

April data pointed to an easing of capacity pressures in the Lebanese private sector, with backlogs of work continuing to fall. That said, the rate of depletion slowed for the third month running to the softest since October 2019. Panellists often associated decreases in outstanding business with softer inflows of new work.

### Backlogs of Work Index

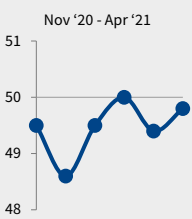
sa, >50 = growth since previous month

46.8

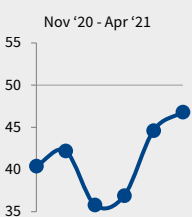
Apr '21



Employment Index



Backlogs of Work Index



## Purchasing and inventories

### Quantity of purchases

Latest survey data signalled another reduction in input buying at Lebanese businesses, extending the current run that began in February 2016. However, the latest downturn in purchasing activity was the slowest for a year-and-a-half and subdued compared to the series average.

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

47.3  
Apr '21

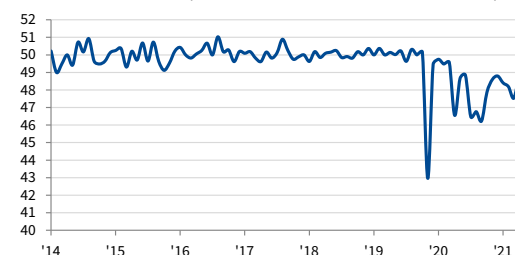


### Suppliers' delivery times

Lebanese private sector firms reported another lengthening of supplier delivery times at the start of second quarter. However, the latest deterioration in vendor performance was the least severe for just over a year and marginal overall.

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

48.9  
Apr '21



### Stocks of purchases

Following a renewed decline in March, there was a fractional expansion in inventories during April. This was indicated by the seasonally adjusted Stocks of Purchases Index posting just above the 50.0 no-change mark. Stock accumulation has now been evident in three of the past four months.

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

50.2  
Apr '21



**Quantity of Purchases Index**  
Nov '20 - Apr '21

**Suppliers' Delivery Times Index**  
Nov '20 - Apr '21

**Stocks of Purchases Index**  
Nov '20 - Apr '21

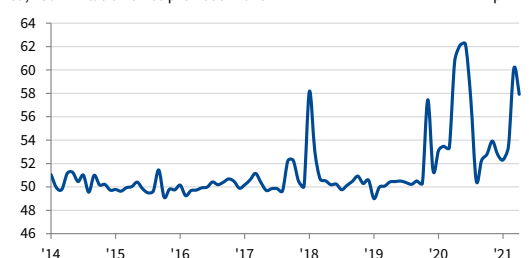


## Prices

### Overall input prices

Cost burdens faced by Lebanese businesses continued to rise in April. Despite easing from March's nine-month high, the rate of input price inflation remained marked overall. Underlying data indicated that the increase in costs was driven by purchase prices.

Overall Input Prices Index 57.9  
sa, >50 = inflation since previous month Apr '21



### Purchase prices

Prices paid for raw materials and other physical inputs rose sharply at the start of the second quarter. The rate of inflation eased from the previous survey period but was still among the quickest since data collection began in May 2013. Panellists often associated higher costs with an appreciation of the US dollar.

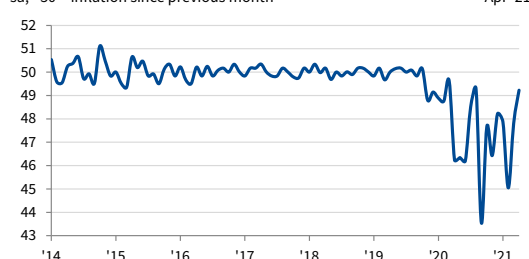
Purchase Prices Index 57.6  
sa, >50 = inflation since previous month Apr '21



### Staff costs

Staff costs at Lebanese businesses continued to decline in April, extending the current run to 18 months. However, the latest reduction was the softest since last August and only marginal overall. Some survey participants commented that cost cutting was necessary following a prolonged deterioration in demand conditions.

Staff Costs Index 49.2  
sa, >50 = inflation since previous month Apr '21



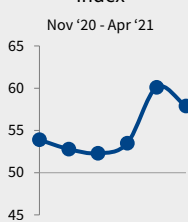
### Output prices

Average output prices at private sector firms in Lebanon rose in April. Albeit slower than March's recent high, the rate of charge inflation was the fourth-quickest since data collection began eight years ago. Firms often associated the latest increase with higher input costs.

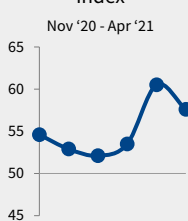
Output Prices Index 56.2  
sa, >50 = inflation since previous month Apr '21



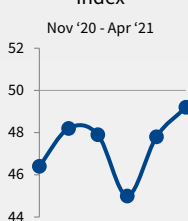
Overall Input Prices Index



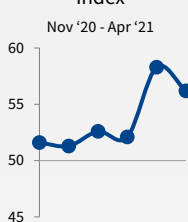
Purchase Prices Index



Staff Costs Index



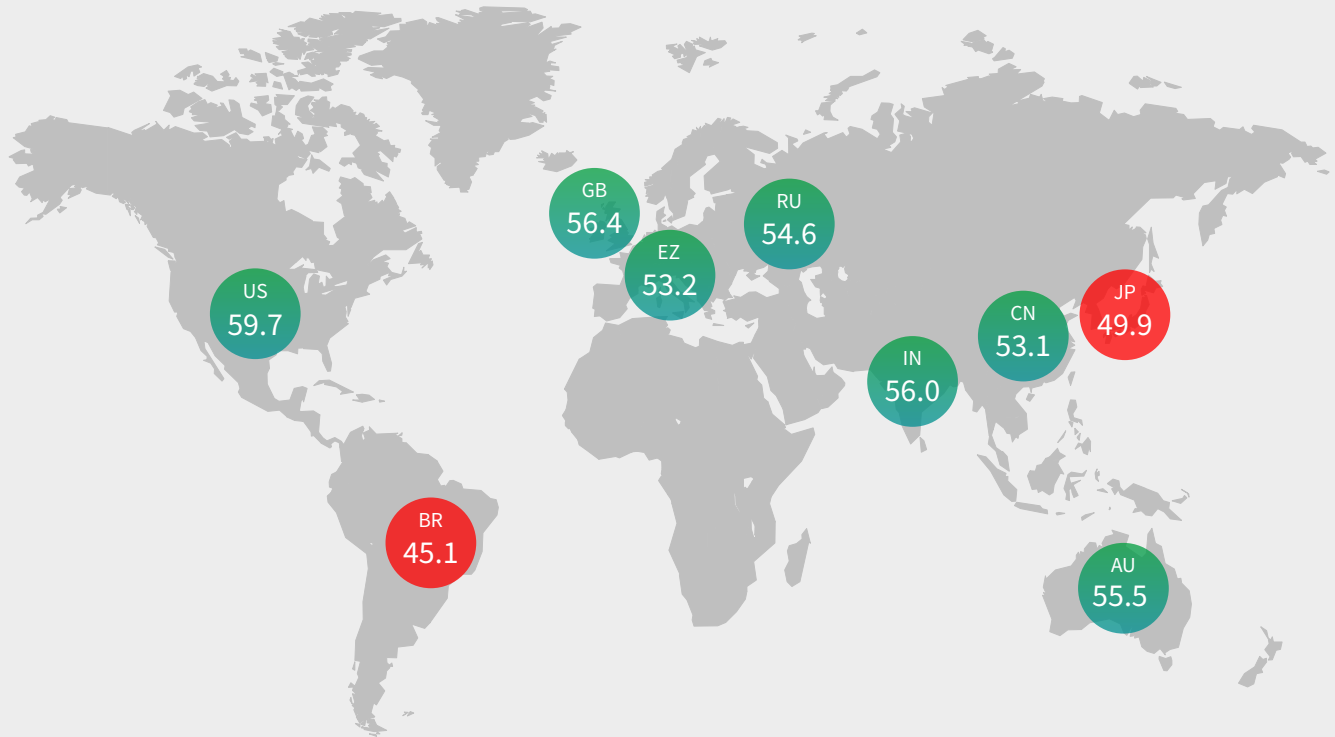
Output Prices Index



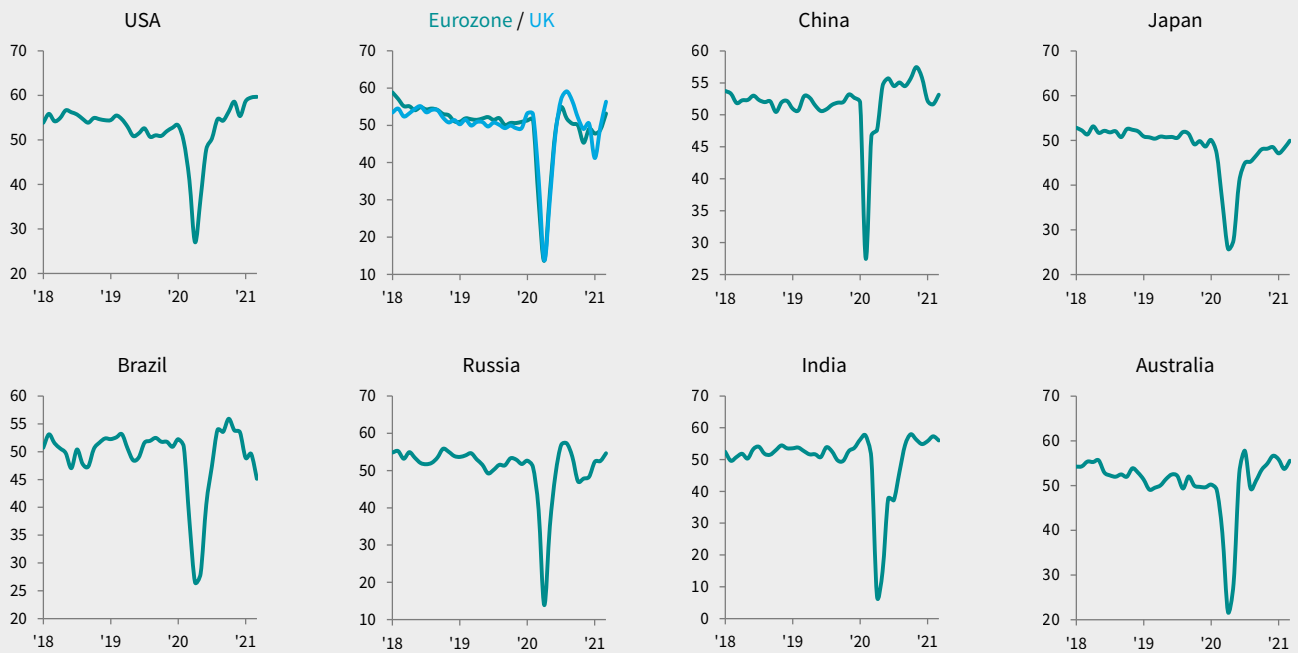
## International PMI

Composite Output Index, Mar '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
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
04 '21	47.1	44.6	44.3	49.3	0.0	49.8	46.8	47.3	48.9	50.2	57.9	57.6	49.2	56.2

### 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.

April 2021 data were collected 12-26 April 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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