



# BLOM Lebanon PMI®

## Lebanon PMI slips from May's 19-month high

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### Headline PMI drops slightly from May's high

### Declines in output and new orders gather pace

### Exchange rate weakness pushes up prices

Having showed tentative signs that the Lebanese economy may be approaching stabilisation in the May survey, the latest BLOM Lebanon PMI® data revealed a quicker deterioration in business conditions at the end of the second quarter. Both output and new orders fell at faster rates, leading to a drop in staffing levels. According to firms, poor cash availability, economic instability and a weakening exchange rate were key factors driving the stronger decline in operating conditions.

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.

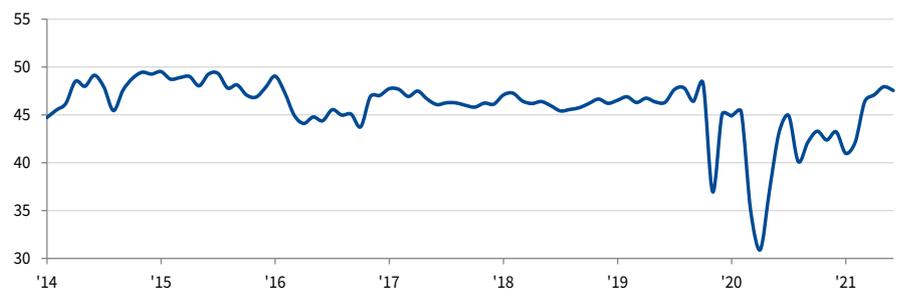
The headline BLOM Lebanon PMI fell to 47.5 in June, down from May's 19-month high of 47.9, to signal a faster deterioration in the health of Lebanon's private sector economy. That said, the headline index fell only marginally and was the second-highest reading since October 2019.

The slight dip in the headline PMI reflected a similar trend across both the output and new orders indices, which signalled quicker reductions. According to survey respondents, weak purchasing power due to the deteriorating value of the local currency adversely impacted sales, leading to reduced business activity. That being said, rates of contraction in both output and new orders were the second-softest since October 2019.

Meanwhile, volumes of new business from abroad, which stabilised during May, decreased at the fastest pace in four months in June. Anecdotal evidence

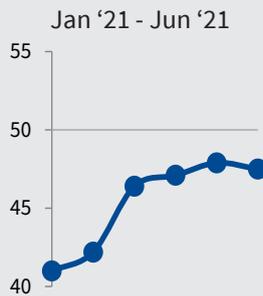
*continued...*

Lebanon PMI  
sa, >50 = improvement since previous month



## Lebanon PMI

Jun '21  
**47.5**  
 May: 47.9



## Overview continued...

indicated that political and economic instability curtailed demand from international clients.

A lack of incoming new orders resulted in a sharper decline in capacity pressures, according to the latest survey data. Overall, the rate of backlog depletion was solid and the fastest since March. Consequently, employment levels were reduced for the fourth month in succession.

Lower staffing numbers contributed to a further month of falling labour costs in June, although overall input price inflation accelerated for the first time since March. The pickup in cost pressures reflected greater purchase prices, which survey respondents attributed to a weaker US dollar exchange rate. In an effort to protect margins, selling charges were lifted at a stronger rate than in May.

Elsewhere, the latest survey data pointed to a further lengthening of input lead times in June. Vendor performance deteriorated to the greatest extent in three months. This came despite a continued reduction in purchasing activity. Liquidity issues and difficulties in obtaining credit were mentioned by companies as reasons for cutting their input buying levels. As a result of delivery delays and lower input purchasing, pre-production stocks declined in June.

Looking ahead, Lebanese firms retained an extremely pessimistic view on expected output volumes over the next 12 months. Some businesses fear that a further erosion of purchasing power will restrict their output volumes in the year ahead.

## Comment

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

*“For the month of June, BLOM Lebanon PMI recorded a decline since last month reaching 47.5, reflecting the deterioration in business conditions and in output demand from international clients. For the second quarter of 2021, the country witnessed a continuous drop in purchasing power; notably a higher cost of imports following the weakening of the Lebanese pound in the parallel market. This also resulted in reduced business volumes over the*

*month of June, highest in three months, and a fall in private sector employment rate. As such, many local firms remain discouraged, expecting lower output volumes for the next 12 months as they face shortage in liquidity, difficulty in obtaining credit and a reduction in purchasing activity. Most importantly, results show the need for bringing back political and economic stability and for forming a new government to expedite growth-enhancing reforms in the near future. But, unfortunately, this does not seem to be likely at present.”*



## Output and demand

### Output

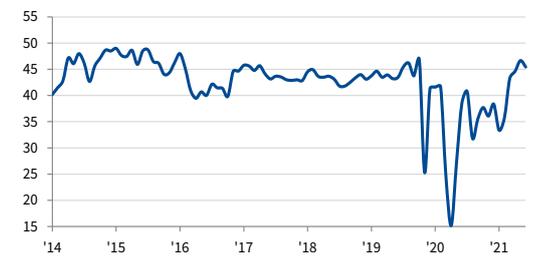
The seasonally adjusted Output Index registered below the 50.0 mark in June to signal a decline in activity across the Lebanese private sector. That said, the pace of reduction was the second-slowest since October 2019. Survey respondents linked lower output volumes to unfavourable economic conditions.

### Output Index

sa, >50 = growth since previous month

45.4

Jun '21



### New orders

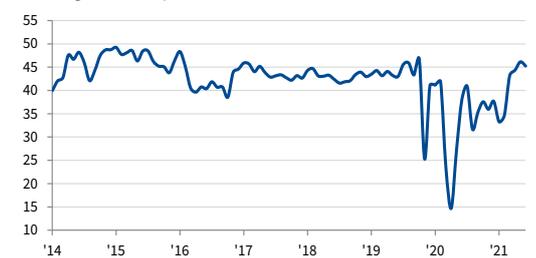
A similar trend to that of output was recorded in the seasonally adjusted New Orders Index. While new orders fell at a quicker pace than in May, it was the second-softest in just over two-and-a-half years. The latest drop in demand was attributed to weak purchasing power and the deteriorating value of the local currency.

### New Orders Index

sa, >50 = growth since previous month

45.2

Jun '21



### New export orders

Having stabilised during May and ending a 69-month period of declining foreign orders, June data signalled a return to contraction for new export business in Lebanon. The latest deterioration in overseas demand was linked to political and economic instability.

### New Export Orders Index

sa, >50 = growth since previous month

48.0

Jun '21



Output Index

Jan '21 - Jun '21



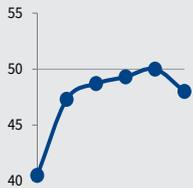
New Orders Index

Jan '21 - Jun '21



New Export Orders Index

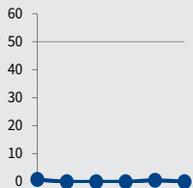
Jan '21 - Jun '21



## Business expectations

Future Output Index

Jan '21 - Jun '21



Lebanese private sector companies remained extremely downbeat regarding the 12-month outlook for output during June. Political and economic uncertainty, as well as expectations of eroding purchasing power underpinned the pessimistic outlook. In some cases, firms remarked on the impossibility to forecast future output levels as it relies on uncertain domestic political and economic developments.

### Future Output Index

>50 = growth expected over next 12 months

0.0

Jun '21



## Employment and capacity

### Employment

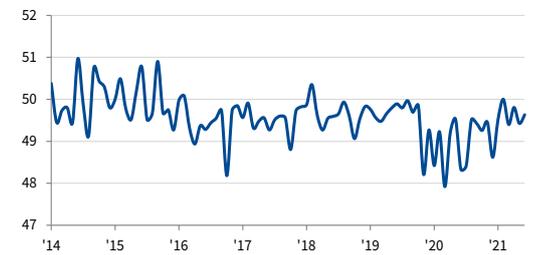
As has been the case since March, private sector employment in Lebanon fell at the end of the second quarter. The rate of job shedding was mild overall and broadly in line with the long-run average. The vast majority (98%) of firms recorded no change in their staffing levels.

### Employment Index

sa, >50 = growth since previous month

49.6

Jun '21



### Backlogs of work

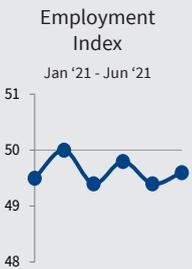
Volumes of outstanding business continued to decline during June, with the seasonally adjusted Backlogs of Work Index posting below the neutral 50.0 threshold. The rate of depletion quickened and was the strongest in three months. Companies recording a decline in incomplete business commented on a lack of new work.

### Backlogs of Work Index

sa, >50 = growth since previous month

46.0

Jun '21



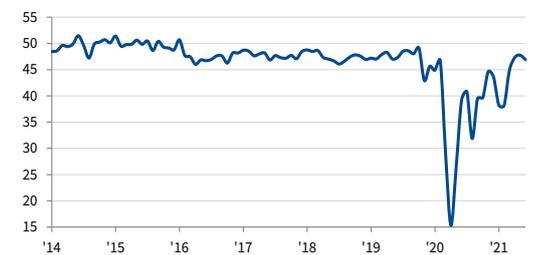
## Purchasing and inventories

### Quantity of purchases

Amid reports of poor cash availability and difficulties in obtaining credit, private sector companies in Lebanon reduced their purchasing activity during June. The rate of decline picked up from May, but was among the weakest seen since the COVID-19 pandemic began at the start of last year.

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

46.9  
Jun '21

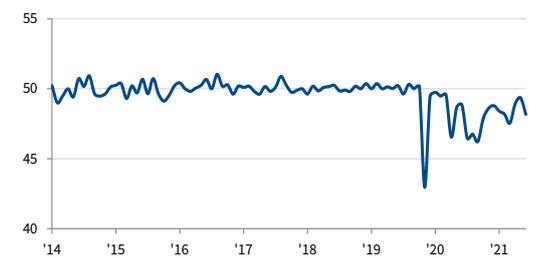


### Suppliers' delivery times

Latest survey data indicated a further month of deteriorating supplier performance during June. Input lead times deteriorated and to the greatest extent in three months. Anecdotal evidence suggested that delivery delays were a consequence of cash issues.

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

48.2  
Jun '21

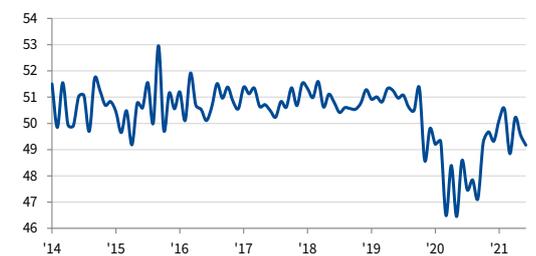


### Stocks of purchases

For the third time in the past five months, stocks of purchases fell during June. Overall, pre-production inventories were depleted at a marginal rate that was slightly faster than in May. Companies that reduced their stock levels linked this to input shortages.

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

49.2  
Jun '21



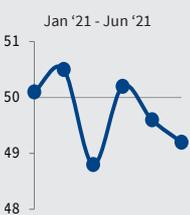
Quantity of Purchases Index  
Jan '21 - Jun '21



Suppliers' Delivery Times Index  
Jan '21 - Jun '21



Stocks of Purchases Index  
Jan '21 - Jun '21



## Prices

### Overall input prices

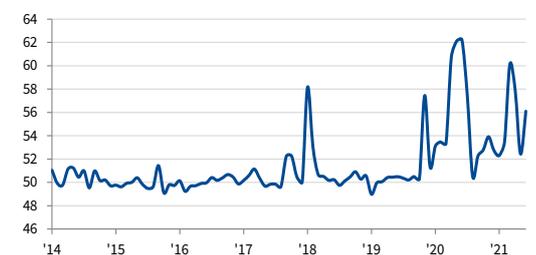
As has been the case for almost two-and-a-half years, June data signalled a further increase in total input costs faced by private sector companies in Lebanon. The rate of inflation accelerated for the first time since March and was strong overall. The latest increase was primarily driven by rising purchase prices as staff costs declined.

### Overall Input Prices Index

sa, >50 = inflation since previous month

56.1

Jun '21



### Purchase prices

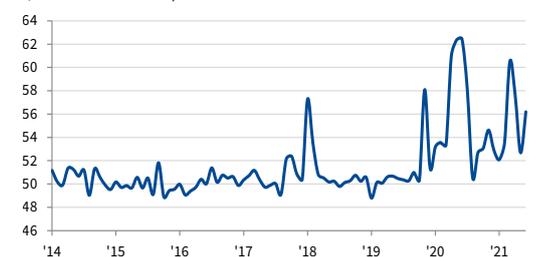
Latest survey data indicated an increase in prices paid for raw materials and other physical inputs. The rate of inflation quickened and was well above the series average. Exchange rate weakness was commonly mentioned by firms who experienced a rise in their purchase costs.

### Purchase Prices Index

sa, >50 = inflation since previous month

56.2

Jun '21



### Staff costs

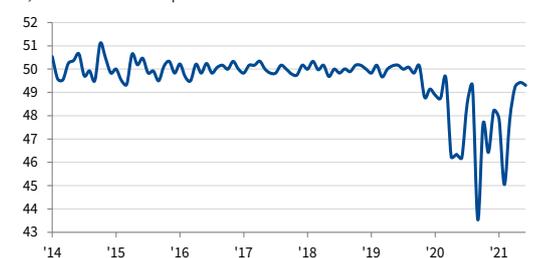
In line with the trend seen since November 2019, companies in Lebanon recorded a drop in employment expenses in June. Wage cuts and lower staff numbers were cited by survey respondents as driving the decline. Overall, the reduction in labour costs was modest and fractionally quicker than that seen in May.

### Staff Costs Index

sa, >50 = inflation since previous month

49.3

Jun '21



### Output prices

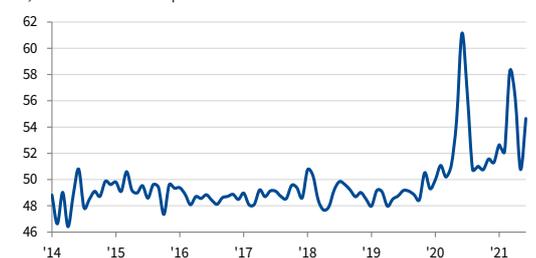
Selling charges increased at the end of the second quarter, thereby extending the current period of inflation which began in February 2020. Furthermore, the rate of increase accelerated for the first time since March. According to surveyed firms, output prices were increased in response to the rising cost of US dollars.

### Output Prices Index

sa, >50 = inflation since previous month

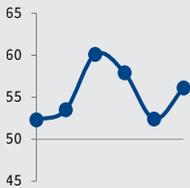
54.6

Jun '21



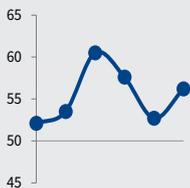
Overall Input Prices Index

Jan '21 - Jun '21



Purchase Prices Index

Jan '21 - Jun '21



Staff Costs Index

Jan '21 - Jun '21



Output Prices Index

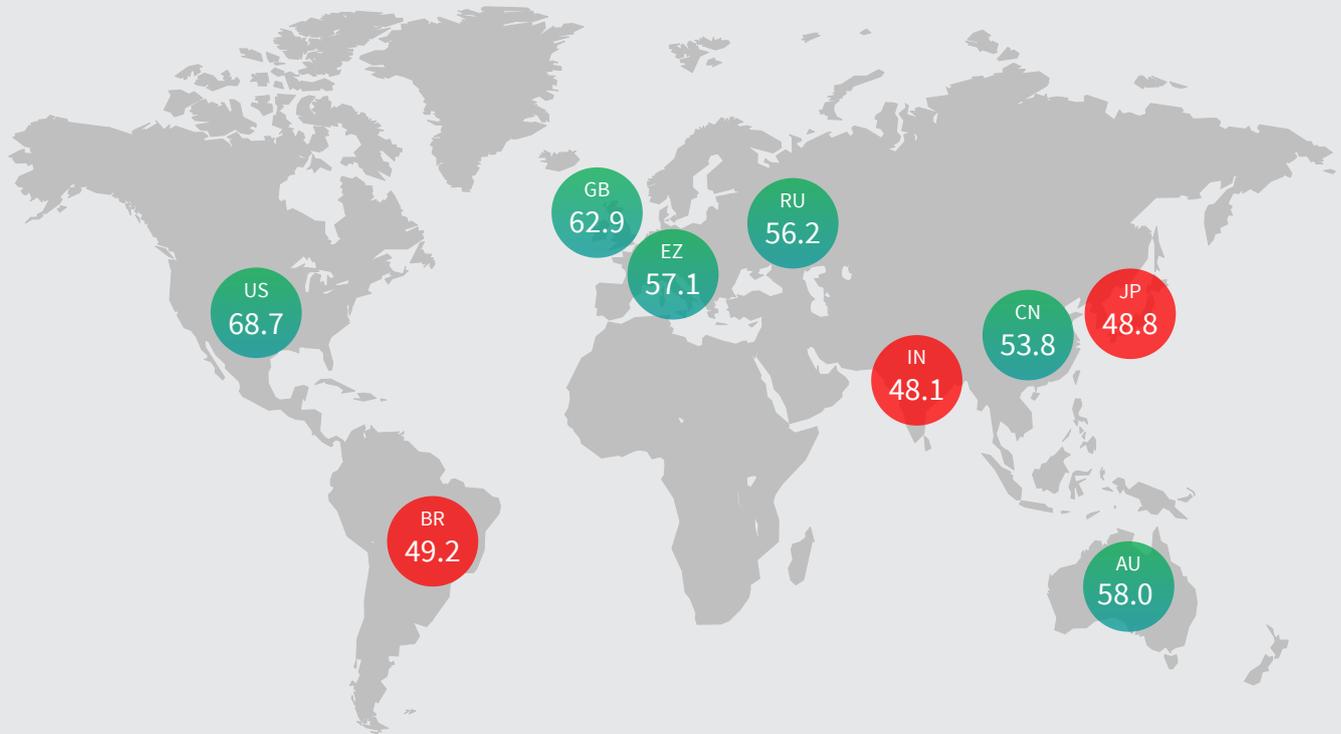
Jan '21 - Jun '21



## International PMI

Composite Output Index, May '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
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
05 '21	47.9	46.7	46.1	50.0	0.5	49.4	48.8	47.8	49.4	49.6	52.4	52.7	49.4	50.8
06 '21	47.5	45.4	45.2	48.0	0.0	49.6	46.0	46.9	48.2	49.2	56.1	56.2	49.3	54.6

### 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.

June 2021 data were collected 11-24 June 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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