



# BLOM Lebanon PMI®

## PMI drops to four-month low in July

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The BLOM Lebanon PMI® continued along its downward path in July, moving further away from May's 19-month high and signalling a sharper deterioration in business conditions in the Lebanese private sector. Trends in output and new orders were negative again as domestic demand was hit by eroding purchasing power and unfavourable economic conditions, but new export orders rose for the first time since mid-2015.

Liquidity issues due to the rising price of the dollar resulted in further cost pressures, causing firms to increase their output charges.

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.

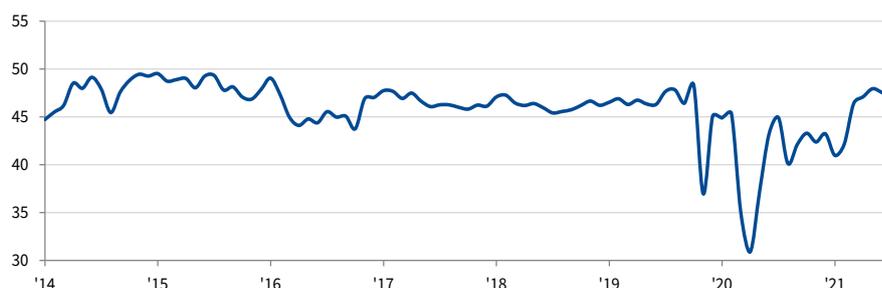
The headline BLOM Lebanon PMI registered 47.0 in July, down from 47.5 in June and the lowest figure since March. Overall, the headline number signalled a stronger and accelerated decline in economic conditions, although it was weaker than that seen on average over the series history.

The stronger deterioration in the health of the private sector was driven by overall order books, which declined at the sharpest pace in four months. According to firms, purchasing power among domestic clients had fallen due to the rising cost of acquiring US dollars. That said, overseas demand strengthened for the first time since June 2015.

Nonetheless, lower total sales over the month led to another reduction in output

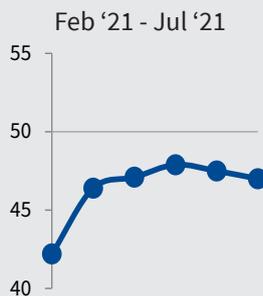
*continued...*

Lebanon PMI  
sa, >50 = improvement since previous month



## Lebanon PMI

Jul '21  
**47.0**  
 Jun: 47.5



## Overview continued...

across the Lebanese private sector that was quicker than the previous survey period. Some companies that observed lower business activity remarked on unfavourable political and financial conditions.

As a result of weak demand pressures, businesses worked through their outstanding orders in July. As has been the case for over six years, private sector firms in Lebanon reported lower backlogs of work. This was accompanied by a mild reduction in employment, although the vast majority of survey respondents kept staffing numbers unchanged.

Meanwhile, liquidity issues impacted businesses' ability to purchase inputs during July. Higher prices were also reported by firms that cut back buying activity. Despite lower input demand,

supplier performance worsened during July, as evidenced by a lengthening in delivery times. The combination of lower buying activity and delays at vendors contributed to a further depletion in stocks of purchases.

Prices data pointed to intensifying inflationary pressures during July. Greater costs were overwhelmingly linked to the rising price of US dollars. The rate of increase in operating expenses was sharp and above the historical average. In turn, output charges were raised for an eighteenth month in a row.

Finally, private sector firms in Lebanon retained their extremely pessimistic outlook for the coming 12 months. Output volumes are expected to fall due to ongoing political and economic instability.

## Comment

Commenting on the BLOM Lebanon PMI for July 2021, Dr Ali Bolbol, Chief Economist/ Head of Research at BLOM Bank, said:

*"At 47, the Lebanon PMI for July 2021 dropped further and was the lowest in four months. Initially, this is a surprising result, given the intensity of tourist activity this summer, especially among expatriates. But when combined with the political deadlock that saw Prime Minister-designate Saad Hariri withdraw his nomination, and the deterioration in the exchange rate of the LBP vis a vis the USD that followed, the result becomes much more understandable.*

*Unfortunately, it shows yet again the subservience of the economic to the politic in the life of this country. The only silver lining from the July PMI results is the notable increase in exports, which perhaps reveals that it is the "outside world" that remains the savior of Lebanon."*



## Output and demand

### Output

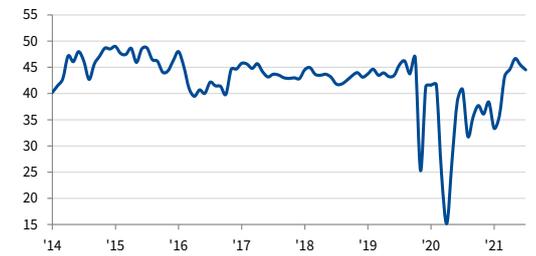
Private sector companies in Lebanon registered lower output volumes at the start of the third quarter. Furthermore, the decline gathered pace since June and was the quickest in four months. Reduced business activity was linked to political uncertainty and unfavourable financial conditions. That said, the seasonally adjusted Output Index remained above its historical average.

### Output Index

sa, >50 = growth since previous month

44.5

Jul '21



### New orders

Latest survey data pointed to a further fall in demand for Lebanese goods and services. In many cases, firms attributed lower order book volumes to deteriorating purchasing power among domestic clients. Overall, the reduction in sales quickened for a second successive month was the fastest since March.

### New Orders Index

sa, >50 = growth since previous month

44.2

Jul '21



### New export orders

For the first time since June 2015, Lebanese private sector companies recorded an increase in demand for their goods and services from overseas markets. Although the increase was only marginal overall, it was one of the best readings in the seasonally adjusted New Export Orders Index since data were first collected over eight years ago.

### New Export Orders Index

sa, >50 = growth since previous month

50.3

Jul '21



Output Index  
Feb '21 - Jul '21



New Orders Index  
Feb '21 - Jul '21

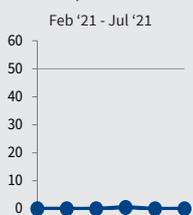


New Export Orders Index  
Feb '21 - Jul '21



## Business expectations

Future Output Index  
Feb '21 - Jul '21



Latest survey data portrayed a deeply negative consensus among private sector firms in Lebanon. Many businesses expect the challenging economic and political situation in Lebanon to persist long into the future, to the detriment of their businesses. Other companies were simply unable to make any form of prediction amid the large degree of uncertainty surrounding the country.

### Future Output Index

>50 = growth expected over next 12 months

0.0

Jul '21



## Employment and capacity

### Employment

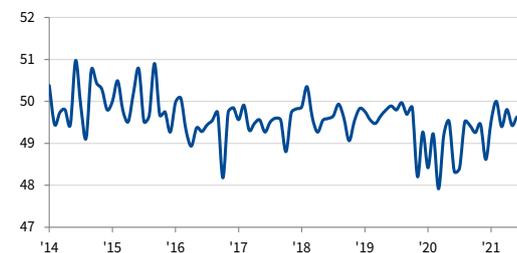
Staffing levels across the Lebanese private sector receded further during July, extending the current period of job shedding to five months. Where a drop in payroll numbers was reported, firms linked this to reduced output requirements. That said, the vast majority of companies kept their headcount unchanged.

### Employment Index

sa, >50 = growth since previous month

49.4

Jul '21



### Backlogs of work

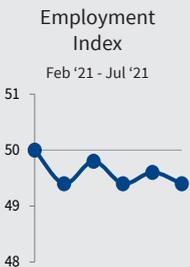
According to the latest survey data, the level of unfinished work at private sector companies in Lebanon dropped. This was evidenced by the seasonally adjusted Backlogs of Work Index posting below the neutral 50.0 mark. Lower capacity pressures were attributed to weak demand.

### Backlogs of Work Index

sa, >50 = growth since previous month

46.3

Jul '21

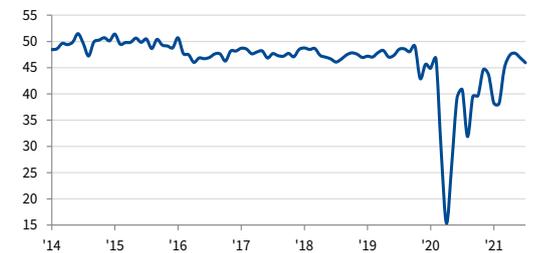


## Purchasing and inventories

### Quantity of purchases

A reduction in buying activity at Lebanese private sector companies was signalled at the start of the third quarter. Firms that cut their purchasing quantities commented on liquidity issues due to poor dollar availability. Furthermore, some companies bought fewer inputs as a result of rising prices. Overall, the decline was the fastest in four months.

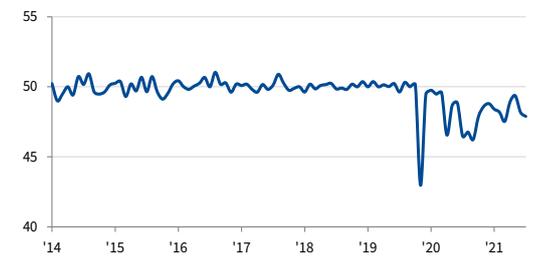
Quantity of Purchases Index 45.9  
 sa, >50 = growth since previous month Jul '21



### Suppliers' delivery times

In line with the trend since November 2019, private sector companies in Lebanon reported a deterioration in vendor performance during the latest survey period. Moreover, the extent to which supplier lead times lengthened worsened and was the greatest since March. Many firms associated longer delivery schedules to problems with the local currency exchange rate.

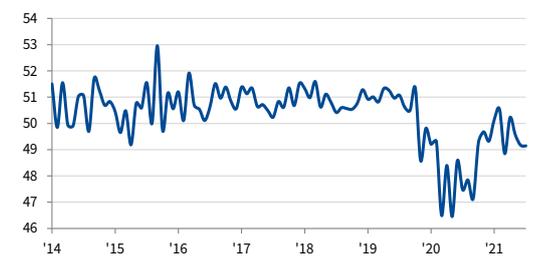
Suppliers' Delivery Times Index 47.9  
 sa, >50 = faster times since previous month Jul '21



### Stocks of purchases

The seasonally adjusted Stocks of Purchases Index posted below the 50.0 no-change mark in July to signal a decline in pre-production inventory levels at Lebanese private sector companies. Shortages at suppliers were cited as a factor causing stock levels to be depleted. The reduction was mild overall and the third in successive months.

Stocks of Purchases Index 49.1  
 sa, >50 = growth since previous month Jul '21



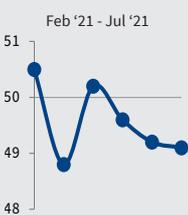
Quantity of Purchases Index



Suppliers' Delivery Times Index



Stocks of Purchases Index

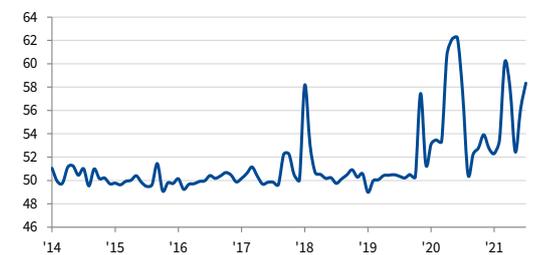


## Prices

### Overall input prices

Amid reports of unfavourable exchange rate movements against the US dollar, latest survey data signalled a rise in overall input costs during July. Furthermore, the rate of inflation accelerated to a four-month high and was notably stronger than the historical average.

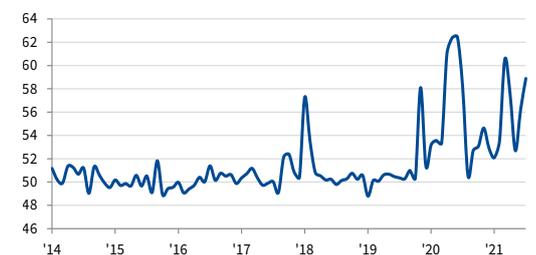
Overall Input Prices Index 58.3  
 sa, >50 = inflation since previous month Jul '21



### Purchase prices

In line with the trend for overall input costs, the seasonally adjusted Purchase Prices Index signalled the strongest rate of inflation since March. Approximately 17% of companies registered an increase in their purchase costs, with the remainder signalling no change from June.

Purchase Prices Index 58.9  
 sa, >50 = inflation since previous month Jul '21



### Staff costs

Having recorded only narrowly below the neutral 50.0 threshold in July, the seasonally adjusted Staff Costs Index signalled broadly unchanged labour expenses in July. This contrasted with a modest decline seen in the previous survey period.

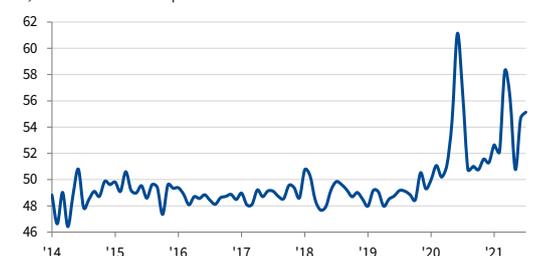
Staff Costs Index 49.8  
 sa, >50 = inflation since previous month Jul '21



### Output prices

Prices charged for Lebanese goods and services increased during July, extending the current bout of inflation to 18 months. Furthermore, it marked back-to-back months in which the rate of increase has accelerated. The rate of inflation was strong overall and reportedly driven by the rise in the US dollar exchange rate.

Output Prices Index 55.1  
 sa, >50 = inflation since previous month Jul '21



Overall Input Prices Index



Purchase Prices Index



Staff Costs Index



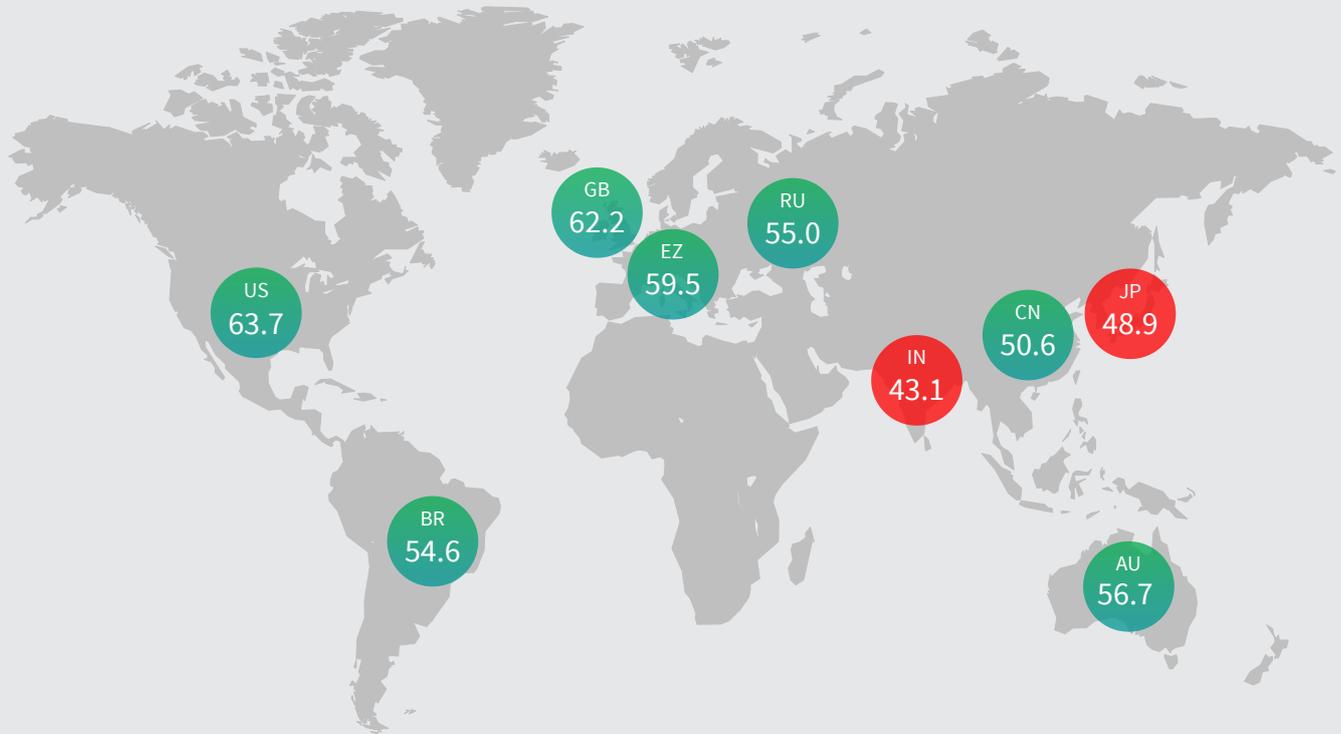
Output Prices Index



## International PMI

Composite Output Index, Jun '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
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
07 '21	47.0	44.5	44.2	50.3	0.0	49.4	46.3	45.9	47.9	49.1	58.3	58.9	49.8	55.1

### 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.

July 2021 data were collected 12-26 July 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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