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BLOM Lebanon PMI®

PMI drops to four-month low in July

Key findings

Output falls at faster rate amid domestic demand weakness...

...but new export orders increase for the first time since mid-2015

Price pressures intensify due to exchange rate weakness

Data were collected 12-26 July

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

Lebanon PMI
sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

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."

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.

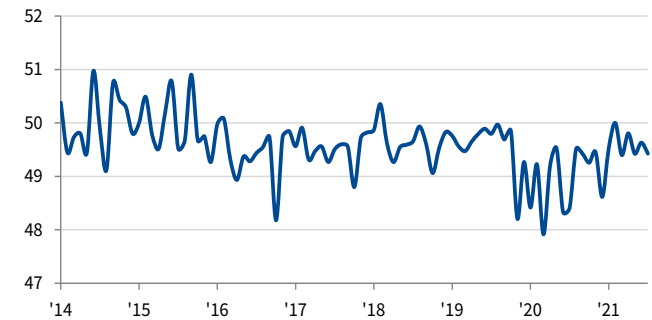
Meanwhile, liquidity issues impacted businesses' ability to purchase inputs during July. Higher prices were also reported by firms that cut back buying activity. Despite lower input demand, supplier performance worsened during July, as evidenced by a lengthening in delivery times. The combination of 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.

Employment Index

sa, >50 = growth since previous month



Sources: BLOMINVEST BANK, IHS Markit.

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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.

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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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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