



# BLOM Lebanon PMI®

## PMI drops to five-month low in August

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### Business conditions deteriorate at faster rate

### Fuel shortages and rising US dollar exchange rate impact firms

### Business outlook mired by political and economic instability

The BLOM Lebanon PMI® highlighted the ongoing challenges facing private sector companies in Lebanon during August, with the respective headline index dropping to a five-month low. Political and economic instability, fuel shortages and eroding purchasing power among domestic clients were cited as major factors causing lower demand and reduced business activity in August.

The outlook also remained stuck in deeply negative territory as firms expect the current swathe of economic issues to persist over the coming year.

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.

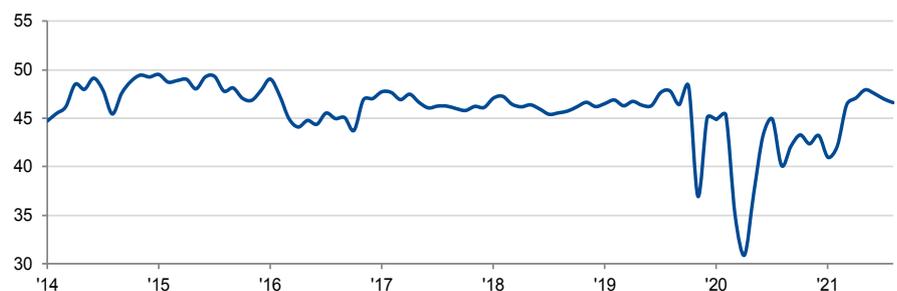
The headline BLOM Lebanon PMI registered 46.6 in August, down from 47.0 in July and the lowest reading since March. Furthermore, with the index below the 50.0 no-change mark, this was indicative of a deterioration in business conditions across the Lebanese private sector.

The latest PMI data signalled the fastest reduction of new orders for five months midway through the third quarter. According to survey respondents, demand was buffeted by falling purchasing power of domestic clients. There were also mentions of fuel shortages impacting new business inflows. Overseas orders also slipped back into contraction territory during August, which firms linked to political and economic instability in Lebanon. Consequently, business activity fell at the fastest pace since March.

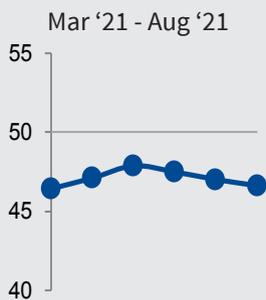
*continued...*

Lebanon PMI

sa, >50 = improvement since previous month



## Lebanon PMI



## Overview continued...

With demand conditions deteriorating, private sector firms in Lebanon continued to reduce their backlogs of work. Overall, the rate of depletion of work-in-hand was solid and on a par with that seen in July. Subsequently, lower business requirements led companies to reduce their staffing levels in August for a sixth successive month. The rate of job shedding was only marginal, but the fastest since last December.

Elsewhere, latest survey data highlighted deteriorating performances at suppliers. This was evidenced by a lengthening of average lead times for inputs. According to reports, delivery delays were a consequence of fuel shortages and poor cash availability. Liquidity issues were also cited as a factor causing purchasing activity to fall during August. That being

said, input buying decreased at the slowest rate in three months.

Prices data showed a continuation of inflationary pressures midway through the third quarter, with both input costs and output charges rising. The increase in operating expenses was driven by higher purchase costs, which firms linked to a worsening exchange rate against the US dollar. This was also noted as a key reason why businesses hiked their output charges during August. However, both input prices and selling fees increased at the softest rates in three months.

Lastly, the business outlook remained rooted in deeply negative territory during August, with many firms remarking on the difficulty in predicting their future level of business activity due to the ongoing political and economic challenges.

## Comment

Commenting on the BLOM Lebanon PMI for August 2021, Ms. Tala Nasrallah, Senior Research Analyst at BLOMINVEST Bank, said:

*"Lebanon's Purchasing Managers' Index hit a five-month low reaching 46.6, reflecting the deterioration in business conditions and the instability residing both economically and politically. Coming into the third quarter of 2021, the impact of fuel shortages and the rising cost of the US dollar against the Lebanese pound continue to put*

*pressure on business inflow and impose a fast reduction in new orders. Moreover, private sector firms continue to witness a sharp drop in demand conditions and, as a result, faster rounds of staff reduction are observed. As such, business outlook remains negative, especially given higher inflation and the shortage of dollars, leading to a low vendor performance from the business side as well as a low level of purchasing activity from domestic clients. And just as bad, no end in sight is seen yet!"*



## Output and demand

### Output

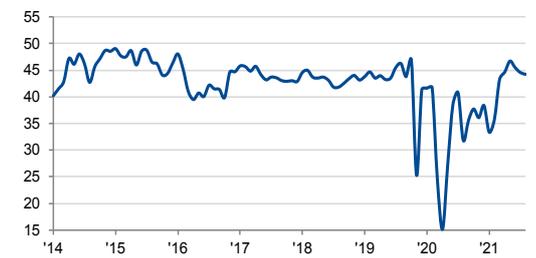
Business activity in Lebanon's private sector continued to decline midway through the third quarter. Overall, the reduction in output was strong and the fastest since March. Firms that observed lower business activity linked this to domestic economic and political instability, as well as weak demand conditions. That said, the seasonally adjusted index recorded above its long-run average.

### Output Index

sa, >50 = growth since previous month

44.2

Aug '21



### New orders

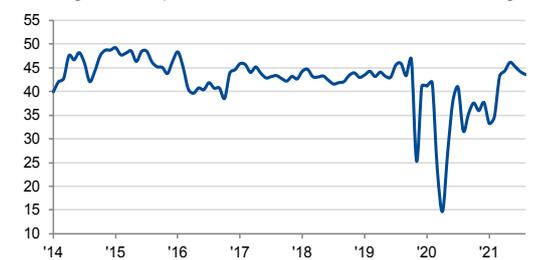
Private sector businesses in Lebanon registered lower intakes of new orders during August. According to anecdotal evidence, domestic client demand was hampered by eroding purchasing power due to an unfavourable US dollar exchange rate. There were also mentions of fuel shortages affecting new business inflows. The decline in new orders was strong overall and the fastest for five months.

### New Orders Index

sa, >50 = growth since previous month

43.6

Aug '21



### New export orders

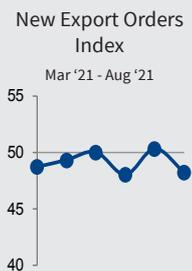
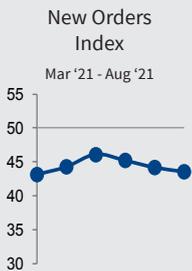
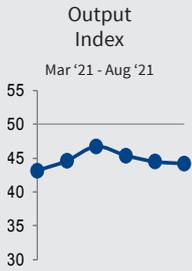
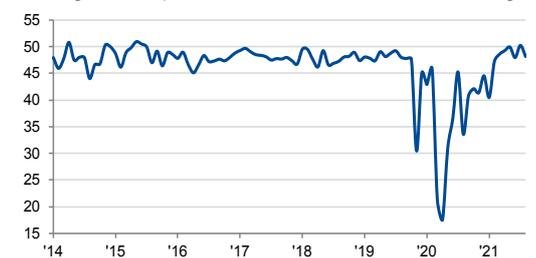
Having registered in growth territory for the first time since June 2015 in the previous survey period, latest data showed a renewed contraction in new export orders during August. Firms attributed lower demand from overseas markets to political and economic instability in Lebanon.

### New Export Orders Index

sa, >50 = growth since previous month

48.2

Aug '21



## Business expectations

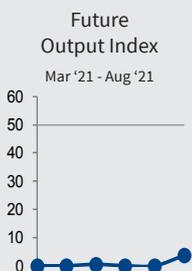
Lebanese private sector companies remained pessimistic towards output prospects over the coming 12 months in August, with an overwhelming majority of 93% of surveyed firms projecting lower business activity. Many respondents expect the political and economic situation in Lebanon to deteriorate. There were also numerous companies who found it too challenging to predict what would happen given such high uncertainty.

### Future Output Index

>50 = growth expected over next 12 months

3.7

Aug '21



## Employment and capacity

### Employment

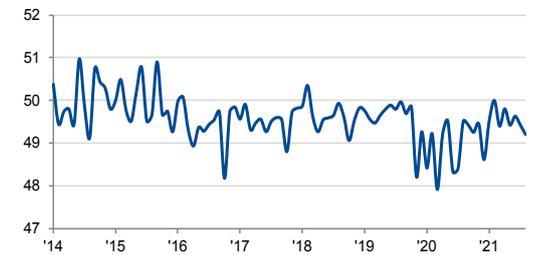
Latest survey data signalled a further decrease in employment across Lebanon's private sector in August, extending the current run of job shedding to six months. Panel members that reduced staffing numbers attributed this to lower workloads. Although the decrease was only marginal, it was the fastest since last December.

### Employment Index

sa, >50 = growth since previous month

49.2

Aug '21



### Backlogs of work

Adjusted for seasonality, the Backlogs of Work Index posted beneath the neutral 50.0 threshold in August, thereby signalling reduced pressure on the operating capacities of private sector firms in Lebanon. Where a drop in work-in-hand was registered, firms linked this to a lack of new incoming new business.

### Backlogs of Work Index

sa, >50 = growth since previous month

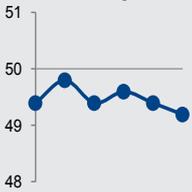
46.3

Aug '21



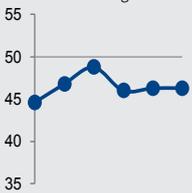
Employment Index

Mar '21 - Aug '21



Backlogs of Work Index

Mar '21 - Aug '21



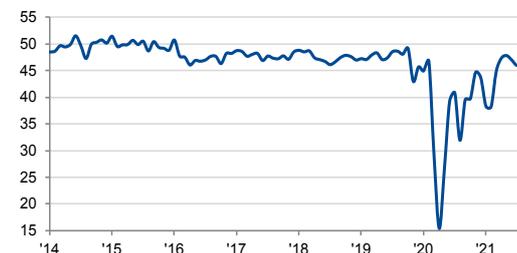
## Purchasing and inventories

### Quantity of purchases

Latest survey data pointed to lower levels of purchasing activity at private sector companies in Lebanon midway through the third quarter. Many firms suggested that, due to liquidity issues and a shortage of dollars, they were unable to purchase new items. Overall, the decrease was softer; and the weakest in three months, however.

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

47.1  
Aug '21

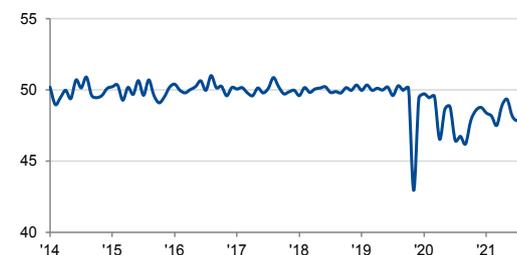


### Suppliers' delivery times

Private sector businesses in Lebanon observed another deterioration in the performance of vendors during August. This was evidenced by the seasonally adjusted Suppliers' Delivery Times Index recording below the 50.0 no-change mark for a twenty-second straight month. Fuel shortages and a scarcity of US dollars reportedly prevented suppliers from delivering in a timely manner.

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

48.6  
Aug '21

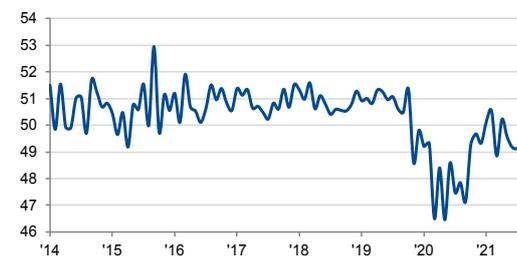


### Stocks of purchases

The seasonally adjusted Stocks of Purchases Index registered below the 50.0 level that separates expansion from contraction in August, thereby indicating a reduction in inventories. That said, the rate of depletion slowed and was only marginal.

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

49.4  
Aug '21



**Quantity of Purchases Index**  
Mar '21 - Aug '21

**Suppliers' Delivery Times Index**  
Mar '21 - Aug '21

**Stocks of Purchases Index**  
Mar '21 - Aug '21

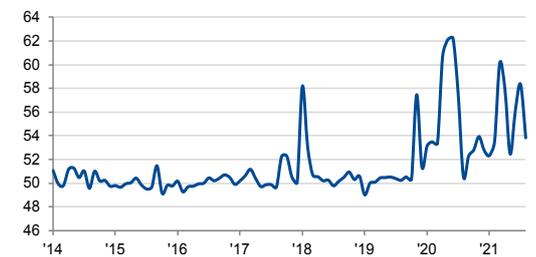


## Prices

### Overall input prices

For the thirtieth month in succession, private sector firms in Lebanon observed higher overall input costs during August. Depreciation of the local currency against the US dollar was mentioned as the key factor causing expenses to rise. The rate of inflation was solid, but eased to a three-month low.

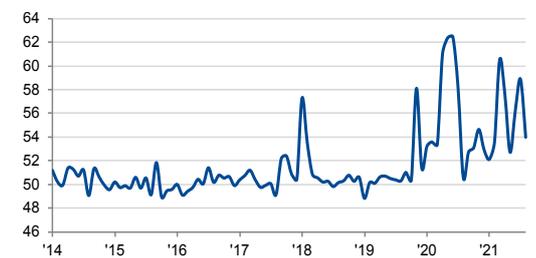
Overall Input Prices Index 53.8  
 sa, >50 = inflation since previous month Aug '21



### Purchase prices

Private sector companies in Lebanon faced higher prices for purchased items midway through the third quarter, with the respective seasonally adjusted index recording above the neutral 50.0 mark. The rate of increase signalled was solid overall, but eased also to a three-month low.

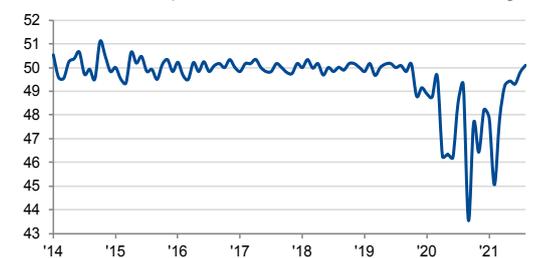
Purchase Prices Index 54.0  
 sa, >50 = inflation since previous month Aug '21



### Staff costs

The seasonally adjusted Staff Costs Index reached its joint-highest level in just over two years during August and signalled the end of a 21-month period of falling labour expenses. That said, at 50.1, the index was commensurate with just a fractional rise in labour costs.

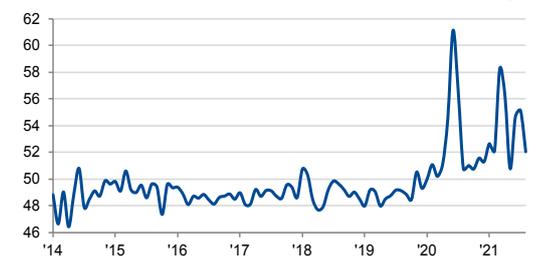
Staff Costs Index 50.1  
 sa, >50 = inflation since previous month Aug '21



### Output prices

As has been the case in every month since February 2020, private sector businesses in Lebanon raised their output charges midway through the third quarter. Where a rise in prices were reported, this was often linked to the depreciation of the local currency against the US dollar. The rate of output price inflation eased to a three-month low and was modest overall.

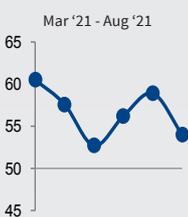
Output Prices Index 52.0  
 sa, >50 = inflation since previous month Aug '21



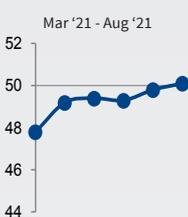
Overall Input Prices Index



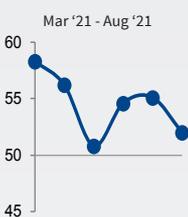
Purchase Prices Index



Staff Costs Index



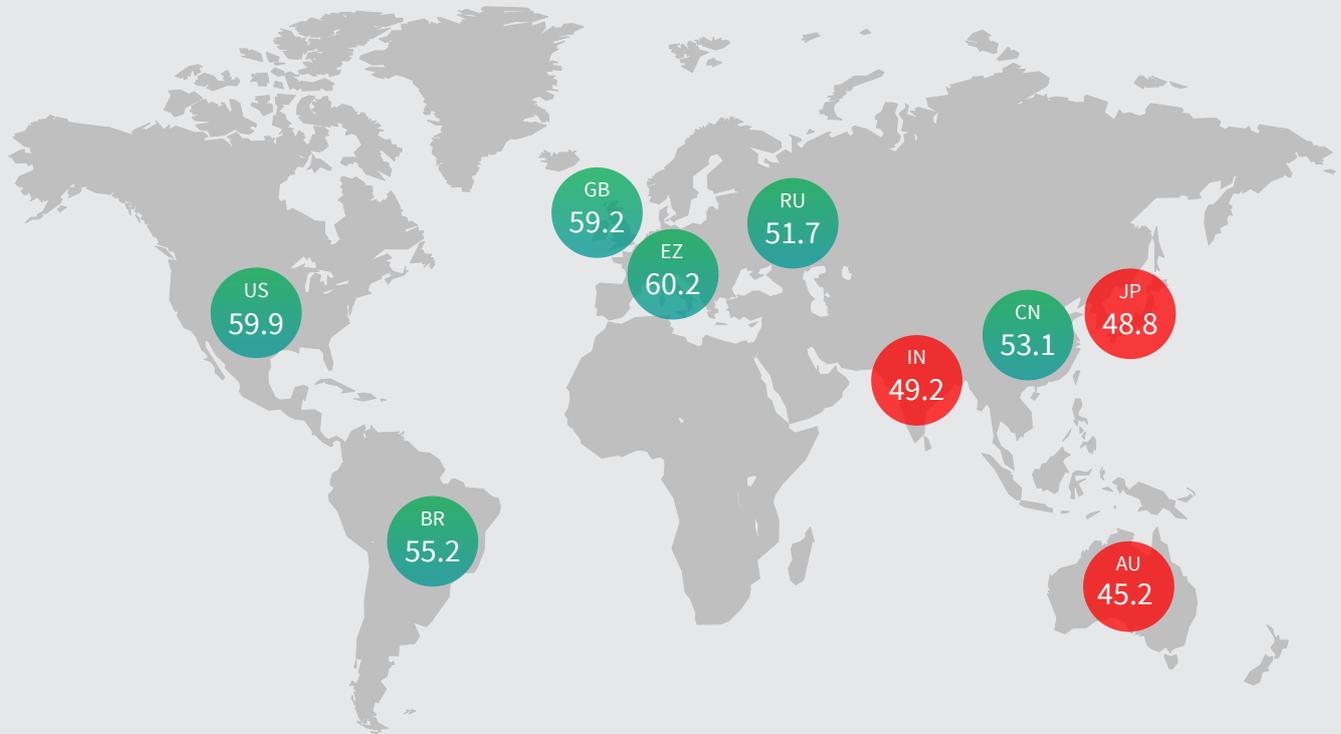
Output Prices Index



## International PMI

Composite Output Index, Jul '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
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
08 '21	46.6	44.2	43.6	48.2	3.7	49.2	46.3	47.1	48.6	49.4	53.8	54.0	50.1	52.0

### 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.

August 2021 data were collected 12-24 August 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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### About BLOMINVEST BANK

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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