

Embargoed until 1100 EEST (0800 UTC) 6 September 2021

## BLOM Lebanon PMI®

### PMI drops to five-month low in August

#### Key findings

Business conditions deteriorate at faster rate

Fuel shortages and rising US dollar exchange rate impact firms

Business outlook mired by political and economic instability

Data were collected 12-24 August

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.

With demand conditions deteriorating, private sector firms in Lebanon continued to reduce their backlogs of work. Overall,  
*continued...*

Lebanon PMI  
sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

#### 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!"*

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.

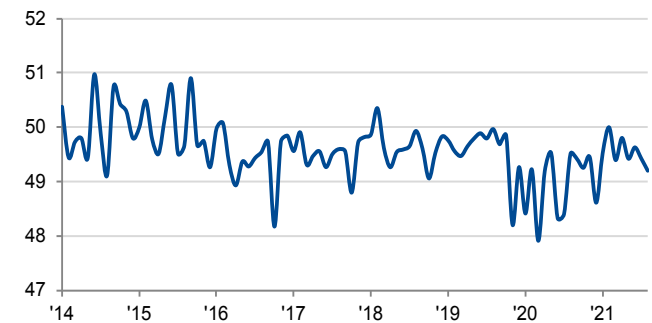
Elsewhere, latest survey data highlighted deteriorating performances at suppliers. This was evidenced by a lengthening of average lead times for inputs. According to reports, delivery delays were a consequence of fuel shortages and poor cash availability. Liquidity issues were also cited as a factor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

## 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.

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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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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