



BLOM Lebanon PMI®

Economic conditions deteriorate further in September

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Output falls further amid weak domestic demand

Fuel shortages also impede business activity and hit supply chains

Input prices fall for the first time since January 2019

The BLOM Lebanon PMI® signalled further economic woe during September, with output and new orders both falling as fuel shortages compounded political instability and weak domestic demand. As a result, input purchasing declined, while firms also cut their stocks.

Elsewhere, input prices fell for the first time since January 2019 as stagnant employment levels and reports of an improved US dollar exchange rate alleviated inflationary pressures.

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 46.9 in September, a marginal increase from 46.6 in August, but still below the neutral 50.0 mark and therefore indicative of economic contraction across Lebanon's private sector.

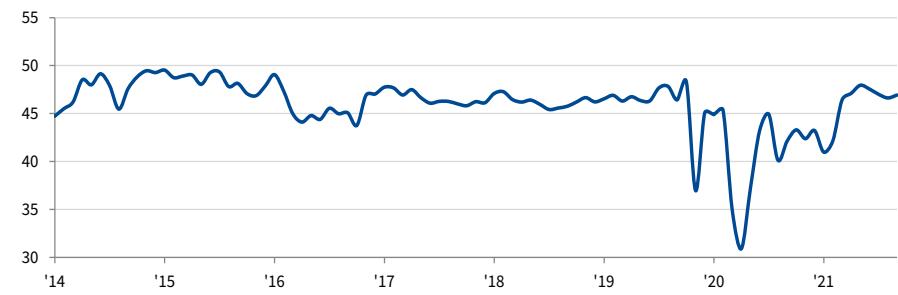
With new business inflows falling, private sector output in Lebanon declined during September. The decrease in business activity was marked overall, albeit the slowest in three months. Some companies also mentioned that fuel shortages and power outages had restricted their business operations.

The main component of the headline index, new orders remained in contraction territory during September. According to anecdotal evidence, weak purchasing power among domestic clients weighed on demand. Furthermore, political instability within Lebanon reportedly hindered businesses from securing new work from

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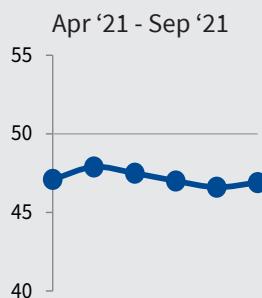
Lebanon PMI

sa, >50 = improvement since previous month



Lebanon PMI

Sep '21
46.9
Aug: 46.6



Overview continued...

overseas markets. As a result, new export orders fell for a second straight month.

Due to fewer intakes of new orders, latest survey data signalled a further alleviation of capacity pressures. The level of work outstanding fell strongly and to the quickest extent since March. That said, employment levels were kept broadly unchanged in September

Consequently, firms reported little change in their staff expenses during September, although overall input prices declined. The reduction in cost pressures was driven by purchase prices, which firms suggested had fallen due to an improvement in the US dollar exchange rate. The reduction in input prices was marginal, but the first time since January 2019 that private sector companies in Lebanon have reported a month-on-month decrease in

overall expenses.

However, lower costs did not filter through to selling prices, which increased for a twentieth month running in September, but at a softer pace.

Meanwhile, the negative trend in purchasing activity persisted in September, with firms reporting liquidity issues and low volumes of new work as factors underpinning reduced buying activity. Stocks of purchases also declined, in part linked to fuel shortages, which restricted inventory capacities. Supplier delivery times also deteriorated further.

Lastly, expectations for activity levels over the coming 12 months remained deeply pessimistic. Firms anticipate the challenging political situation to continue and to weigh on business activity.

Comment

Commenting on the BLOM Lebanon PMI for September 2021, Dr. Fadi Osseiran, General Manager of BLOMINVEST Bank, said:

"With the economic and financial crisis still plaguing the country and fuel shortages standing in the way, firms were forced to lower input purchases followed by cutting their stock volumes. Although output fell at its softest in three months, firms witnessed liquidity concerns as well as weak purchasing power among domestic clients. On the positive side, worth noting that government formation eased inflationary levels; but

that did not halt further deterioration in economic conditions, despite the slight appreciation of the Lebanese Lira in the second half of the month. As a result, Lebanon's Purchasing Managers' Index increased marginally to 46.9, indicating that private sector companies remain skeptical about the political environment and its further pressure on their business. However, all this could be turned around – albeit slowly – if the government's stabilization and reform plans prove fruitful."



Output and demand



Output

The seasonally adjusted Output Index increased to a three-month high in September, signalling a weaker rate of contraction in private sector business activity in Lebanon. That said, the decline in output was still strong overall, with firms mentioning weak demand among domestic clients, political instability and fuel shortages as major factors driving the latest downturn.



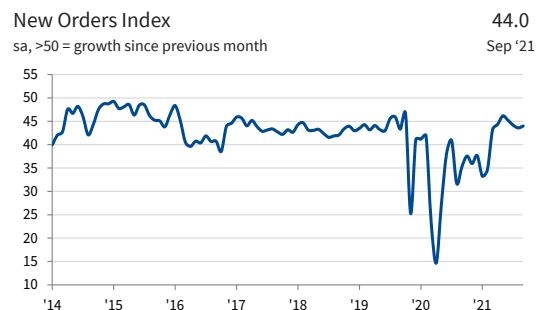
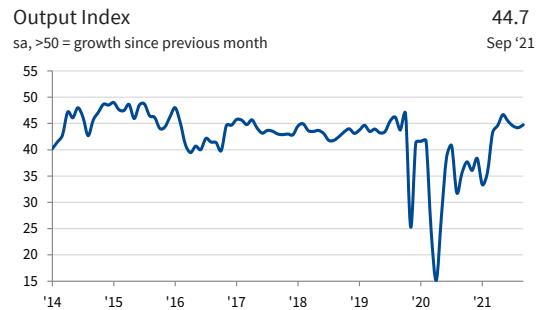
New orders

Latest survey data signalled another strong month-on-month reduction in the level of incoming new work at Lebanese private sector companies. The deterioration in demand conditions was primarily attributed to the challenging economic environment in Lebanon, as well as weak purchasing power among domestic clients.

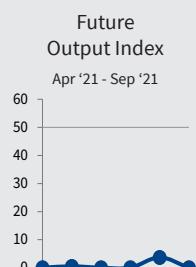


New export orders

For the third time in four months, private sector companies in Lebanon recorded lower volumes of new export orders. The rate of decline in overseas demand was moderate overall and broadly in line with that seen in August. Challenges in the local market reportedly hindered firms from securing new work in other countries.



Business expectations



Another deeply pessimistic outlook was given by surveyed private sector companies in Lebanon during September. The Future Output Index recorded the lowest possible reading of 0.0, with many businesses signalling their expectations for further contraction due to the challenging economic and political environment in Lebanon continuing. Some firms also remarked on the difficulty in making a prediction due to high levels of uncertainty.



Employment and capacity

Employment Index

Apr '21 - Sep '21



Employment

Staffing levels across Lebanon's private sector broadly stabilised during September, as indicated by the respective seasonally adjusted index recording fractionally close to the neutral 50.0 threshold. An overwhelming majority (99.5%) of firms signalled unchanged workforce numbers, with the remaining proportion reporting a reduction.

Backlogs of Work Index

Apr '21 - Sep '21



Backlogs of work

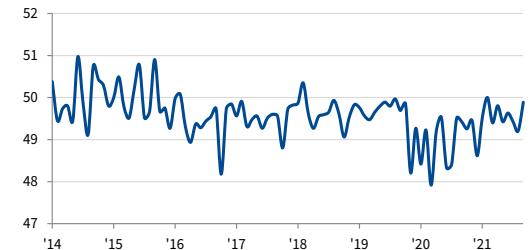
With intakes of new work falling further, September survey data pointed to a reduction in capacity pressures at private sector firms in Lebanon. Furthermore, the seasonally adjusted Backlogs of Work Index fell to a six-month low and signalled a steeper rate of depletion in the level of outstanding business.

Employment Index

sa, >50 = growth since previous month

49.9

Sep '21



Backlogs of Work Index

sa, >50 = growth since previous month

45.3

Sep '21



Purchasing and inventories



Quantity of purchases

Private sector businesses in Lebanon reduced their quantity of purchases once again in September. According to anecdotal evidence, a lack of incoming new work led firms to pare back their buying activity. Some companies also mentioned liquidity issues. Overall, the rate of decline was solid and slightly stronger than in August.



Suppliers' delivery times

Latest survey data pointed to further strain at suppliers, as evidenced by a lengthening of average input lead times. Where a deterioration in vendor performance was reported, this was commonly attributed to domestic fuel shortages. That said, the increase in delivery times was only mild and the weakest in four months.



Stocks of purchases

Having accounted for seasonality, the Stocks of Purchases Index signalled a fifth successive month-on-month decline in inventories at Lebanese private sector businesses. There were some reports that power outages and poor fuel supplies limited storage capacities.



Prices

Overall Input Prices Index



Overall input prices

For the first time since January 2019, overall input costs faced by private sector firms in Lebanon decreased in September. The reduction primarily reflected lower purchase prices, which firms mentioned was due to some improvements in the US dollar exchange rate.

Purchase Prices Index



Purchase prices

The seasonally adjusted Purchase Prices Index fell below the neutral 50.0 mark in September, signalling a renewed decline in prices paid by private sector companies in Lebanon for inputs. The reduction was a stark contrast to some of the sharp increases seen earlier in the year.

Staff costs

The seasonally adjusted Staff Costs Index recorded slightly below the 50.0 no-change mark during September, signalling a fractional decline in labour expenses. Overall, the respective index was broadly level with its historical average (49.7).

Staff Costs Index



Output prices

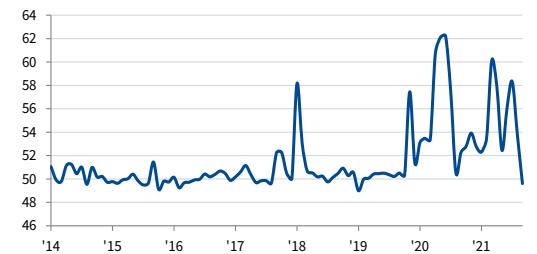
Private sector companies in Lebanon hiked their selling charges at the end of the third quarter, marking a twentieth successive month in which output prices have risen. However, the rate of inflation eased and was the softest since May.

Output Prices Index



Overall Input Prices Index

sa, >50 = inflation since previous month



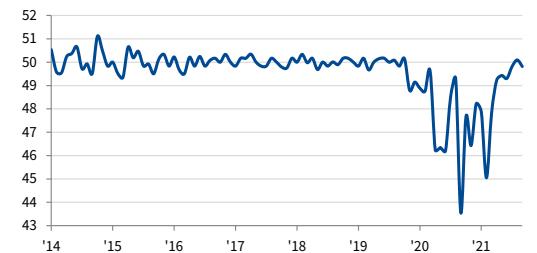
Purchase Prices Index

sa, >50 = inflation since previous month



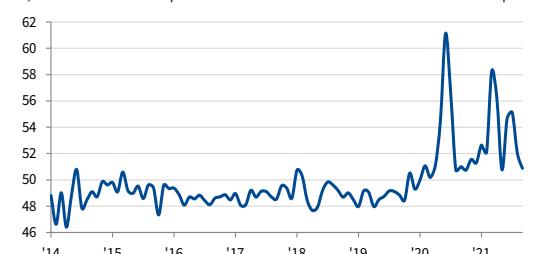
Staff Costs Index

sa, >50 = inflation since previous month



Output Prices Index

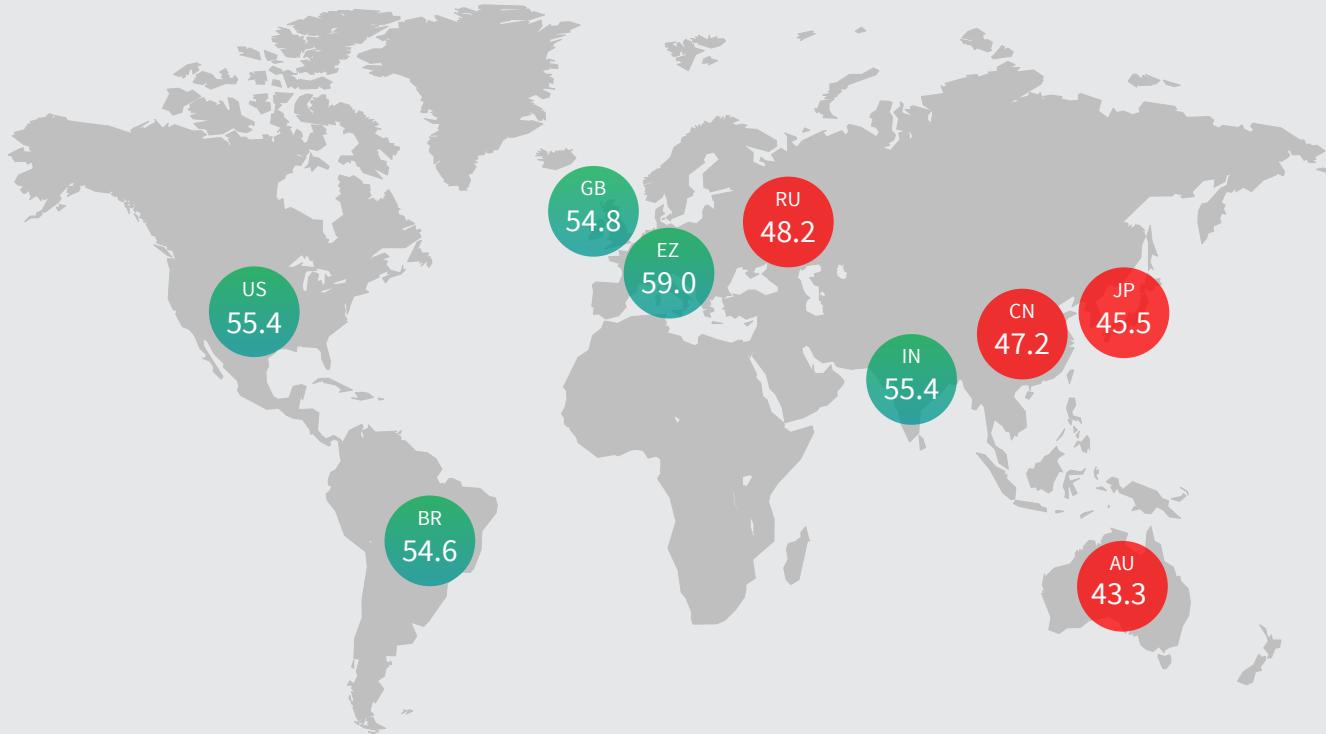
sa, >50 = inflation since previous month



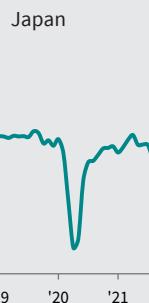
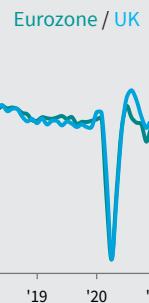
International PMI

Composite Output Index, Aug '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
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
09 '21	46.9	44.7	44.0	48.1	0.0	49.9	45.3	46.8	49.0	49.2	49.6	49.5	49.8	50.9

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.

September 2021 data were collected 13-24 September 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.

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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