



BLOM Lebanon PMI®

Output and new orders slip further into decline in October

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Headline PMI declines as economic conditions deteriorate faster

Domestic purchasing power undermined by rising US dollar exchange rate

Cost pressures intensify; output prices rise at stronger rate

The BLOM Lebanon PMI® fell deeper into negative territory at the start of the fourth quarter, reflecting worsening demand conditions and a faster subsequent drop in private sector business activity. According to firms, weaker purchasing power as a result of unfavourable movements in the US dollar exchange rate weighed heavily on new business intakes.

Domestic currency weakness also impacted operating costs, which moved back into inflationary territory during October. Consequently, firms increased their selling prices at a quicker rate in an effort to offset greater cost burdens.

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

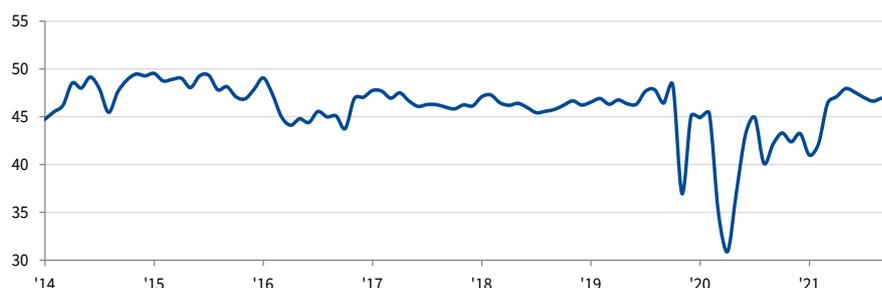
above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

The headline BLOM Lebanon PMI fell to 46.6 in October, down from 46.9 in September. The move further below the 50.0 no-change mark signalled a stronger deterioration in economic conditions across Lebanon, and one that was the joint-strongest since March (equalling that seen in August).

Weaker domestic demand was a major factor behind the overall contraction in October, according to surveyed companies. New orders fell at the fastest pace for seven months as the price for US dollars increased, eroding domestic clients' spending power. New export business also fell, with firms struggling to attract foreign market demand due to economic and political instability in Lebanon.

continued...

Lebanon PMI
sa, >50 = improvement since previous month



Lebanon PMI



Overview continued...

As a result of weaker sales performances, private sector output in Lebanon was reduced during October. The rate of contraction was strong overall and the fastest since March.

Reduced business activity was also a reflection of lower capacity pressures, with backlogs of work declining in October. However, the trend in employment moved into positive territory as businesses took on additional staff for the first time since February 2018. That said, the rate of jobs growth was fractional.

Elsewhere, supplier performance continued to decline, according to latest survey data, which showed average lead times on the delivery of inputs lengthening. Fuel shortages were a key reason for slower deliveries, although liquidity issues were also a factor. Problems with cash also

restricted purchasing activity in October, with input buying falling.

Nevertheless, despite notable drags from the demand-side of the economy, private sector businesses in Lebanon recorded higher overall input costs during October. Inflationary pressures were primarily caused by greater purchase costs, which panellists attributed to exchange rate weakness against the US dollar. As a result, selling prices increased at a faster rate.

Lastly, business confidence remained in deeply pessimistic territory during October. The uncertain economic and political climate made it challenging for firms to predict future activity levels, although many expect conditions to worsen.

Comment

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

“The BLOM Lebanon PMI for October 2021 was not supposed to fall to 46.6, as the formation of a new consensual government and the beginning of serious negotiations with the IMF should have been a confidence booster. But, alas, this is Lebanon, and bad news and events have a way of clawing back to spoil the scene, as the unfortunate events of 14 October amply demonstrated. And not surprisingly, all the PMI sub-indices

behaved badly, with the exception of employment. In consequence, the country needs plenty of good luck and sound, determined work by the new government to reverse these dismal trends, and an elevation of economic priorities over all other concerns.”



Output and demand

Output

Adjusted for seasonality, the Output Index slipped to a seven-month low in October and signalled a sharper decline in business activity across the Lebanese private sector. Weak demand was reportedly exacerbated by the unstable political and economic environment domestically. Approximately 13% of firms recorded lower output levels, compared to less than 1% who registered growth.

Output Index

sa, >50 = growth since previous month

43.9

Oct '21



New orders

In line with the trend in output, the seasonally adjusted New Orders Index fell further below the neutral 50.0 mark in October, signalling a faster deterioration in demand conditions. Overall, the decline in new business was the fastest since March. According to panel members, diminished purchasing power among domestic clients was a key reason for lower intakes of new work.

New Orders Index

sa, >50 = growth since previous month

43.4

Oct '21



New export orders

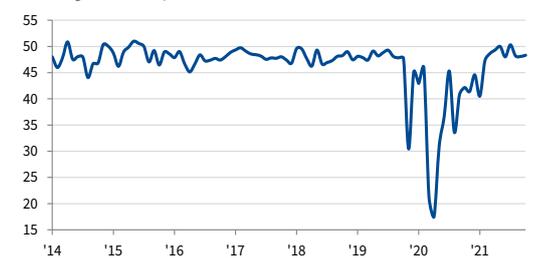
Amid political and economic instability within Lebanon, private sector firms observed lower levels of incoming new business from overseas during October. Furthermore, the latest decline in new export orders marked the third in successive months. The reduction was modest overall and broadly similar to those seen in the previous two months.

New Export Orders Index

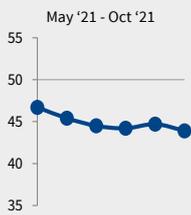
sa, >50 = growth since previous month

48.3

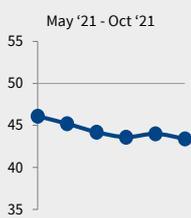
Oct '21



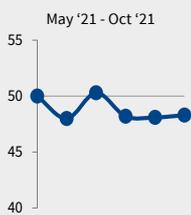
Output Index
May '21 - Oct '21



New Orders Index
May '21 - Oct '21

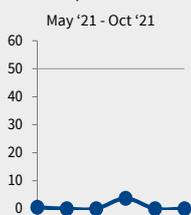


New Export Orders Index
May '21 - Oct '21



Business expectations

Future Output Index
May '21 - Oct '21



Lebanese private sector businesses retained a deeply pessimistic outlook during October, with the Future Output Index remaining at the lowest possible reading of 0.0. Firms expecting business activity to decline were anticipating economic conditions in Lebanon to worsen over the coming 12 months. In some instances, businesses refrained from making a forecast due to the domestic environment being too uncertain.

Future Output Index

>50 = growth expected over next 12 months

0.0

Oct '21

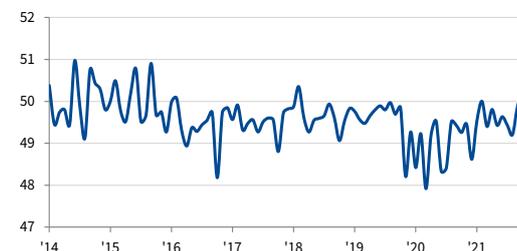


Employment and capacity

Employment

For the first time since February 2018, the seasonally adjusted Employment Index recorded above the 50.0 no-change mark in October, thereby signalling increased staffing levels across Lebanon's private sector. The expansion in workforce numbers was marginal overall, but followed seven successive months of jobs cuts.

Employment Index 50.2
 sa, >50 = growth since previous month Oct '21



Backlogs of work

Amid reduced intakes of new business, private sector firms in Lebanon recorded lower levels of work-in-hand (i.e. orders received but not yet completed) during October. Backlogs fell, although the pace of depletion softened slightly since September.

Backlogs of Work Index 45.6
 sa, >50 = growth since previous month Oct '21



Purchasing and inventories

Quantity of purchases

The negative trend in purchasing activity persisted in October. Overall, Lebanese private sector firms reduced their buying activity at a moderate pace, although the rate of contraction was the slowest for five months. Firms that cut their input purchasing linked this to liquidity issues and lower intakes of new work.

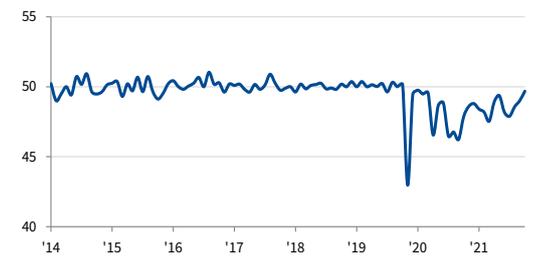
Quantity of Purchases Index 47.6
 sa, >50 = growth since previous month Oct '21



Suppliers' delivery times

Lead times on the delivery of inputs continued to lengthen during October, although the respective seasonally adjusted index signalled the weakest deterioration in vendor performance since January 2020. Although fuel shortages and liquidity issues impeded supplier efficiency, a lack of work alleviated pressures on supply chains, according to firms.

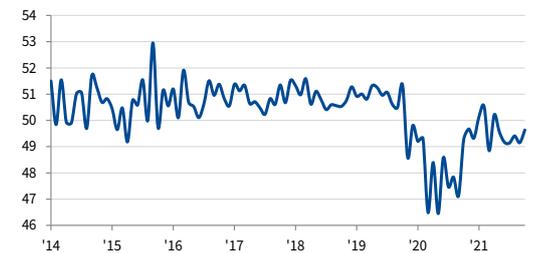
Suppliers' Delivery Times Index 49.7
 sa, >50 = faster times since previous month Oct '21



Stocks of purchases

The seasonally adjusted Stocks of Purchases Index posted below the neutral 50.0 mark in October, signalling a further reduction in inventories at Lebanese private sector firms. That said, the decline was marginal overall and the weakest for five months.

Stocks of Purchases Index 49.6
 sa, >50 = growth since previous month Oct '21



Quantity of Purchases Index
May '21 - Oct '21

Suppliers' Delivery Times Index
May '21 - Oct '21

Stocks of Purchases Index
May '21 - Oct '21

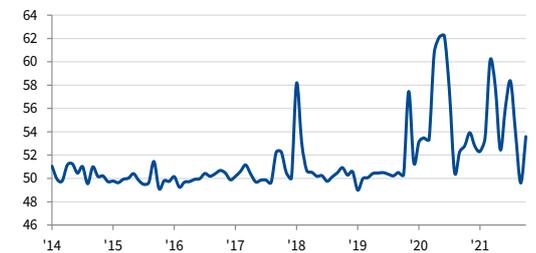


Prices

Overall input prices

Latest survey data signalled a renewed increase in overall costs facing private sector businesses in Lebanon during October. Following a slight decrease in September, input prices returned to inflationary territory, primarily reflecting a deterioration in the exchange rate versus the US dollar. The increase was solid overall and stronger than the historical average.

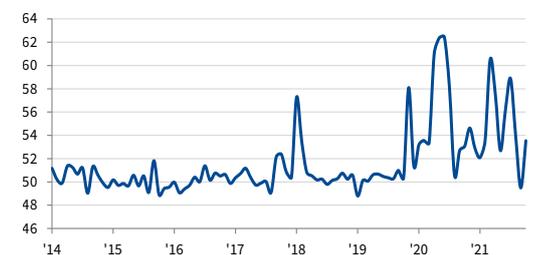
Overall Input Prices Index 53.6
 sa, >50 = inflation since previous month Oct '21



Purchase prices

The seasonally adjusted Purchase Prices Index signalled a return of inflationary pressures during the latest survey period. With the exception of September, purchase costs have risen in every month since February 2019.

Purchase Prices Index 53.5
 sa, >50 = inflation since previous month Oct '21



Staff costs

Having recorded just fractionally above the neutral 50.0 threshold, the seasonally adjusted Staff Costs Index indicated a slight increase in labour expenses during October. Broadly speaking, employment costs have remained generally unchanged over the past four months, with the index averaging 50.0.

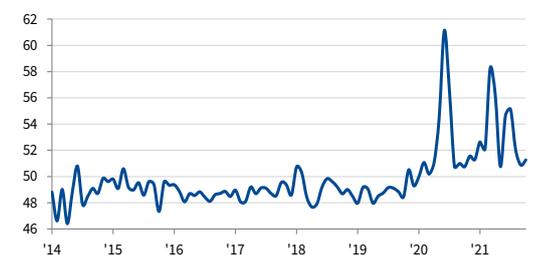
Staff Costs Index 50.2
 sa, >50 = inflation since previous month Oct '21



Output prices

Private sector companies in Lebanon increased their selling prices during October for the twenty-first month in succession. Anecdotal evidence suggested that higher output charges were required to offset weakness in the domestic exchange rate, which had increased cost burdens.

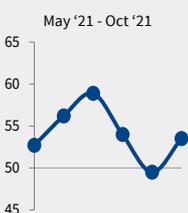
Output Prices Index 51.3
 sa, >50 = inflation since previous month Oct '21



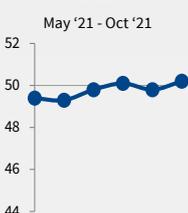
Overall Input Prices Index



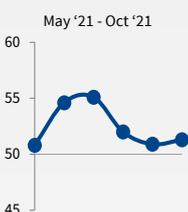
Purchase Prices Index



Staff Costs Index



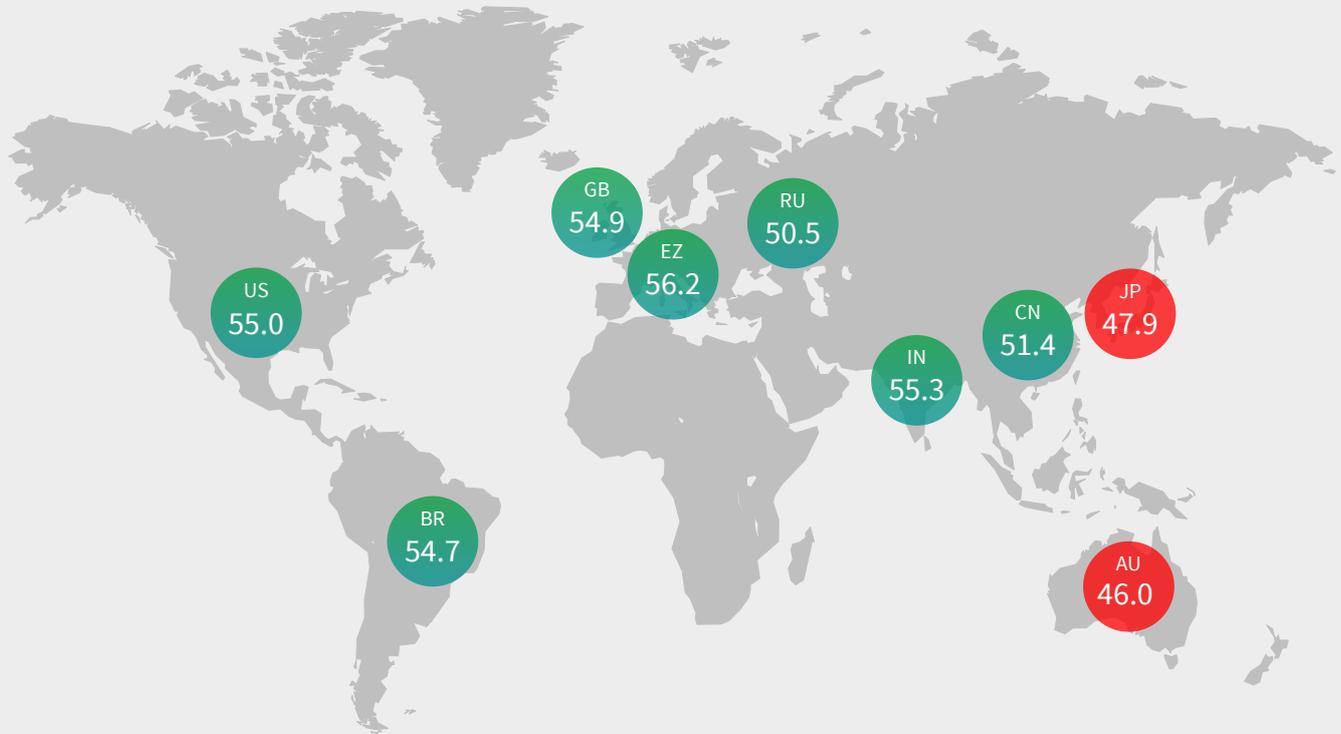
Output Prices Index



International PMI

Composite Output Index, Sep '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
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
10 '21	46.6	43.9	43.4	48.3	0.0	50.2	45.6	47.6	49.7	49.6	53.6	53.5	50.2	51.3

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.

October 2021 data were collected 12-25 October 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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