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### Business conditions continue to deteriorate amid domestic instability

#### Domestic purchasing power erodes further as currency slides

#### Inflationary pressures intensify

The BLOM Lebanon PMI® signalled the strongest decline in economic conditions since February as a further erosion in domestic purchasing power caused demand to weaken and output volumes to fall. Subsequently, employment decreased at the fastest pace in three months, reversing October's slight expansion, while inflationary pressures intensified as a depreciation in the value of the domestic currency pushed up purchase costs and caused firms to hike their 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 fell to a nine-month low of 46.1 in November, down from 46.6 in October and indicative of a solid decline in the health of the private sector economy. That said, this brought the latest reading in line with the series historical average.

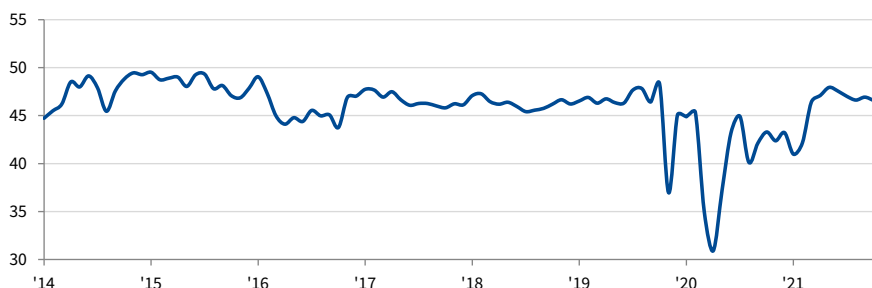
According to survey respondents, a further erosion in the purchasing power of domestic clients had weighed heavily on new order intakes during November. Overall, the level of incoming new business fell at the quickest rate since February. There was also a steeper drop in new export orders, linked to domestic economic and political instability.

Consequently, private sector output across Lebanon fell during November. The decline accelerated since October and was the fastest for eight months.

With new workloads falling, latest survey data pointed to an alleviation in capacity pressures at private sector

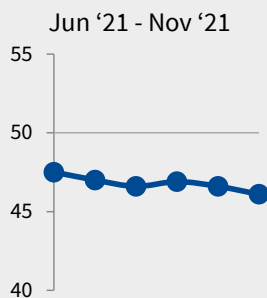
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Lebanon PMI  
sa, >50 = improvement since previous month



## Lebanon PMI

Nov '21  
**46.1**  
Oct: 46.6



## Overview continued...

firms in Lebanon. This was evidenced by a reduction in the amount of business outstanding during November, though at a lower pace. Lacking demand pressures caused firms to reduce their employment levels. The rate at which jobs were cut was the fastest for three months, but marginal overall.

Meanwhile, amid reports of domestic currency weakness, specifically against the US dollar, private sector companies in Lebanon recorded an increase in overall input costs during November. To protect their margins, higher burdens were shared with clients, as firms hiked their selling charges in response. The rate of output charge inflation accelerated to a three-month high.

Furthermore, increased purchase costs reportedly drove some firms to

reduce their input buying in November. Liquidity issues were also cited as a contributing factor, as well as weaker demand. Nevertheless, despite reduced purchasing activity, supplier performance deteriorated once again, and to a greater extent than in October.

Finally, the outlook for business activity over the coming 12 months remained strongly negative. Many survey respondents expect economic and political instability to create further challenges for their businesses.

## Comment

Mrs. Aline Azzi, Research analyst at BLOM Bank, commented on the BLOM Lebanon PMI for November 2021 as follows:

*“The November 2021 BLOM Lebanon PMI slipped to its lowest level in nine-months owing to multiple headwinds of domestic and regional developments. The major events were highly political, but their impact is completely economic. Unforeseen rapid deterioration of Lebanese-Gulf relations and the political bickering following the clashes of Tayouneh and the ongoing judicial crisis, all led to worsening in economic*

*conditions. In consequence, output declined and firms reduced their employments levels as well as private sector enterprises registered an increase in overall input costs due to the local currency weakness. Furthermore, new export orders dropped at a rate that is the strongest since the start of the year. All that and yet the Government is not taking responsibility for the most severe economic crisis in modern history.”*



## Output and demand

### Output

Private sector businesses in Lebanon recorded a further deterioration in their level of activity during November, with the respective seasonally adjusted index remaining below the 50.0 no-change mark. Furthermore, the latest decline was the fastest in eight months. According to survey respondents, economic and political instability was a key reason for falling output volumes.

### Output Index

sa, >50 = growth since previous month

43.3

Nov '21



### New orders

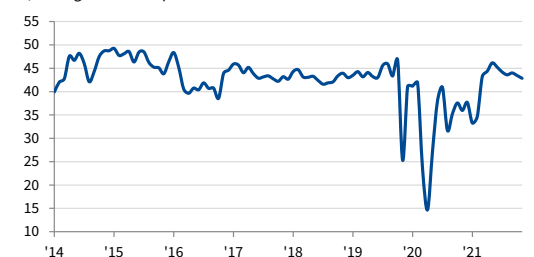
The amount of new work received by private sector companies in Lebanon continued to wane, latest survey data showed. Overall, new order intakes fell at the fastest pace since February. Among the factors cited by firms for causing weaker demand, falling purchasing power and liquidity among domestic clients was often mentioned.

### New Orders Index

sa, >50 = growth since previous month

42.8

Nov '21



### New export orders

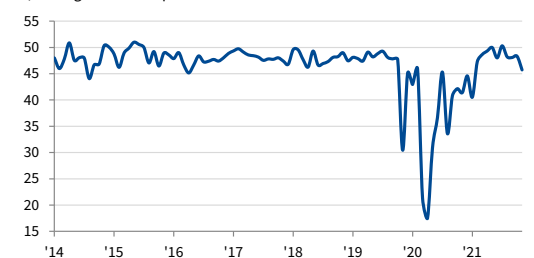
As a result of political and economic instability within Lebanon, private sector companies continued to register falling new export order volumes in November. New work received from international clients has fallen in each of the past four months, with the latest drop being the strongest since the start of the year.

### New Export Orders Index

sa, >50 = growth since previous month

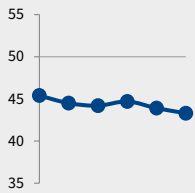
45.7

Nov '21



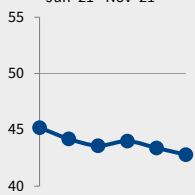
Output Index

Jun '21 - Nov '21



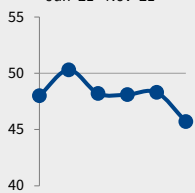
New Orders Index

Jun '21 - Nov '21



New Export Orders Index

Jun '21 - Nov '21



## Business expectations

Latest survey data signalled widespread negative business sentiment across Lebanon's private sector in November, with the consensus view for economic conditions to worsen over the next 12 months. The pessimistic outlook reflected a lack of confidence in Lebanon's political situation, with many expecting it to worsen. A number of businesses expressed their difficulty in making forecasts due to such a high degree of uncertainty.

### Future Output Index

>50 = growth expected over next 12 months

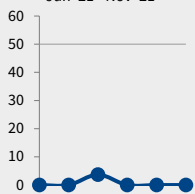
0.0

Nov '21



Future Output Index

Jun '21 - Nov '21



## Employment and capacity

### Employment

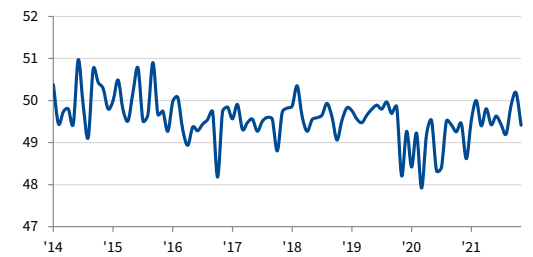
Following October's marginal expansion, staffing numbers moved back into contraction territory during November. Where a reduction in employment was reported, firms attributed this to lower workloads. Overall, the decline in private sector jobs was the fastest in three months.

### Employment Index

sa, >50 = growth since previous month

49.4

Nov '21



### Backlogs of work

The level of work-in-hand (i.e. orders received but not yet completed) at private sector businesses in Lebanon continued to fall during November. Many firms commented on lacking capacity pressures due to slow demand conditions. That said, the seasonally adjusted Backlogs of Work Index posted its highest reading for six months.

### Backlogs of Work Index

sa, >50 = growth since previous month

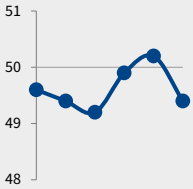
46.4

Nov '21



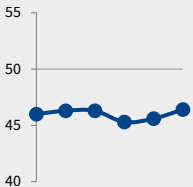
Employment Index

Jun '21 - Nov '21



Backlogs of Work Index

Jun '21 - Nov '21



## Purchasing and inventories

### Quantity of purchases

Adjusted for seasonality, the Quantity of Purchases Index registered beneath the neutral 50.0 threshold in November, signalling reduced volumes of input purchasing. Issues with liquidity, weak demand conditions and increased input prices reportedly caused firms to curb their buying activity.

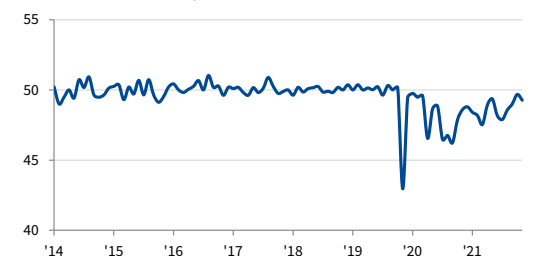
Quantity of Purchases Index 47.9  
 sa, >50 = growth since previous month Nov '21



### Suppliers' delivery times

Another deterioration in vendor performance was registered by private sector companies in Lebanon midway through the fourth quarter. Among the firms reporting delayed deliveries of inputs, higher fuel costs and poor cash availability were cited as causes. Overall, input lead times lengthened to a greater extent than in October.

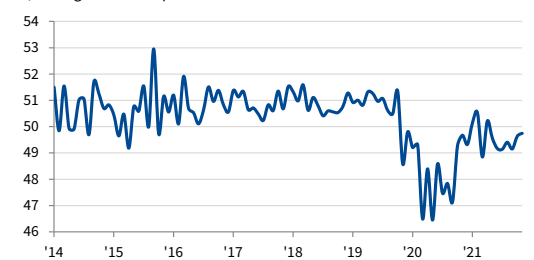
Suppliers' Delivery Times Index 49.3  
 sa, >50 = faster times since previous month Nov '21



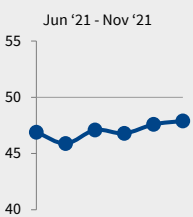
### Stocks of purchases

The seasonally adjusted Stocks of Purchases Index remained below the 50.0 no-change mark for the seventh month in a row in November, indicating a sustained decline in inventories at private sector firms in Lebanon. Some panel members reported difficulties in obtaining certain supplies due to shortages.

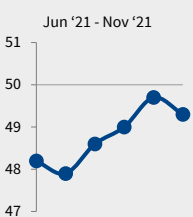
Stocks of Purchases Index 49.7  
 sa, >50 = growth since previous month Nov '21



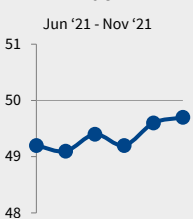
Quantity of Purchases Index



Suppliers' Delivery Times Index



Stocks of Purchases Index

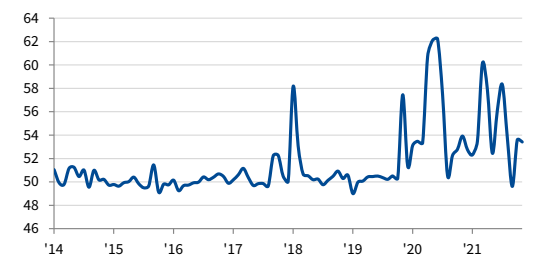


## Prices

### Overall input prices

Private sector companies in Lebanon continued to face rising cost burdens midway through the fourth quarter. The rate of overall cost inflation was solid overall, but primarily reflected rising prices for purchased items as staff costs were broadly unchanged over the month.

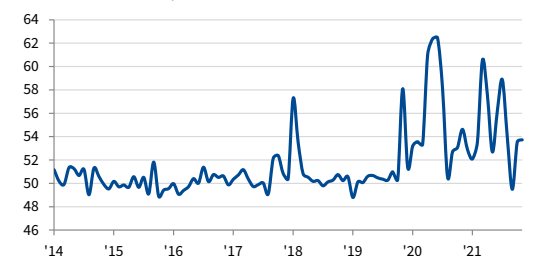
Overall Input Prices Index 53.4  
sa, >50 = inflation since previous month Nov '21



### Purchase prices

Prices paid for purchases made by private sector firms in Lebanon continued to increase during November, marking back-to-back months of inflation. According to survey respondents, increases in the value of the US dollar against the domestic currency drove up purchase costs.

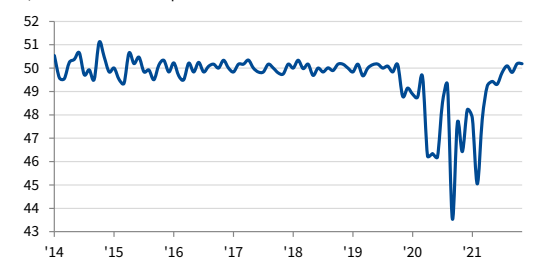
Purchase Prices Index 53.7  
sa, >50 = inflation since previous month Nov '21



### Staff costs

The seasonally adjusted Staff Costs Index signalled broadly unchanged labour expenses during November, holding close to the neutral 50.0 mark for a fifth successive month. Nevertheless, the respective index matched October's 28-month high.

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



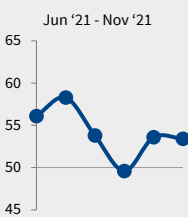
### Output prices

Private sector businesses in Lebanon raised their prices charged during November, extending the current bout of output price inflation that commenced in February 2020. In many cases, increased charges were attributed to the deterioration of the local currency against the US dollar.

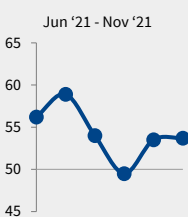
Output Prices Index 51.9  
sa, >50 = inflation since previous month Nov '21



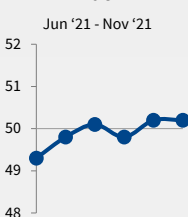
Overall Input Prices Index



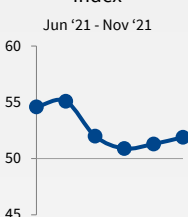
Purchase Prices Index



Staff Costs Index



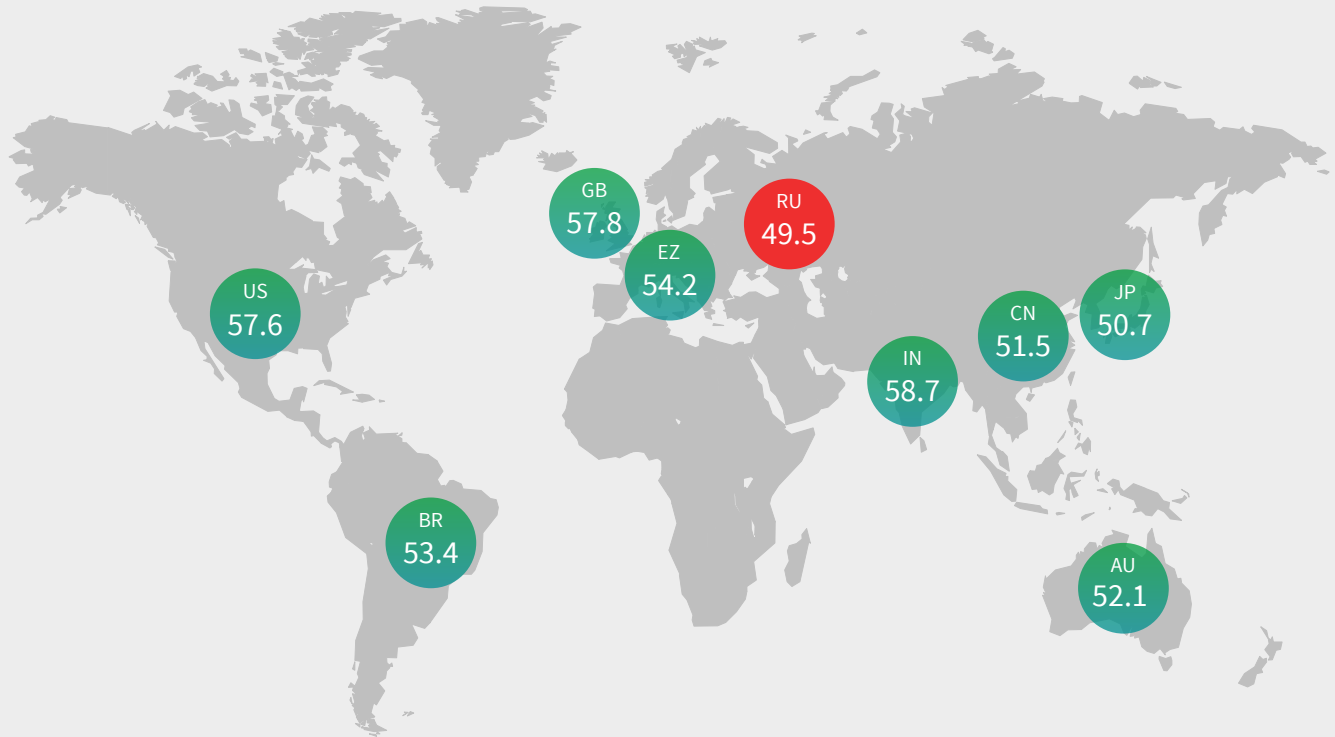
Output Prices Index



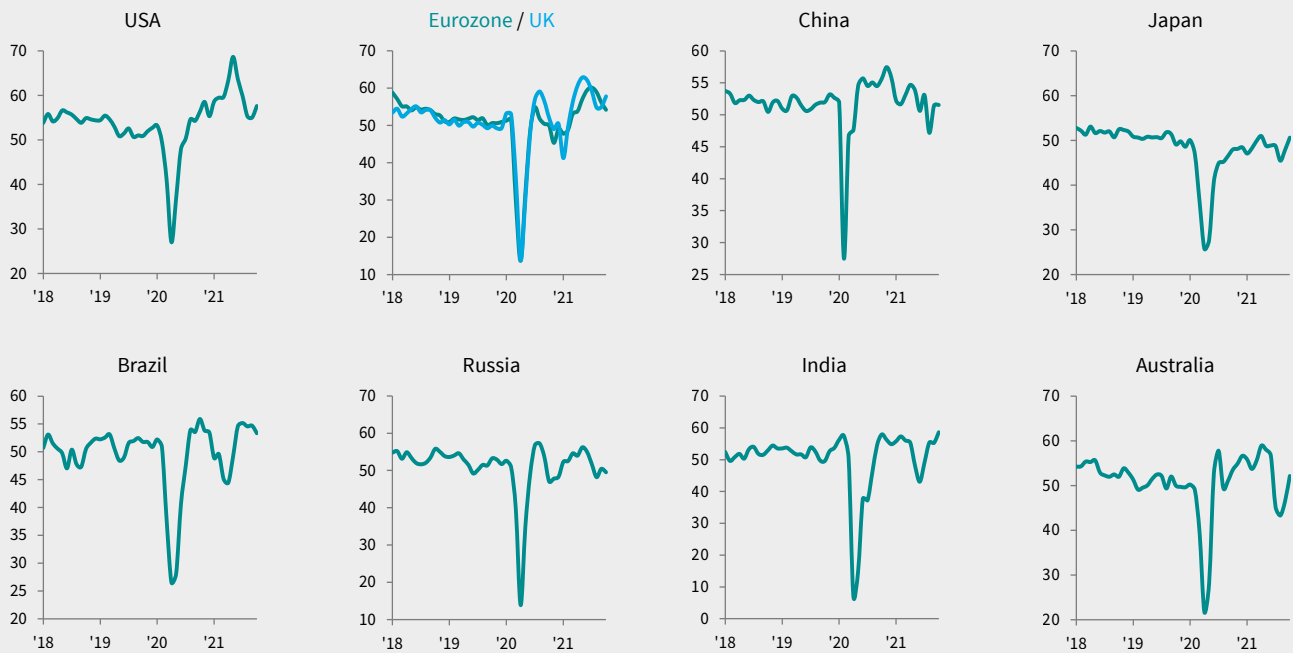
## International PMI

Composite Output Index, Oct '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
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
11 '21	46.1	43.3	42.8	45.7	0.0	49.4	46.4	47.9	49.3	49.7	53.4	53.7	50.2	51.9

### 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.

November 2021 data were collected 12-24 November 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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