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BLOM Lebanon PMI®

PMI slides to nine-month low in November

Key findings

Business conditions continue to deteriorate amid domestic instability

Domestic purchasing power erodes further as currency slides

Inflationary pressures intensify

Data were collected 12-24 November.

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 firms in Lebanon. This was evidenced by a reduction in the amount of business
continued...

Lebanon PMI

sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

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.”

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.

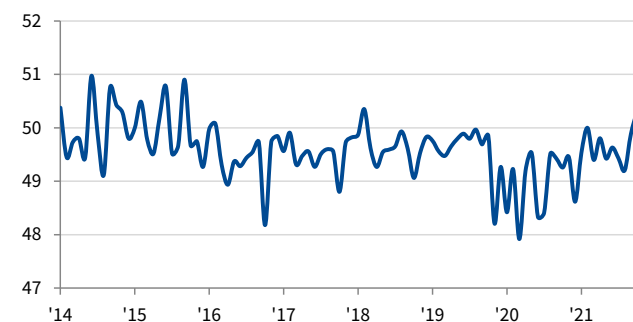
Meanwhile, amid reports of domestic currency weakness, specifically against the US dollar, private sector companies in Lebanon recorded an increase in overall input costs during November. To protect their margins, higher burdens were shared with clients, as firms hiked their selling charges in response. 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.

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.

November 2021 data were collected 12-24 November 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](https://www.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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