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The BLOM Lebanon PMI® rose to a three-month high during December as output and new orders declined at weaker rates. That said, employment fell for a second month running as private sector firms registered a greater amount of spare capacity.

Meanwhile, there was an intensification of price pressures during December amid unfavourable movements in the domestic currency against the US dollar. Overall input costs and selling prices both increased at the quickest rates in five months.

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 recorded 46.7 in December, up from 46.1 in November and its highest reading in three months. Nevertheless, the latest survey data was still indicative of a deterioration in the health of Lebanon's private sector economy.

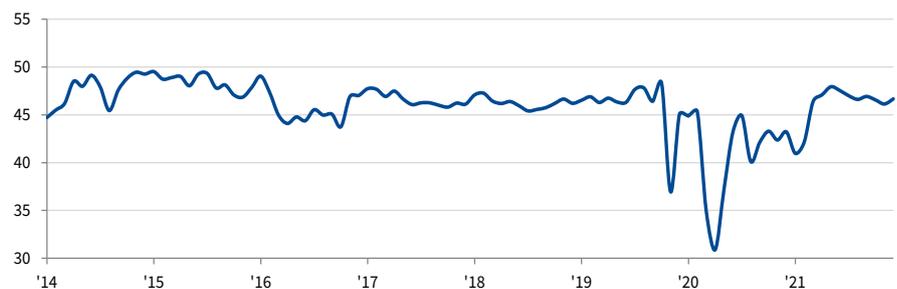
According to survey respondents, the challenging political and economic situation in Lebanon was a notable hindrance to their business operations in December and a key reason for private sector output falling over the month. However, the rate of contraction in business activity was the weakest since September.

Output volumes were also suppressed by weak demand conditions. Latest survey data showed new orders falling during December, which many businesses linked

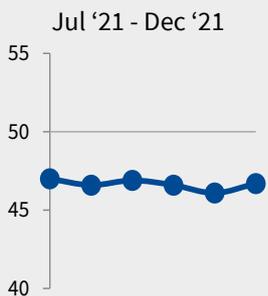
continued...

Lebanon PMI

sa, >50 = improvement since previous month



Lebanon PMI



Overview continued...

to eroding purchasing power among domestic clients. Foreign customer demand also declined during December as the political and economic environment in Lebanon adversely impacted businesses' ability to trade internationally.

Amid easing demand pressures, private sector firms in Lebanon registered greater levels of spare capacity in December, as evidenced by a further reduction in their backlogs of work. Subsequently, employment levels were reduced for a second successive month.

Meanwhile, amid lower demands on their businesses, survey respondents cut both purchasing activity and stock levels during December. Despite fewer needs for inputs, supplier delivery times lengthened to the greatest extent in four months.

Regarding prices, latest survey data showed an intensification of inflationary pressures during December. According to firms, the US dollar exchange rate worsened, pushing up purchase costs. The overall rate of input price inflation accelerated as a result and was the strongest since July. To protect margins, private sector businesses in Lebanon raised their selling prices to the greatest extent in five months.

Lastly, the outlook remained pessimistic during December as many businesses expect the political and economic situation to deteriorate over the coming 12 months.

Comment

Ms. Tala Nasrallah, Senior Research Analyst at BLOMINVEST Bank, commented on the BLOM Lebanon PMI for December 2021, as follows:

“The month of December witnessed further depreciation of the Lebanese currency, with output prices increasing at the fastest pace for five months, resulting in rising inflationary pressures. The BLOM Lebanon PMI rose to 46.7, ending 2021 on a higher note than the past 3 months, yet it is indicative of a prolonged deterioration in private sector operating conditions and the static facets of the Lebanese economy.”

“It is worth mentioning that falling purchasing power is facilitating a continuous slowdown in demand and new orders, and a decline in employment as a result. As such, prompt action is vital by the new government while going into 2022 to avoid the crisis from deepening.”



Output and demand

Output

Business activity across the Lebanese private sector continued to decline at the end of the year, although the rate of contraction was the slowest in three months. According to survey respondents, output volumes were suppressed by the challenging social, political and economic environment within Lebanon.

Output Index

sa, >50 = growth since previous month

44.0

Dec '21



New orders

The level of incoming new work received by private sector companies in Lebanon continued to fall during December, with panel members linking the decline to falling purchasing power among domestic clients. Overall, the decrease in new orders was strong but the slowest since September.

New Orders Index

sa, >50 = growth since previous month

43.7

Dec '21



New export orders

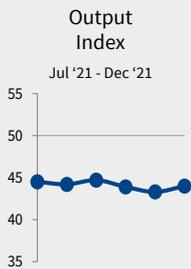
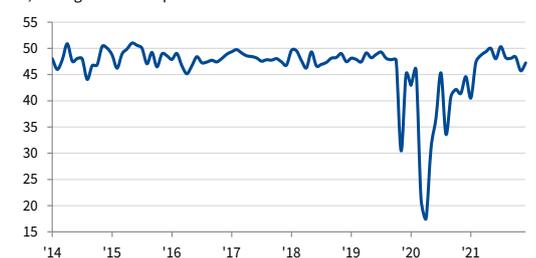
The seasonally adjusted New Export Orders Index registered below the 50.0 no-change mark in December for a fifth successive month, signalling a further deterioration in demand from foreign customers. According to anecdotal evidence, unfavourable economic conditions within Lebanon hindered trade with international clients.

New Export Orders Index

sa, >50 = growth since previous month

47.2

Dec '21



Business expectations

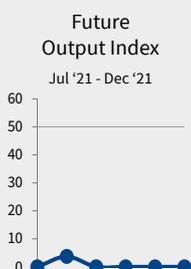
The Future Output Index continued to signal a pessimistic outlook among Lebanese private sector businesses in December. Many survey respondents expect the domestic economic and political climate to deteriorate over the next 12 months, which will in turn cause activity levels to decline. Some panellists remarked on the strong degree of uncertainty surrounding Lebanon, making it difficult to plan ahead.

Future Output Index

>50 = growth expected over next 12 months

0.0

Dec '21



Employment and capacity

Employment

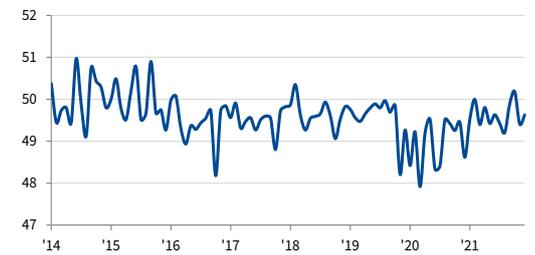
Latest survey data pointed to a second successive monthly decrease in the level of private sector employment across Lebanon. However, the extent to which jobs were cut was only marginal overall and weaker than that seen in November.

Employment Index

sa, >50 = growth since previous month

49.6

Dec '21



Backlogs of work

Private sector business in Lebanon registered lower levels of outstanding business at the end of 2021, as signalled by the seasonally adjusted Backlogs of Work Index posting below the 50.0 no-change mark. A lack of incoming new business freed up operating capacities, according to surveyed companies.

Backlogs of Work Index

sa, >50 = growth since previous month

47.8

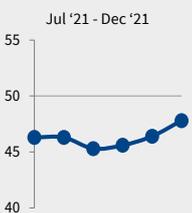
Dec '21



Employment Index
Jul '21 - Dec '21



Backlogs of Work Index
Jul '21 - Dec '21



Purchasing and inventories

Quantity of purchases

Private sector companies in Lebanon reduced the amount of purchases made during December. Where a decrease was reported, survey respondents attributed this to the challenging economic environment and the associated absence of new work intakes. Nonetheless, the decline was the weakest since October 2019.

Quantity of Purchases Index
sa, >50 = growth since previous month

48.0
Dec '21

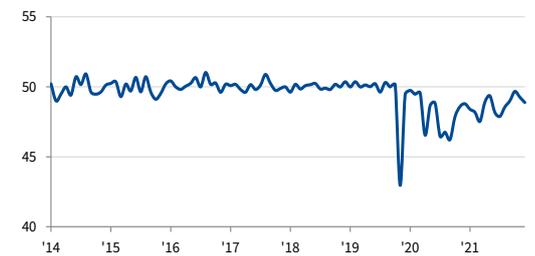


Suppliers' delivery times

Latest survey data signalled a further deterioration in supplier performance during December. The extent to which average input lead times lengthened was the greatest since August, although the seasonally adjusted Suppliers' Delivery Times Index recorded broadly in line with its average for 2021.

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

48.9
Dec '21

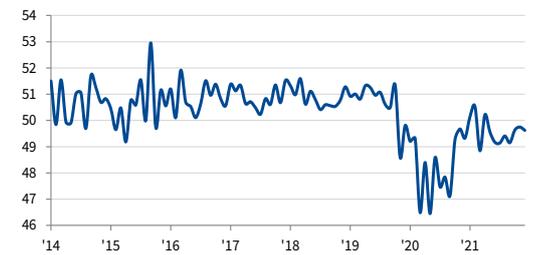


Stocks of purchases

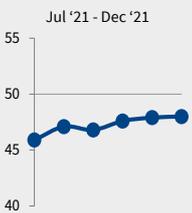
A marginal reduction in inventories of purchases was registered by private sector businesses in Lebanon during the latest survey period. This was evidenced by the respective seasonally adjusted index recording only just below the 50.0 no-change mark. Overall, stocks of purchases have fallen for eight successive months.

Stocks of Purchases Index
sa, >50 = growth since previous month

49.6
Dec '21



Quantity of Purchases Index
Jul '21 - Dec '21



Suppliers' Delivery Times Index
Jul '21 - Dec '21



Stocks of Purchases Index
Jul '21 - Dec '21



Prices

Overall input prices

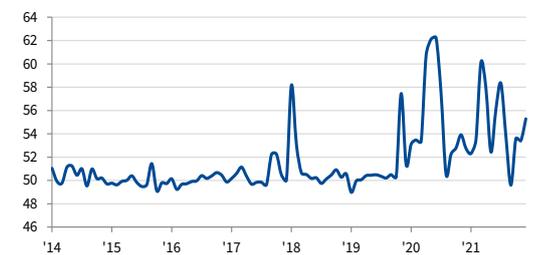
Cost pressures facing private sector businesses in Lebanon climbed further during December as overall input costs increased for a third month running. Furthermore, the rate of inflation accelerated and was the strongest since July. The increase primarily reflected higher purchase prices, with staff costs only rising fractionally.

Overall Input Prices Index

sa, >50 = inflation since previous month

55.3

Dec '21



Purchase prices

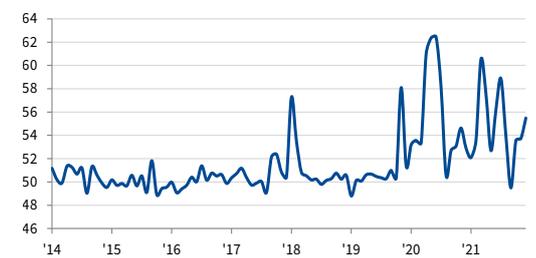
For the third month running, prices paid for purchases increased during December. The rate of inflation quickened to a five-month high and was strong overall. There were multiple reports of unfavourable exchange rate movements against the US dollar pushing up costs.

Purchase Prices Index

sa, >50 = inflation since previous month

55.5

Dec '21



Staff costs

The seasonally adjusted Staff Costs Index registered fractionally above the 50.0 no-change mark in December, signalling a marginal increase in labour expenses. Overall, the rate of wage inflation matched those recorded in both October and November and extended the current period of increase to three months.

Staff Costs Index

sa, >50 = inflation since previous month

50.2

Dec '21



Output prices

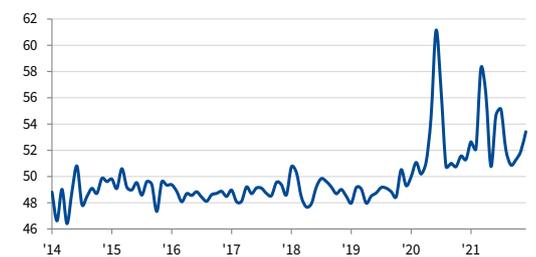
Private sector companies in Lebanon increased their prices charged during December. Moreover, the extent to which output prices were raised was the strongest since July. Where an increase in charges was reported, firms linked this to increased costs.

Output Prices Index

sa, >50 = inflation since previous month

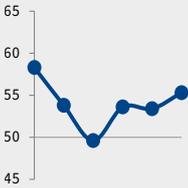
53.4

Dec '21



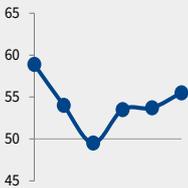
Overall Input Prices Index

Jul '21 - Dec '21



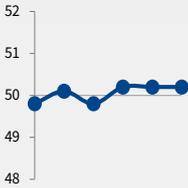
Purchase Prices Index

Jul '21 - Dec '21



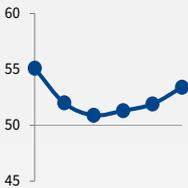
Staff Costs Index

Jul '21 - Dec '21



Output Prices Index

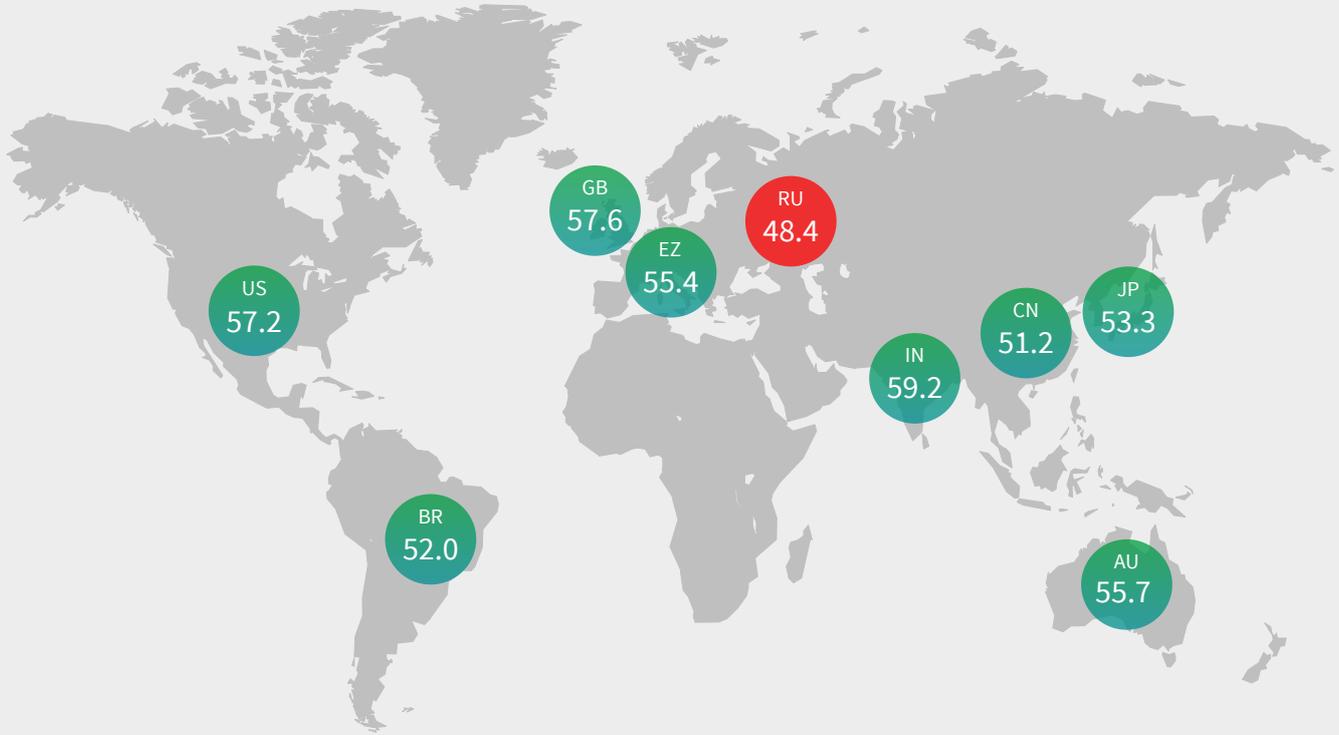
Jul '21 - Dec '21



International PMI

Composite Output Index, Nov '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
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
12 '21	46.7	44.0	43.7	47.2	0.0	49.6	47.8	48.0	48.9	49.6	55.3	55.5	50.2	53.4

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.

December 2021 data were collected 06-17 December 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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About BLOMINVEST BANK

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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