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BLOM Lebanon PMI®

PMI increases to three-month high in December

Key findings

Output and new orders decline at weaker rates...

...but inflationary pressures intensify amid rising US dollar exchange rate

Employment levels fall for second month running

Data were collected 06-17 December.

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 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.

continued...

Lebanon PMI

sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

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."

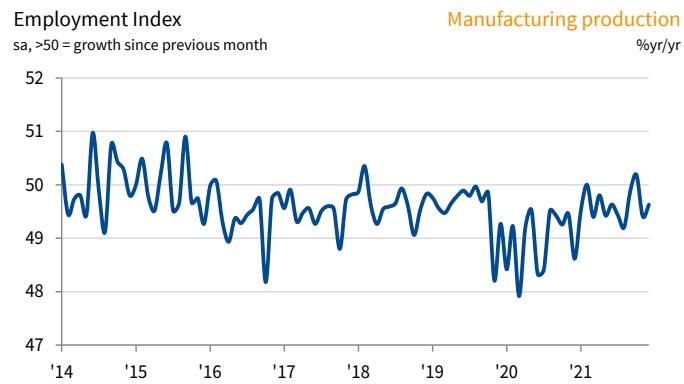
"It is worth mentioning that falling purchasing power is facilitating a continuous slowdown in demand and new orders, and a decline in employment as a result. As such, prompt action is vital by the new government while going into 2022 to avoid the crisis from deepening."

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.



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.

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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