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Output and new orders fall at slower rates

Purchase prices continue to rise, but input cost inflation eases slightly

Businesses expect economic conditions to remain challenging

The BLOM Lebanon PMI® rose to its highest mark in eight months during February as contractions in output and new orders slowed. That said, amid reports of weak domestic purchasing power and cashflow issues, businesses continued to cut their purchasing of inputs and fractionally reduced staffing numbers. While staff expenses fell over the month, rising commodity prices led to an increase in purchase costs and prices charged for goods and services, albeit at a softer pace in both cases.

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.

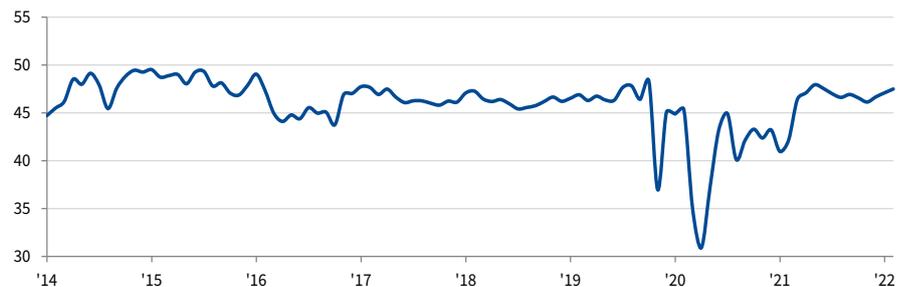
The headline BLOM Lebanon PMI rose to 47.5 during February, up from 47.1 in January and its highest mark since the June last year. For the third month in succession, the headline index has recorded above its historical average (46.1). That said, with a reading that was below the 50.0 no-change mark, the PMI signalled a deterioration in the health of Lebanon's private sector.

Amid the challenges posed by the current political and economic climate in Lebanon, surveyed businesses continued to report a decline in their output levels during February. However, business activity fell at the slowest rate for nine months.

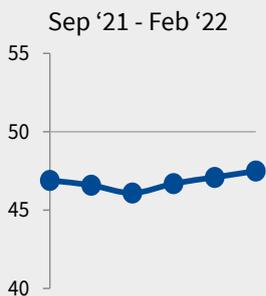
The weaker decrease in private sector output coincided with a softer reduction in new business intakes midway through the first quarter. According to panel members, weak purchasing power among domestic customers and issues with liquidity

continued...

Lebanon PMI
sa, >50 = improvement since previous month



Lebanon PMI



Overview continued...

weighed on demand conditions. Some companies also associated the challenging conditions domestically with falling new export business, with international clients reportedly hesitant to place new orders.

With inflows of new work falling, businesses continued to seek ways to contain their costs during February. Input purchasing fell over the month, although the rate of decline was the slowest seen across the current six-year period of contraction. Latest survey data also pointed to a fractional reduction in employment. Positively however, the large majority of companies kept their staffing levels unchanged since January.

Despite lower quantities of purchases, latest survey data signalled a renewed expansion in stocks of inputs during February. The build-up of inventories

was mild, but the strongest for a year. Meanwhile, supplier performance moved nearer to stabilising during February, with the respective index edging closer to the neutral 50.0 mark.

Despite efforts by firms to reduce their expenses, latest survey data pointed to sustained inflationary pressures. Overall input costs increased for a fifth successive month, although this was driven by purchase prices as staff expenses fell for the first time since last September. According to companies, inflation reflected the high cost of US dollars and rising commodity prices. That said, the increase in overall expenses was the slowest over the current period of inflation. Output prices also rose, although the increase here also slowed.

Comment

Commenting on BLOM Lebanon PMI for February 2022, Dr Ali Bolbol, Chief Economist/Head of Research at BLOM Bank, said:

“For the third consecutive month, the BLOM Lebanon PMI increased to stand at 47.5 in February 2022. All indices witnessed relative improvement with the stock of purchases even exceeding 50. Though the climate of business remains challenging, the resumption of government meetings coupled with the recent exchange rate appreciations have injected a bit of energy into the economy. It remains to be seen, however, whether this heightened activity can prove sustainable and push the PMI to 50 or higher,

given the absence still of any reforms and an agreement with the IMF. Most likely, when these occur along with prolonged political stability, we can perhaps say then that the Lebanese economy has turned the corner.”



Output and demand

Output

Private sector output across Lebanon fell during February. Where a reduction in business activity was recorded, this was often linked with the challenging political and economic situation within the country, which created tough conditions for firms to operate under. That said, the rate of decline was the weakest in nine months.

Output Index

sa, >50 = growth since previous month

46.2

Feb '22



New orders

Demand conditions faced by private sector businesses in Lebanon deteriorated midway through the first quarter of 2022. Weak purchasing power among domestic clients was often cited as the cause of falling new order inflows, although poor liquidity and unstable conditions within Lebanon were also mentioned. Overall, the decrease in new business was the slowest since last June.

New Orders Index

sa, >50 = growth since previous month

44.7

Feb '22



New export orders

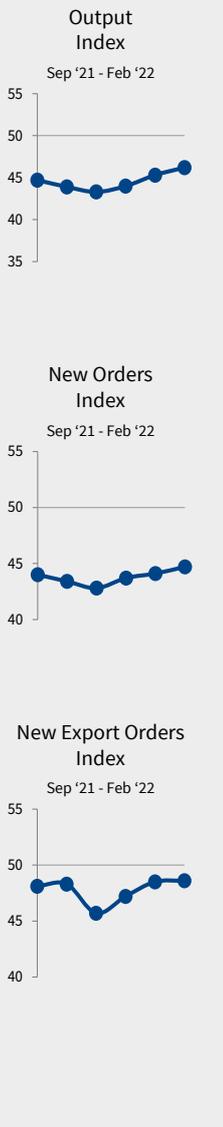
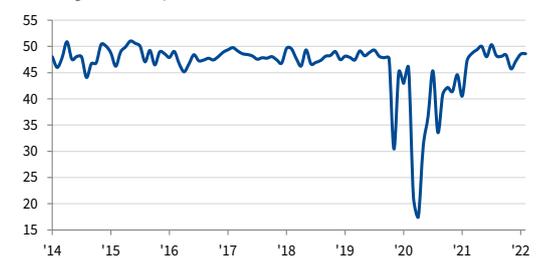
The seasonally adjusted New Export Orders Index remained below the 50.0 no-change mark during February, signalling a deterioration in demand from international sources. According to panellists, uncertainty surrounding the economic climate within Lebanon deterred foreign clients from placing orders. The drop in sales from external markets was modest and little-changed from January.

New Export Orders Index

sa, >50 = growth since previous month

48.6

Feb '22



Business expectations

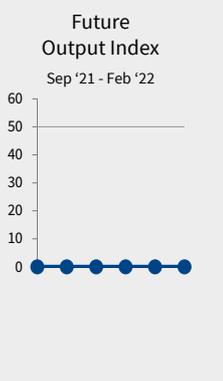
Private sector businesses in Lebanon remained pessimistic towards the outlook during February, as evidenced by the Future Output Index remaining below the 50.0 no-change mark. Despite the current situation being challenging, many businesses expect conditions to worsen over the next 12 months. Expectations of a rise in the exchange rate against the US dollar also contributed to the negative outlook.

Future Output Index

>50 = growth expected over next 12 months

0.0

Feb '22



Employment and capacity

Employment

Private sector employment levels fell fractionally during the latest survey period, with the respective seasonally adjusted index recording only slightly below the 50.0 no-change mark. Overall, the small decline seen in February was the weakest seen across the current four-month sequence of falling jobs.

Backlogs of work

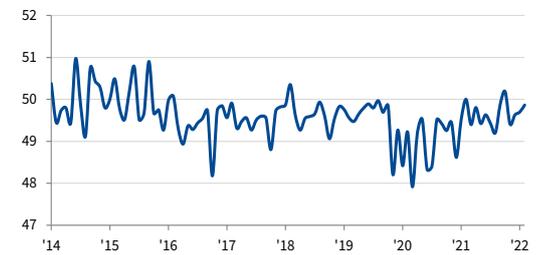
Amid falling intakes of new business, private sector companies in Lebanon registered further capacity relief during February. This was signalled by the seasonally adjusted Backlogs of Work Index scoring below the neutral 50.0 threshold. The reduction in outstanding business was modest and weaker than seen on average over the survey history since May 2013.

Employment Index

sa, >50 = growth since previous month

49.9

Feb '22

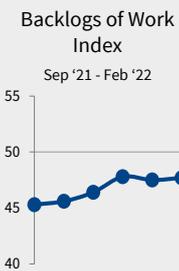
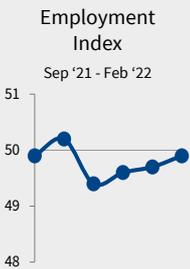


Backlogs of Work Index

sa, >50 = growth since previous month

47.7

Feb '22



Purchasing and inventories

Quantity of purchases

Latest survey data pointed to a reduction in purchasing activity by private sector firms in Lebanon midway through the first quarter. Where a decline was reported, this was linked to a lack of liquidity and falling intakes of new work. The rate at which input buying fell was marginal and the weakest seen across the current period of contraction which began in February 2016.

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

49.4
Feb '22

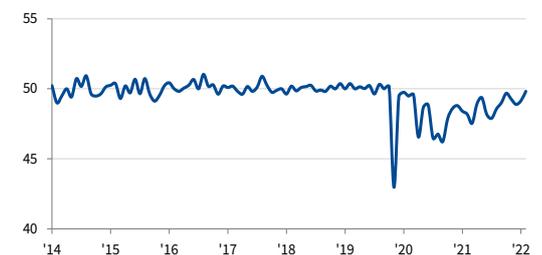


Suppliers' delivery times

While there was a further deterioration in vendor performance during February, latest survey data signalled only a marginal lengthening of supplier lead times that was the softest seen across the current 28-month sequence of delivery delays. Overall, the large majority of companies (99%) registered no change in supplier performance.

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

49.8
Feb '22

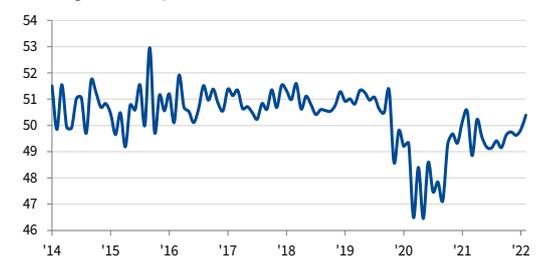


Stocks of purchases

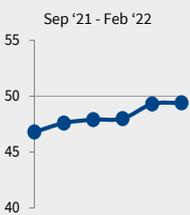
For the first time since last April, the seasonally adjusted Stocks of Purchases Index recorded above the neutral 50.0 threshold during February, thereby signalling an increase in inventories of inputs. The accumulation in stocks was mild, but the strongest in a year.

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

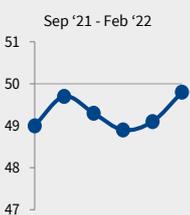
50.4
Feb '22



Quantity of Purchases Index
Sep '21 - Feb '22



Suppliers' Delivery Times Index
Sep '21 - Feb '22



Stocks of Purchases Index
Sep '21 - Feb '22



Prices

Overall input prices

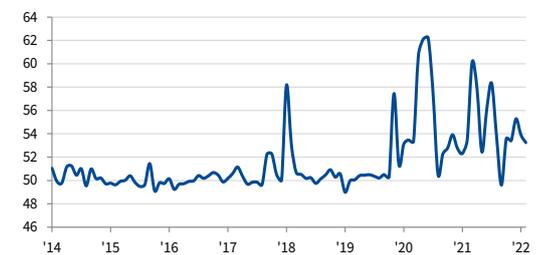
Overall input prices rose for the fifth successive month in February. The increase was driven by purchase prices as latest data showed a decline in staff expenses. Overall, the rate of overall input price inflation was the softest seen over the aforementioned sequence, but stronger than the historical average.

Overall Input Prices Index

sa, >50 = inflation since previous month

53.2

Feb '22



Purchase prices

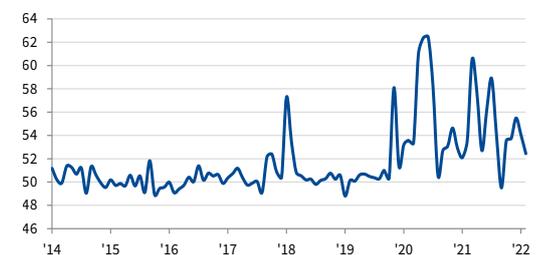
Amid reports of rising commodity prices and expectations of an increase in the US dollar exchange rate, surveyed companies recorded an increase in their purchase costs during February. That said, the increase in prices paid slowed since January and was the weakest seen over the current five-month period of inflation.

Purchase Prices Index

sa, >50 = inflation since previous month

52.4

Feb '22



Staff costs

The seasonally adjusted Staff Costs Index posted below the 50.0 no-change mark in February for the first since last September, signalling a reduction in labour expenses. Overall, the reduction was marginal and broadly in line with the series long-run average.

Staff Costs Index

sa, >50 = inflation since previous month

49.6

Feb '22



Output prices

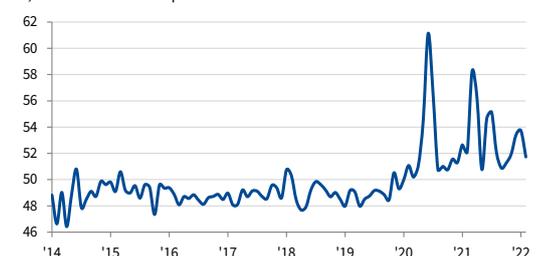
Due to rising purchase prices, private sector businesses in Lebanon increased their charges for goods and services midway through the first quarter. The rate of output price inflation was modest overall and the slowest in four months.

Output Prices Index

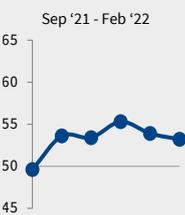
sa, >50 = inflation since previous month

51.7

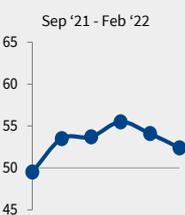
Feb '22



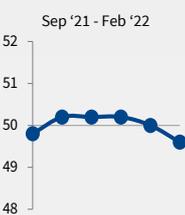
Overall Input Prices Index



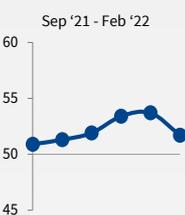
Purchase Prices Index



Staff Costs Index



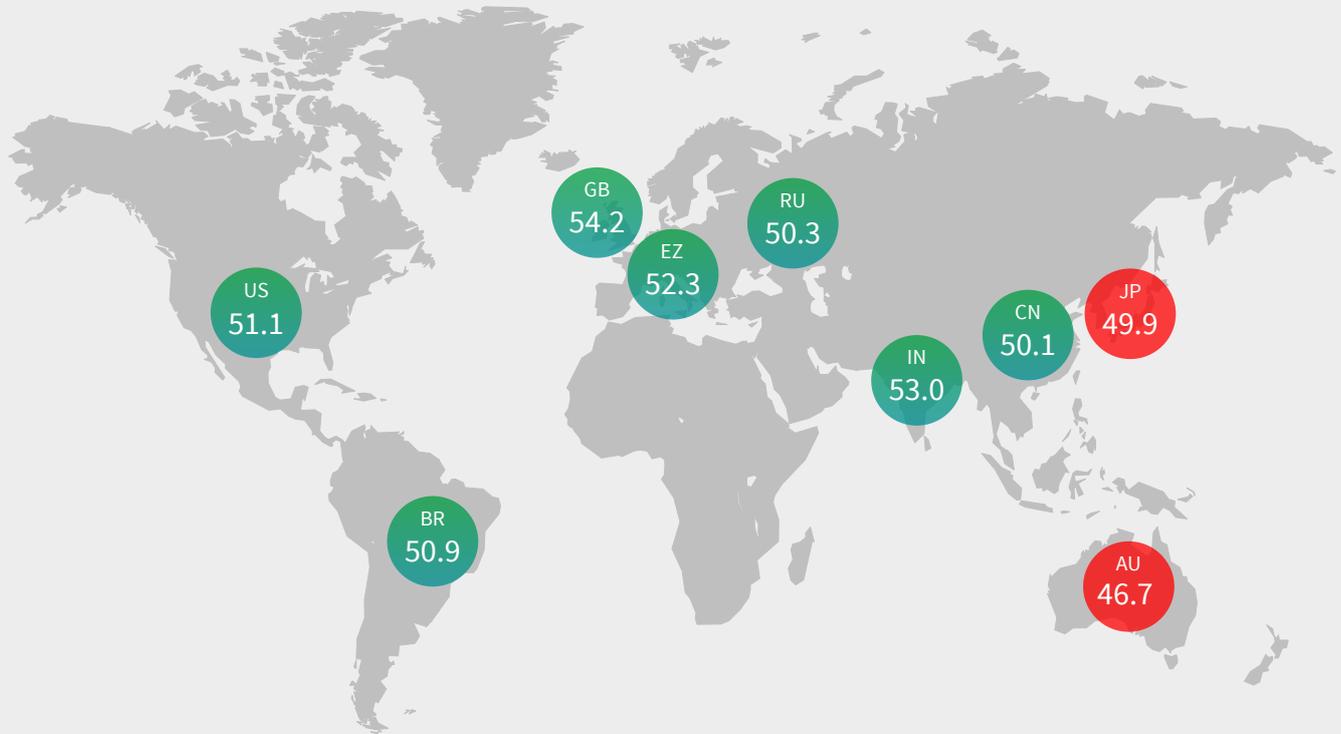
Output Prices Index



International PMI

Composite Output Index, Jan '22
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
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
01 '22	47.1	45.3	44.1	48.5	0.0	49.7	47.5	49.3	49.1	49.8	53.9	54.1	50.0	53.7
02 '22	47.5	46.2	44.7	48.6	0.0	49.9	47.7	49.4	49.8	50.4	53.2	52.4	49.6	51.7

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.

February 2022 data were collected 10-22 February 2022.

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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