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BLOM Lebanon PMI®

PMI rises to eight-month high in February

Key findings

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

Data were collected 10-22 February.

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.

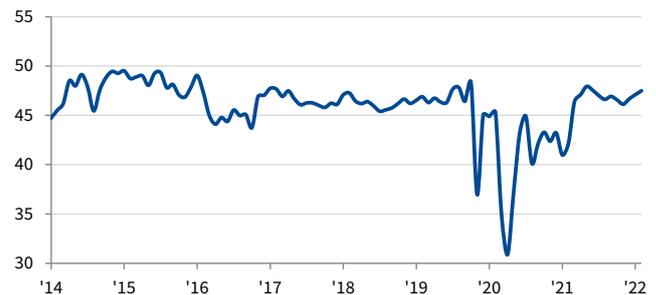
Amid the challenges posed by the current political and economic climate in Lebanon, surveyed businesses continued to report a decline in their output levels during February. However, business activity fell at the slowest rate for nine months.

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 weighed on demand conditions. Some companies also associated the challenging conditions domestically with falling new export business, with

continued...

Lebanon PMI

sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

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.”

international clients reportedly hesitant to place new orders.

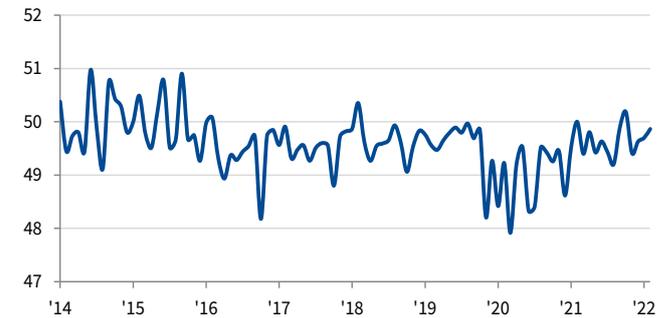
With inflows of new work falling, businesses continued to seek ways to contain their costs during February. Input purchasing fell over the month, although the rate of decline was the slowest seen across the current six-year period of contraction. Latest survey data also pointed to a fractional reduction 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.

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.

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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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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