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Headline PMI remains below 50.0 in March

Output falls at fastest pace in three months

Inflationary pressures intensify amid rising fuel prices

The BLOM Lebanon PMI® continued to signal challenging operating conditions for private sector businesses at the end of the first quarter as output fell further. Weak purchasing power and domestic political instability weighed on company performances, according to survey respondents.

Firms were also affected by rising cost pressures as an unfavourable exchange rate against the US dollar was compounded by rising fuel prices. Both input costs and output charges increased at faster rates in March.

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 posted 47.4 in March, a fractional decline from 47.5 in February and indicative of a further deterioration in operating conditions across Lebanon's private sector economy. That said, the latest figure was above the survey average of 46.1.

According to comments from panellists, challenging financial and political conditions within Lebanon were once again cited as reasons for lacklustre performance. Private sector business activity fell at the fastest pace for three months during March.

The drop in output levels was also attributed to weak demand conditions. New orders placed with private sector firms in Lebanon fell at the end of the first quarter, reportedly due to weak purchasing power among clients. Some

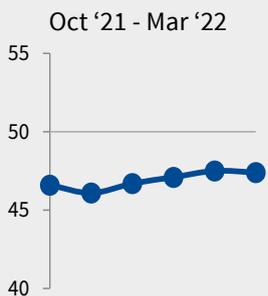
continued...

Lebanon PMI

sa, >50 = improvement since previous month



Lebanon PMI



Overview continued...

panellists also linked the instability across the region to reduced sales with overseas customers. That said, the latest decrease in overall intakes of new business was the softest since June last year.

Meanwhile, March data pointed to a marginal reduction in staffing levels, extending the current sequence of job losses to five months. At the same time, the latest PMI survey highlighted a reduced strain on capacities, with backlogs of work falling. In many cases, this was reflective of lower new work intakes. Amid fewer inquiries, private sector firms in Lebanon reduced both their purchasing activity and stocks in March.

Meanwhile, price pressures intensified at the end of the first quarter. According to panel members, the high cost of US dollars was exacerbated by increases

in fuel prices. Consequently, the overall rate of input price inflation accelerated to a three-month high. To protect their margins, private sector firms in Lebanon raised their selling charges to a quicker extent.

Hikes in fuel prices were also reported to have contributed to a worsening of supplier performance in March. Average lead times on the delivery of inputs lengthened to the greatest extent since last August.

Lastly, amid the challenging domestic situation, private sector firms in Lebanon remained downbeat on their prospects towards the coming 12 months.

Comment

Commenting on BLOM Lebanon PMI for March 2022, Aline Azzi, Research Analyst at BLOMINVEST Bank, said:

“March PMI’s reading mirrored a solid and faster deterioration in business conditions across Lebanon’s private sector. The index dropped further below the 50-threshold and stood at 47.4 in March 2022 amid uncertainty burdening the Lebanese economy. With potential food supply disruptions, rising worldwide energy prices, in addition to the internal political stress and pre-electoral chaos, companies are exposed to further challenges that are weighing on their performance. Lebanon has a lot to

consider in the upcoming period, including developments associated with the Ukraine-Russia war, rising inflation exacerbated by soaring fuel prices, and multiple juridical decisions against the banking sector. In response, extensive reform and recovery commitments are enormously required in the period ahead and should not be delayed any further.”



Output and demand

Output

Private sector business activity across Lebanon continued to decline during March. The contraction was the fastest for three months, with approximately 10% of surveyed companies registering lower output volumes over the month. Where a drop in business activity was reported, this was often attributed to the challenging domestic political and economic climate.

Output Index

sa, >50 = growth since previous month

45.1

Mar '22



New orders

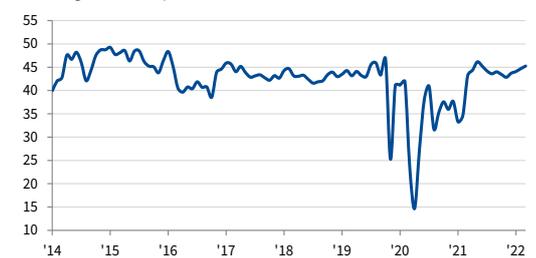
The seasonally adjusted New Orders Index posted below the 50.0 no-change mark in March, signalling a deterioration in demand conditions at Lebanese private sector firms. Weak purchasing power among domestic clients was commonly cited as a reason for weaker new business intakes. That said, the rate of contraction was the slowest since June last year.

New Orders Index

sa, >50 = growth since previous month

45.2

Mar '22



New export orders

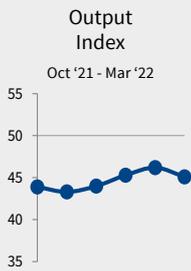
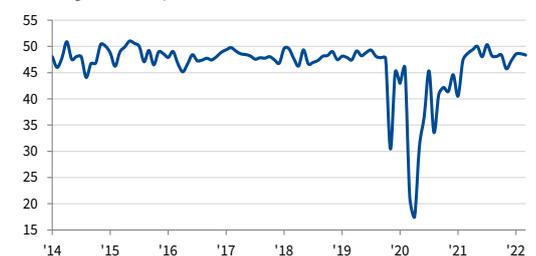
Latest survey data signalled an eighth successive monthly decline in new business received from overseas clients at the end of the first quarter. The deterioration gathered pace and was the fastest since last December, but was weaker than the average seen across the current contraction sequence. Regional instability reportedly deterred new business wins from foreign customers.

New Export Orders Index

sa, >50 = growth since previous month

48.3

Mar '22



Business expectations

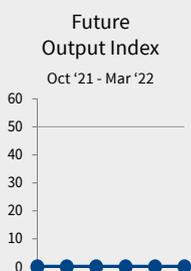
The Future Output Index remained below the 50.0 neutral threshold in March, signalling pessimism among private sector companies in Lebanon. Although the high degree of economic and political uncertainty made it challenging for companies to assess the outlook, many expect the business climate to worsen over the coming 12 months, and subsequently weigh on activity levels.

Future Output Index

>50 = growth expected over next 12 months

0.0

Mar '22



Employment and capacity

Employment

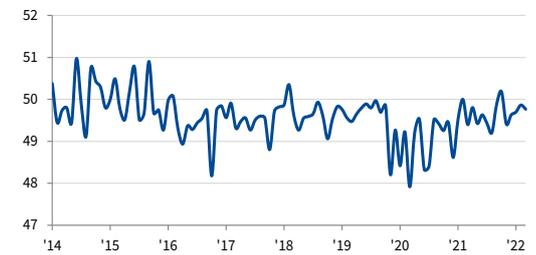
Latest survey data signalled a fractional reduction in employment levels across Lebanon's private sector during March. This was evidenced by the respective seasonally adjusted index posting just below the 50.0 no-change mark. Overall, staffing numbers have fallen in each month since last November, although decreases over this period have only been marginal on average.

Employment Index

sa, >50 = growth since previous month

49.8

Mar '22



Backlogs of work

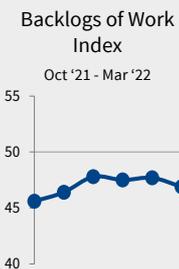
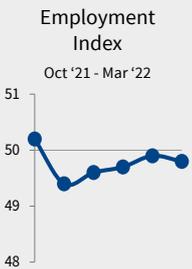
Private sector companies in Lebanon continued to see a reduced strain on their operating capacities in March, with backlogs of work falling yet again. According to firms, the alleviation of capacity pressures was linked to falling intakes of new business. The decline was the quickest in four months, with around 7% of survey respondents recording lower backlogs of work compared to February.

Backlogs of Work Index

sa, >50 = growth since previous month

46.9

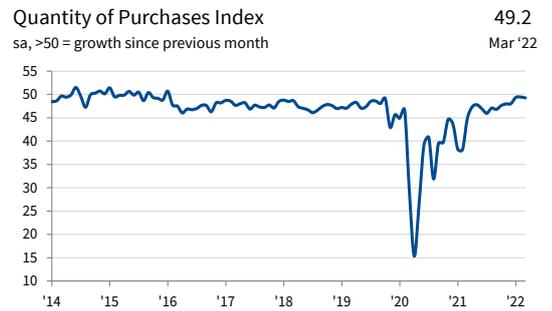
Mar '22



Purchasing and inventories

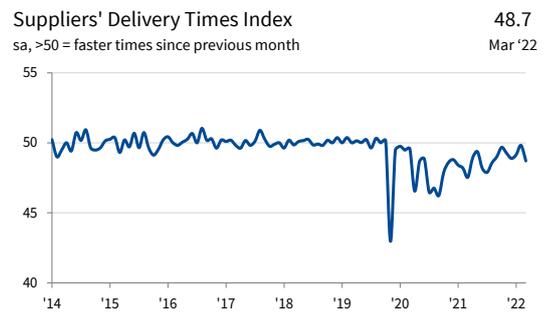
Quantity of purchases

Private sector companies within Lebanon reduced their purchases further during March. According to survey respondents, liquidity issues and weak demand conditions led businesses to cut their buying levels. The contraction was mild overall.



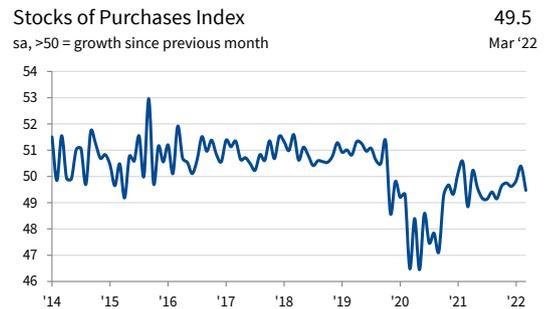
Suppliers' delivery times

Supplier performance continued to deteriorate at the end of the opening quarter. This was evidenced by the seasonally adjusted Suppliers' Delivery Times Index posting below the 50.0 no-change mark. Furthermore, the extent to which lead times lengthened was the greatest since last August. Rising fuel costs reportedly hampered supplier efficiency, although some companies attributed price volatility to longer lead times as suppliers looked to protect their own margins.



Stocks of purchases

The seasonally adjusted Stocks of Purchases Index dipped below the 50.0 no-change mark in March, signalling a renewed reduction in inventories following February's expansion. Shortages of stock at suppliers was cited by numerous panellists.

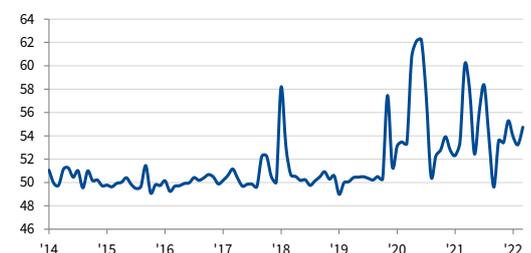


Prices

Overall input prices

Cost pressures continued to grow in March, with overall input prices paid by private sector firms in Lebanon rising for a sixth month in succession. The rate of inflation quickened to a three-month high and was stronger than the survey average. The increase was driven by purchase costs as staff expenses fell.

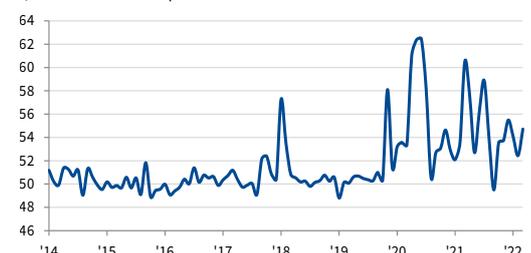
Overall Input Prices Index 54.7
sa, >50 = inflation since previous month Mar '22



Purchase prices

As has been the case in each month since last October, purchase prices increased during the latest survey period. Overall, the rate of inflation accelerated to a three-month high. The weakness of the domestic currency against the US dollar and rising fuel costs were widely cited as sources of cost pressures by panel members.

Purchase Prices Index 54.7
sa, >50 = inflation since previous month Mar '22



Staff costs

For a second month in a row, latest survey data signalled a reduction in labour costs at private sector companies in Lebanon. Overall, the decrease in staff expenses was the joint-fastest since June last year, matching that seen in the previous month.

Staff Costs Index 49.6
sa, >50 = inflation since previous month Mar '22



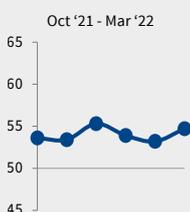
Output prices

The seasonally adjusted Output Prices Index posted above the 50.0 no-change mark in March, signalling an increase in prices charged by private sector firms in Lebanon. The rate of inflation quickened slightly and was modest overall. Where selling charges were lifted, this was commonly linked to rising cost burdens.

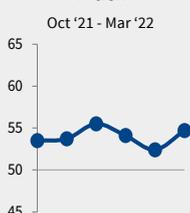
Output Prices Index 52.4
sa, >50 = inflation since previous month Mar '22



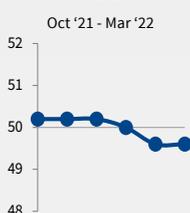
Overall Input Prices Index



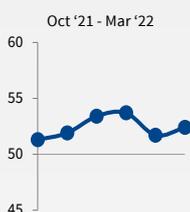
Purchase Prices Index



Staff Costs Index



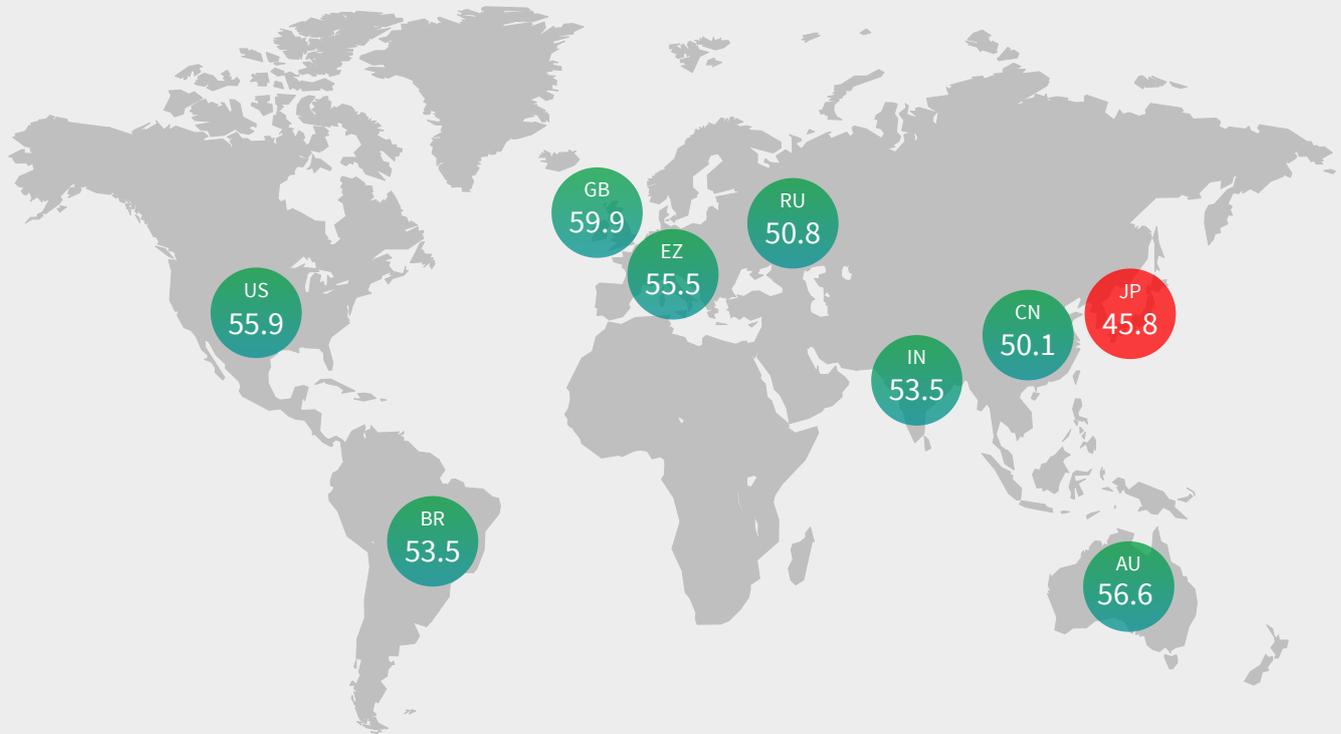
Output Prices Index



International PMI

Composite Output Index, Feb '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
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
03 '22	47.4	45.1	45.2	48.3	0.0	49.8	46.9	49.2	48.7	49.5	54.7	54.7	49.6	52.4

Methodology

The BLOM Lebanon PMI® is compiled by S&P Global 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.

March 2022 data were collected 11-25 March 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](https://www.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.

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