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Headline PMI increases to its highest mark since May 2021

Softer declines seen in business activity and new orders

Inflationary pressures build amid domestic currency weakness

Despite rising to an 11-month high, the BLOM Lebanon PMI® pointed to a deterioration in the health of the Lebanese private sector during April as political instability and weak purchasing power among domestic clients weighed on both business activity and demand. However in both cases, rates of contraction slowed, while there was also a fractional increase in the level of employment at the start of the second quarter.

Another headwind to businesses was a rise in costs, with firms linking this to an unfavourable US dollar exchange rate. Average prices charged for goods and services increased at the strongest pace in three months during April as firms looked to protect margins.

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

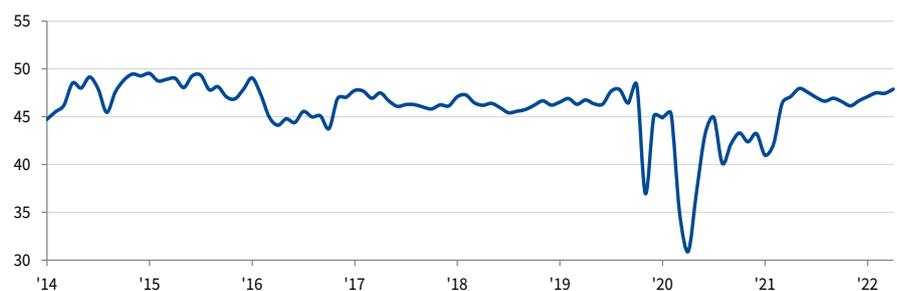
Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

The headline BLOM Lebanon PMI rose to 47.9 during April, from 47.4 in March. Although the index was still below the crucial 50.0 mark which separates growth from contraction, and therefore still indicative of deteriorating private sector conditions, it was at its highest in 11 months. The uplift in the PMI was primarily due to slower declines in both business activity and new orders at the start of the second quarter.

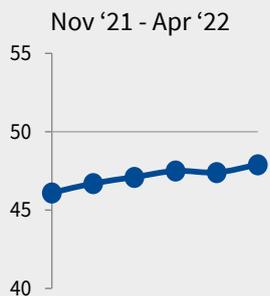
Nevertheless, amid the challenging political and economic environment, overall output levels across Lebanon's private sector continued to fall during the latest survey period. Some companies

continued...

Lebanon PMI
sa, >50 = improvement since previous month



Lebanon PMI



Overview continued...

mentioned weakness in demand as a contributing factor also.

April survey data signalled falling intakes of new business across Lebanon's private sector. Weak purchasing power among domestic customers was commonly cited by respondents, although new export orders also fell over the month as firms struggled to secure new clients from abroad due to uncertainty within the region.

Amid challenging demand conditions, April survey data signalled an increase in the level of spare capacity across Lebanon's private sector. Backlogs of work fell, albeit at a softer pace.

Another difficulty faced by companies was an increase in their operating costs. Higher wage bills and rising purchase prices were

reported, with firms attributing the latter to unfavourable exchange rate movements against the US dollar. In response, firms raised their prices charged to the greatest extent since January.

That said, there were some signs of stability in parts of the April PMI survey. Supplier performance and quantities of purchases were both little-changed since March, while the level of private sector employment in Lebanon rose fractionally at the start of the second quarter.

Looking ahead, private sector firms in Lebanon remained pessimistic towards the 12-month outlook for business activity, with many respondents anticipating a further deterioration in financial conditions.

Comment

Commenting on BLOM Lebanon PMI for April 2022, Sami Baff, Research Analyst at BLOMINVEST Bank, said:

“The devaluation of the Lebanese Lira is one of the main reasons why we are not seeing any remarkable improvements in terms of level in the PMI, as the depreciation of the national currency is eroding further the purchasing power of Lebanese people and adversely affecting domestic demand. In details, the PMI has slightly increased, from 47.4 in March to 47.9 in April. This increase doesn't reflect any improvement in the overall Lebanese economy; however, we have witnessed a soft decline in business activity compared to last month, and it may be linked

to the positive news that was announced by the IMF earlier this month regarding a staff-level agreement with Lebanon. The country is in front of some critical events like the parliamentary election that it will happen on May 15, and the reform plans that may be implemented by Mikati's government before the election. The upcoming months are critical and will address the healing process of the Lebanese economy, especially the political implications arising from the elections and the feasibility of implementing the awaited reform program.”



Output and demand

Output

Latest survey data signalled a reduction in private sector business activity across Lebanon at the start of the second quarter. According to some respondents, output volumes were adversely impacted by falling new work intakes, while others linked the decline to domestic political and economic instability. That said, the decrease in business activity was softer than seen in March.

Output Index

sa, >50 = growth since previous month

46.2

Apr '22



New orders

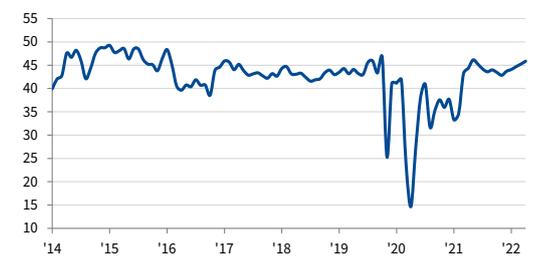
The seasonally adjusted New Orders Index recorded below the 50.0 no-change mark in April, indicating a deterioration in the demand for Lebanese goods and services. Challenging financial conditions and declining purchasing power among domestic clients was often mentioned by firms. However, the drop in new business intakes was the slowest since May 2021.

New Orders Index

sa, >50 = growth since previous month

45.9

Apr '22



New export orders

As has been the case since August last year, the seasonally adjusted New Export Orders Index recorded below 50.0 and therefore signalled a reduction in new business from foreign markets. Some businesses attributed lower export demand to instability within Lebanon. Nonetheless, the decrease was only marginal and the weakest across the sequence of contraction.

New Export Orders Index

sa, >50 = growth since previous month

49.5

Apr '22



Business expectations

Private sector companies in Lebanon remained pessimistic towards the 12-month outlook for business activity in April. According to anecdotal evidence, many firms believe that the trajectory of the economy depends crucially on political developments within Lebanon, although others expect financial conditions to deteriorate further over the coming year.

Future Output Index

>50 = growth expected over next 12 months

0.0

Apr '22



Employment and capacity

Employment

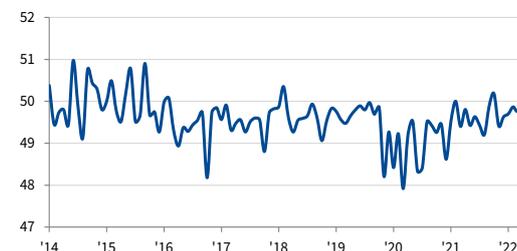
For the first time in six months, the seasonally adjusted Employment Index moved above the neutral 50.0 mark to signal an increase in private sector staffing levels in Lebanon at the beginning of the second quarter. Albeit only marginal, the rate of jobs growth was the joint-fastest since February 2018.

Employment Index

sa, >50 = growth since previous month

50.2

Apr '22



Backlogs of work

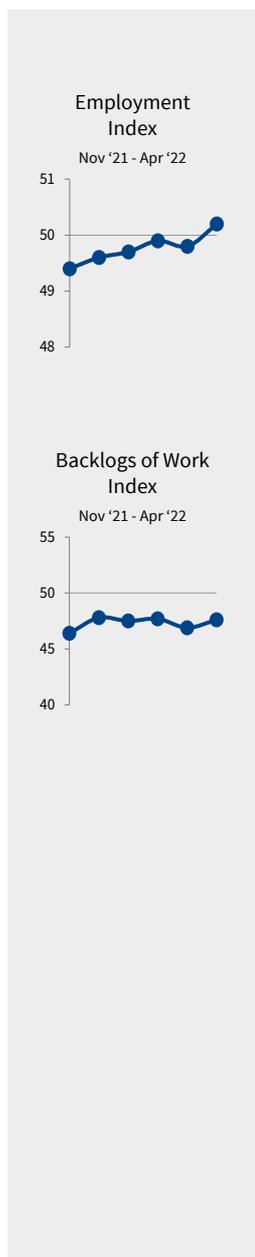
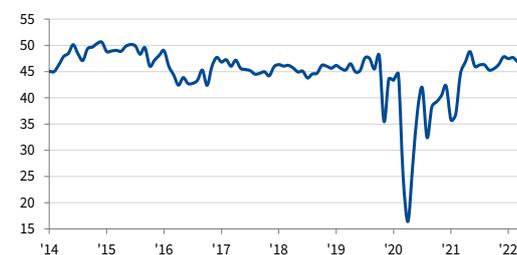
With demand conditions remaining challenging in April, private sector businesses in Lebanon continued to record an increasing degree of spare capacity at their workplace, as evidenced by the seasonally adjusted Backlogs of Work Index posting below the 50.0 no-change mark. Panel comments suggested that, where outstanding orders were present, they were processed in a timely manner due to a lack of incoming new business.

Backlogs of Work Index

sa, >50 = growth since previous month

47.6

Apr '22



Purchasing and inventories

Quantity of purchases

Private sector businesses in Lebanon scaled back their purchases during April. Where a reduction in input buying was reported, this was primarily attributed to weaker demand pressures. That being said, the rate of decline was only marginal as the vast majority of surveyed companies recorded an unchanged level of purchasing activity.

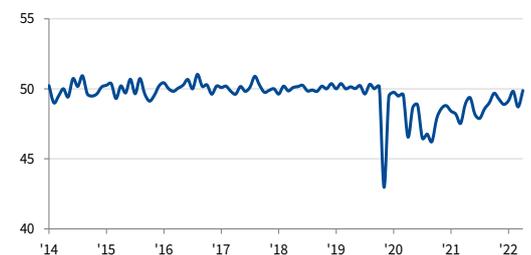
Quantity of Purchases Index 49.3
 sa, >50 = growth since previous month Apr '22



Suppliers' delivery times

Supplier performance showed signs of stabilisation during the latest survey period, with the respective seasonally adjusted index posting broadly in line with the 50.0 no-change mark. This was in contrast to March, where input delivery times lengthened to the greatest extent since last August.

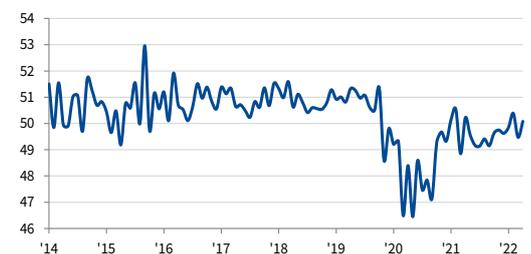
Suppliers' Delivery Times Index 49.9
 sa, >50 = faster times since previous month Apr '22



Stocks of purchases

Stocks of purchases at private sector companies in Lebanon were slightly improved during April, as evidenced by the respective seasonally adjusted index posting just above the 50.0 threshold. Latest survey data showed 99% of survey respondents recording no change in their inventories when compared to March.

Stocks of Purchases Index 50.1
 sa, >50 = growth since previous month Apr '22



Quantity of Purchases Index
Nov '21 - Apr '22

Suppliers' Delivery Times Index
Nov '21 - Apr '22

Stocks of Purchases Index
Nov '21 - Apr '22



Prices

Overall input prices

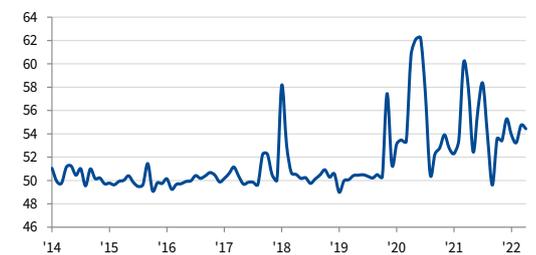
Latest survey data showed increases the cost of purchased items and staff during April, leading overall input prices to rise. The former was the main source of inflation as labour costs climbed only marginally. Overall, the increase in operating expenses was stronger than its historical average but eased slightly since March.

Overall Input Prices Index

sa, >50 = inflation since previous month

54.4

Apr '22



Purchase prices

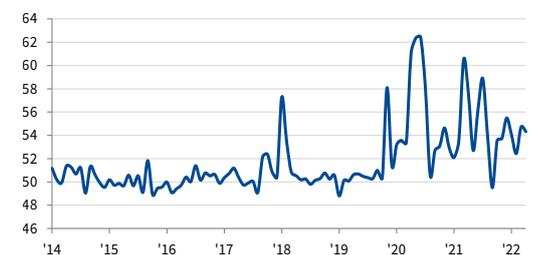
For a seventh month in succession, private sector businesses in Lebanon recorded an increase in average prices paid for purchased items during April. Unfavourable US dollar exchange rates were commonly mentioned as a source of inflation by surveyed companies. The rate of increase was solid and stronger than its long-run average.

Purchase Prices Index

sa, >50 = inflation since previous month

54.3

Apr '22



Staff costs

Following back-to-back declines, private sector companies in Lebanon recorded an increase in their labour costs at the beginning of the second quarter. While the increase in wage bills was only marginal, it was the strongest in almost seven years.

Staff Costs Index

sa, >50 = inflation since previous month

50.4

Apr '22



Output prices

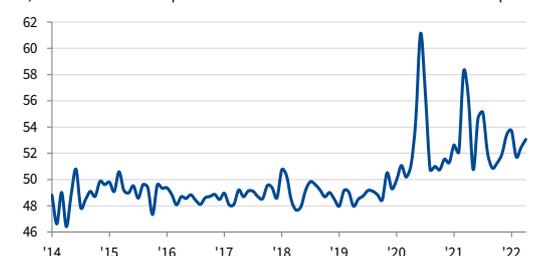
The seasonally adjusted Output Prices Index remained above the 50.0 no-change mark in April for a twenty-seventh month running, signalling a sustained period of inflationary pressures across Lebanon's private sector economy. The increase in selling charges was the quickest since January. In many cases, firms noted that they lifted their prices in response to rising operating costs.

Output Prices Index

sa, >50 = inflation since previous month

53.1

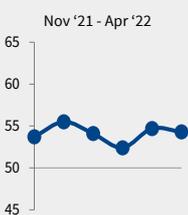
Apr '22



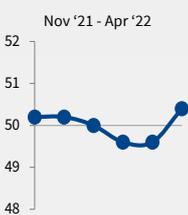
Overall Input Prices Index



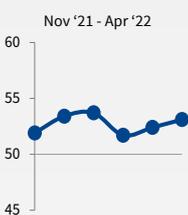
Purchase Prices Index



Staff Costs Index



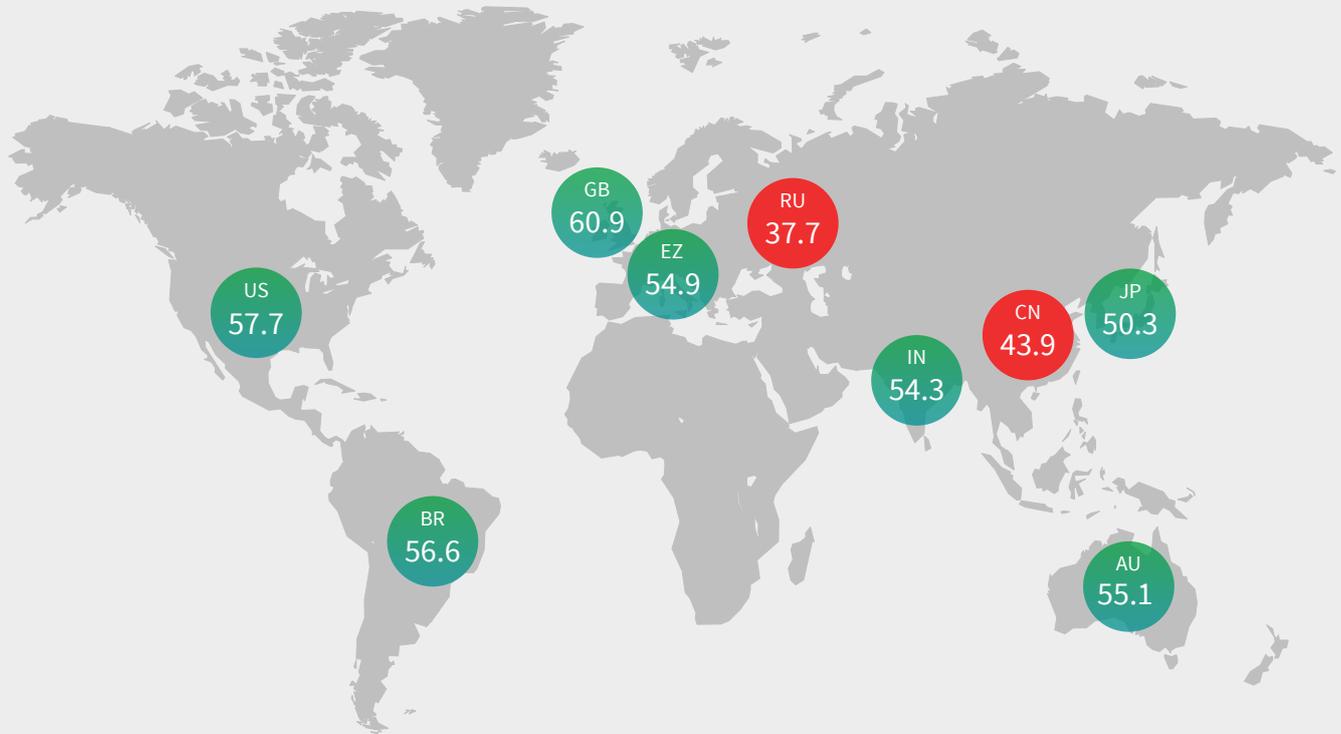
Output Prices Index



International PMI

Composite Output Index, Mar '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
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
04 '22	47.9	46.2	45.9	49.5	0.0	50.2	47.6	49.3	49.9	50.1	54.4	54.3	50.4	53.1

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.

April 2022 data were collected 11-25 April 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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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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