

## News Release

### Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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## BLOM Lebanon PMI®

### PMI rises to 11-month high in April

Data collected April 11-25

- **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.

#### 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."*

**The main findings of April's survey were as follows:**

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 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.

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**Note to Editors:**

The BLOM Lebanon Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Lebanese economy, including manufacturing, services, construction and retail. The panel is stratified GDP and company workforce size. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index (PMI®) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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**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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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