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The Lebanese private sector economy deteriorated to the weakest extent since the beginning of 2016 in May, according to the latest BLOM Lebanon PMI® survey, with declines in output and new orders both moderating since April. Purchasing activity meanwhile rose for the first time in over six years despite the fastest increase in purchase costs since last December. According to firms, inflationary pressures stemmed from an unfavourable US dollar exchange rate.

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.

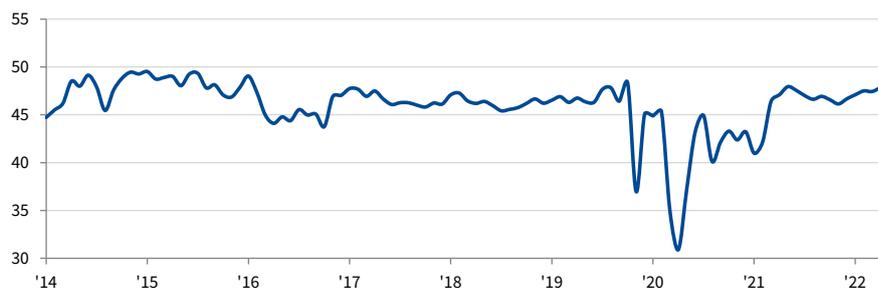
The headline BLOM Lebanon PMI® posted 48.6 in May, up from 47.9 in April. Overall, this was the highest reading since January 2016. That said, having posted below the crucial 50.0 threshold, the latest figure was still indicative of a deterioration in private sector business conditions across Lebanon.

Latest survey data signalled a drop in business activity at Lebanese firms during May. Panel members linked the reduction to challenging domestic economic, political and financial conditions. However, the rate of decrease was the softest since January 2016.

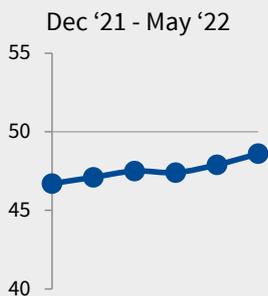
Meanwhile, May survey data signalled lower intakes of new work across the private sector economy in Lebanon. Demand conditions were adversely impacted by weak purchasing power among domestic clients, according to surveyed firms. That said, in line with the trend for output, the fall in new business

continued...

Lebanon PMI
sa, >50 = improvement since previous month



Lebanon PMI



Overview continued...

was the slowest since the start of 2016. A weaker decrease in new export orders was also registered during May.

Nonetheless, private sector firms in Lebanon fractionally reduced their staffing numbers midway through the second quarter due to insufficient intakes of new work. Indeed, a lack of incoming new orders also enabled firms to make inroads into their backlogs. The volume of outstanding business fell once again in May, but at a slightly softer pace.

However, for the first time in over six years, latest survey data pointed to an increase in purchasing activity. Despite this, stocks of purchases were depleted in May as firms struggled to replenish their inventories. Shortages of items at suppliers were mentioned by survey respondents.

With regards to prices, latest PMI data highlighted continued inflationary trends across Lebanon in May. Overall input costs rose at the sharpest pace for ten months amid an accelerated increase in purchase prices. According to panellists, this reflected unfavourable movements in the US dollar exchange rate. As a result, output charges were raised to the greatest extent since July last year.

Finally, private sector businesses in Lebanon remained pessimistic towards activity over the next 12 months. For most survey respondents, the outlook depended on economic and political reforms.

Comment

Commenting on BLOM Lebanon PMI for May 2022, Dr. Fadi Osseiran, General Manager at BLOMINVEST Bank, said:

“Lebanon is still struggling with a deep financial crisis despite the latest notable improvement in the PMI. The month of May 2022 witnessed a relative increase in purchasing activity for the first time over six years. What we can say about this increase is that despite the continuous deterioration of the national currency against the dollar, it may be, however, an interesting indicator that Lebanese citizens have resigned themselves to the fact that most of their products are priced in US dollar, which is “psychologically” facilitating the purchasing

operations and increasing its volumes. That said, Lebanon could be entering a tough and unstable phase in its post-election period due to the heightened political uncertainty. What complicates matters is that reform plans are in a state of limbo, pending the formation of a new government. We only hope that this “grey period” does not stay long, given the severity of the economic situation.”



Output and demand

Output

The seasonally adjusted Output Index remained below the 50.0 no-change mark to signal a further drop in business activity in Lebanon during May. Economic, political and financial instability were often cited by survey respondents. However, the deterioration was the weakest since January 2016 as a greater proportion of panellists noted a stabilisation compared to April.

Output Index

sa, >50 = growth since previous month

47.4

May '22



New orders

Matching the trend in output, the seasonally adjusted New Orders Index rose to its highest mark since the start of 2016 during the latest survey period. However, with another reading below the 50.0 no-change threshold, latest data continued to signal falling new business intakes across Lebanon's private sector. According to anecdotal evidence, weak purchasing power among clients weighed on demand.

New Orders Index

sa, >50 = growth since previous month

47.1

May '22



New export orders

Latest survey data pointed to a fractional reduction in new orders from overseas clients during May. This was evidenced by the respective seasonally adjusted index posting only narrowly below the 50.0 no-change threshold. Overall, new export business fell at the slowest pace across the current 10-month sequence of decline.

New Export Orders Index

sa, >50 = growth since previous month

49.8

May '22



Business expectations

Private sector companies in Lebanon remained pessimistic towards the outlook for business activity over the coming 12 months during May. Survey respondents remarked on the high degree of uncertainty, as well as how the economic climate would depend on political developments. There were many businesses that anticipate economic conditions to worsen over the coming year.

Future Output Index

>50 = growth expected over next 12 months

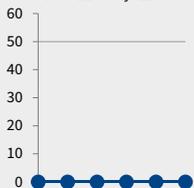
0.0

May '22



Future Output Index

Dec '21 - May '22



Employment and capacity

Employment

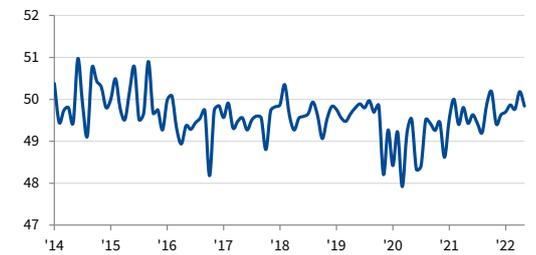
Following April's increase, latest survey data signalled a renewed decrease in employment levels across Lebanon's private sector during May. Where a reduction in staffing numbers was recorded, this was linked to a lack of work. Overall, the rate of job shedding was marginal.

Employment Index

sa, >50 = growth since previous month

49.8

May '22



Backlogs of work

There was evidence of increased spare capacity across the Lebanese private sector in May as latest survey data pointed to a reduction in outstanding business volumes. Where a drop in backlogs of work was recorded, this was often attributed to insufficient new order intakes. That said, the rate of depletion was the slowest in 12 months.

Backlogs of Work Index

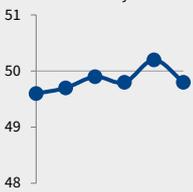
sa, >50 = growth since previous month

47.9

May '22



Employment Index
Dec '21 - May '22



Backlogs of Work Index
Dec '21 - May '22



Purchasing and inventories

Quantity of purchases

For the first time since January 2016, the seasonally adjusted Quantity of Purchases Index registered above the crucial 50.0 mark, indicating an increase in buying activity at private sector firms in Lebanon. That said, the expansion was only fractional overall.



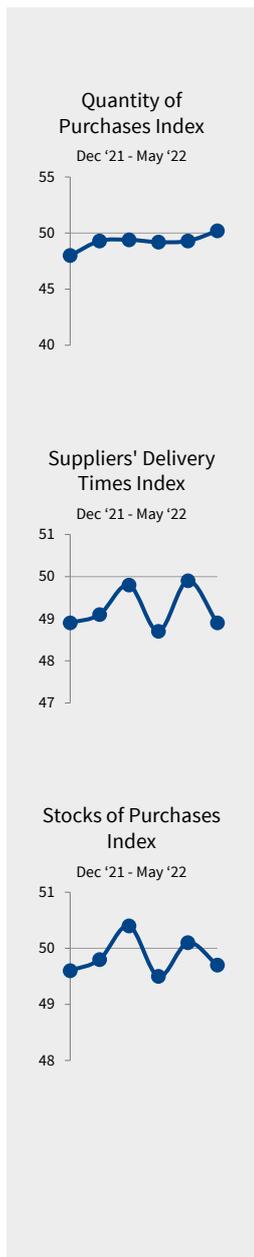
Suppliers' delivery times

Having broadly stabilised in the previous survey period, supplier delivery times worsened during May. According to anecdotal evidence, vendor efficiency was adversely impacted by shortages of items, as well as rising fuel and transportation costs. Overall, the extent to which lead times worsened was greater than seen on average across the survey history.



Stocks of purchases

The seasonally adjusted Stocks of Purchases Index dipped below the 50.0 no-change mark in May, therefore signalling a renewed decline in inventories of paid-for items. Panel members indicated that it was a challenge to replenish stocks due to shortages.

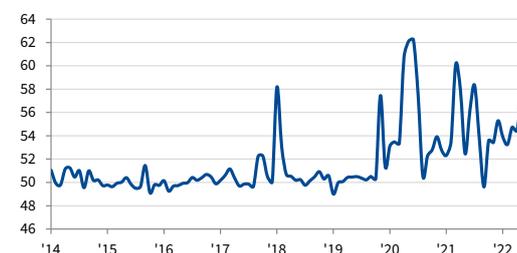


Prices

Overall input prices

Private sector companies in Lebanon were faced with a further rise in their overall cost burdens during May, extending the current period of inflation to eight months. Furthermore, the increase in total input prices was the fastest since July 2021.

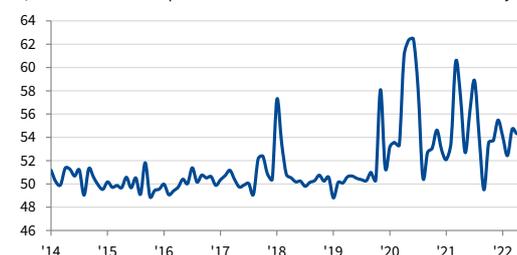
Overall Input Prices Index 57.4
sa, >50 = inflation since previous month May '22



Purchase prices

A major driver of rising input costs in May was purchase prices, with survey data pointing to an accelerated increase when compared to April. In fact, the rate of increase in purchase costs was the fastest for five months. In most cases, survey respondents linked higher prices for paid items to unfavourable exchange rate movements.

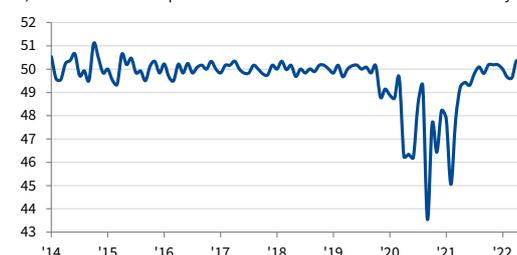
Purchase Prices Index 54.8
sa, >50 = inflation since previous month May '22



Staff costs

The seasonally adjusted Staff Costs Index recorded below the neutral 50.0 threshold in May, signalling a reduction in labour expenses across the Lebanese private sector. However, the reduction in staff costs was only marginal overall.

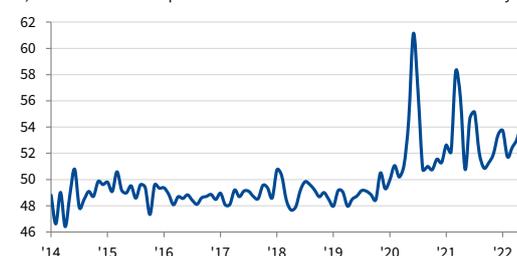
Staff Costs Index 49.8
sa, >50 = inflation since previous month May '22



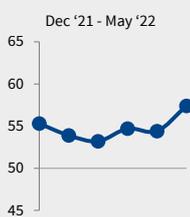
Output prices

As part of efforts to combat margin pressures, private sector companies in Lebanon raised their prices charged during May. Overall, the rate of output price inflation was the strongest since July 2021. According to firms, higher charges were set in line with an increase in the US dollar exchange rate.

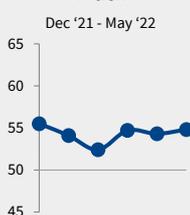
Output Prices Index 54.3
sa, >50 = inflation since previous month May '22



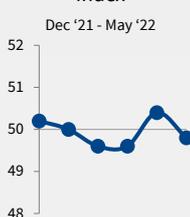
Overall Input Prices Index



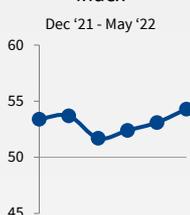
Purchase Prices Index



Staff Costs Index



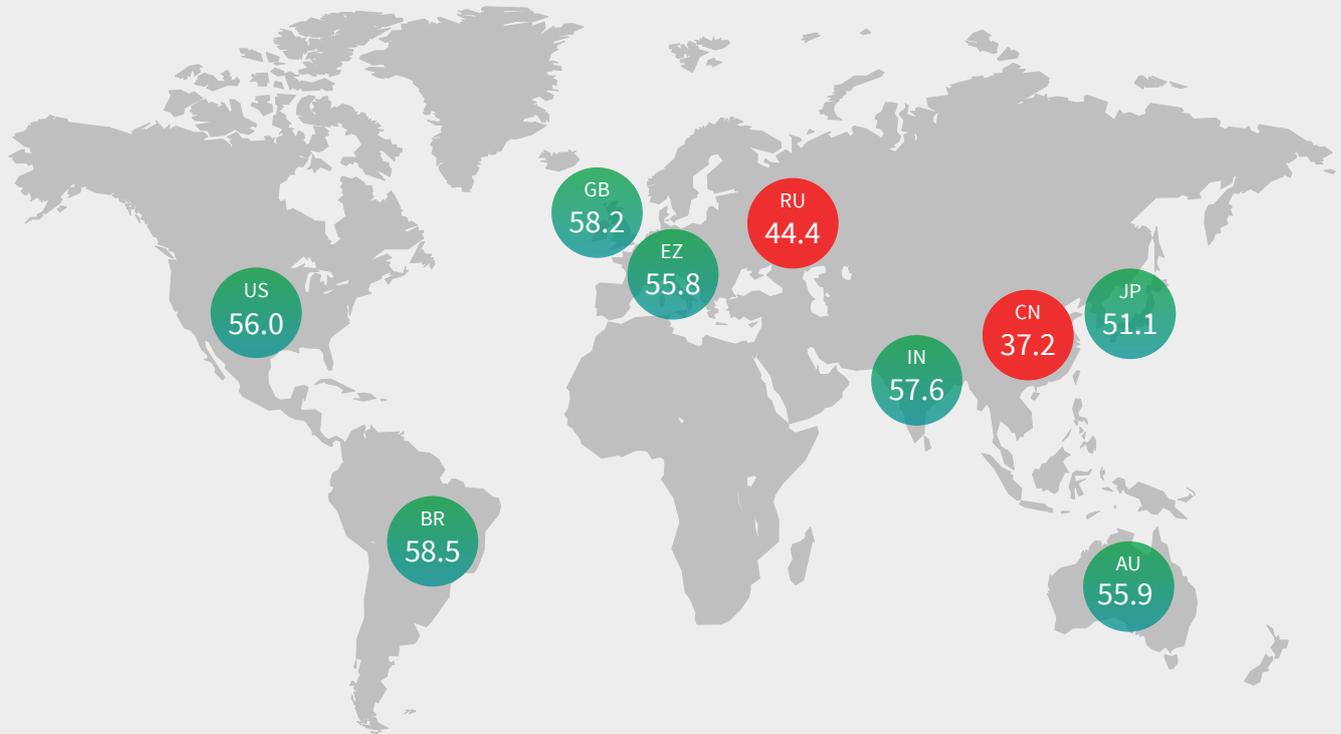
Output Prices Index



International PMI

Composite Output Index, Apr '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
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
05 '22	48.6	47.4	47.1	49.8	0.0	49.8	47.9	50.2	48.9	49.7	57.4	54.8	49.8	54.3

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.

May 2022 data were collected 12-25 May 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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