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Slower declines in output and new orders lift headline PMI

Fastest increase in employment since February 2018

Costs rise amid exchange rate pressures

There were further signs of alleviating pressures on private sector companies in Lebanon during June as the headline PMI rose further to a 77-month high. Slower declines were seen in both output and new orders, while employment rose at the fastest pace since February 2018.

That said, surveyed companies reported an intensification of purchase price inflation in June amid unfavourable exchange rate movements against the US dollar. Liquidity issues were also noted as a factor behind worsening supplier performance and a reduction in purchasing activity.

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.

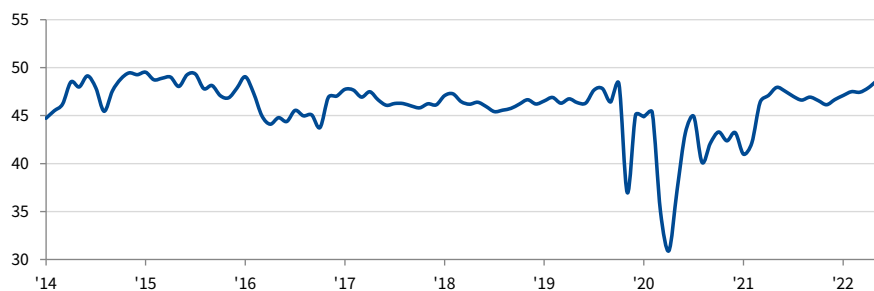
The headline BLOM Lebanon PMI® rose to 49.1 in June, from 48.6 in May. Overall, this was the highest reading since January 2016 and signalled a softer deterioration in private sector conditions.

The slower rate of decline reflected weaker reductions in both output and new orders in June. That said, reduced purchasing power among domestic clients, as well as challenging financial, economic and political conditions, were cited by surveyed companies. On the other hand, demand from international clients fell at a steeper, albeit only marginal, rate during June.

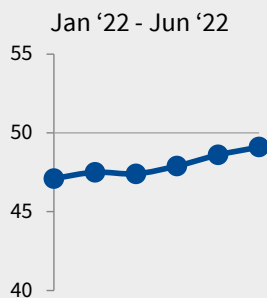
Private sector employment across Lebanon returned to growth territory in June following a fractional decline in May. Overall, the rate of job creation was the strongest since February 2018. Amid

continued...

Lebanon PMI
sa, >50 = improvement since previous month



Lebanon PMI



Overview continued...

higher staffing levels, latest survey data signalled an increase in spare capacity as backlogs of work fell, though at a softer pace.

However, liquidity issues and problems acquiring US dollars were reported by firms in June. Amid cashflow challenges, latest survey data signalled a reduction in purchasing activity at the end of the second quarter. Private sector firms in Lebanon also registered a deterioration in supplier performance during June, reportedly due to liquidity issues also.

Indeed, unfavourable exchange rate movements underpinned rising business costs, according to anecdotal evidence.

Purchase cost inflation accelerated to a six-month high in June. Staff expenses also rose amid a rise in employment. Some companies noted higher salaries due to increasing living costs.

In response to greater cost pressures, prices charged by private sector companies in Lebanon increased in June. Overall, the rate of inflation was the fastest since July 2021.

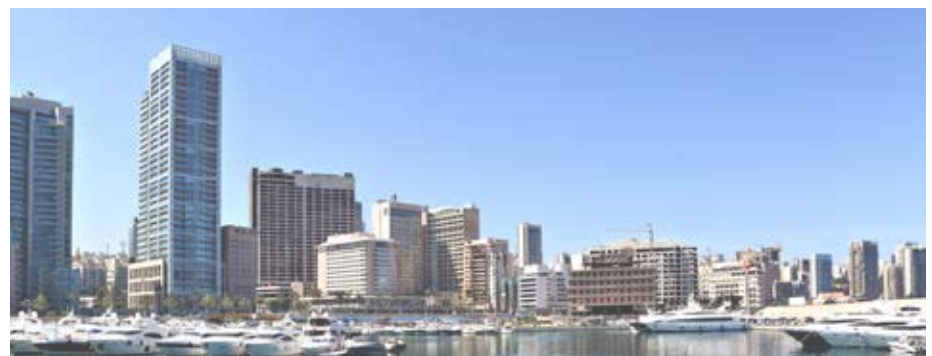
Finally, with a notable degree of uncertainty towards the economy and domestic political climate, businesses remained downbeat in June. However, the Future Output Index increased to a ten-month high.

Comment

Commenting on BLOM Lebanon PMI for June 2022, Mrs Aline Azzi, research analyst at BLOMINVEST Bank, said:

“The PMI upsurged in June to 49.1, reflecting the post-elections positive impact in the country and indicating lighter pressure and a softer deterioration in private sector activity. Despite the PMI being below 50, an environment of “cautious optimism” in Lebanon began to be felt as a result of a promising summer. Tourism activity is expected to start the season on the right footing, especially after its improved performance in the first quarter. As a result, the employment index rose, but pushing staff costs higher, and new orders jumped

signalling slower declines in business conditions. Nevertheless, what we can say is that the private sector is trying to cope with a situation that may drag in the future in light of the continuous political and security developments in the country and the region.”



Output and demand

Output

Business activity across Lebanon's private sector fell in June, with challenging economic, political and financial conditions commonly cited as negative factors for companies. That said, the rate of contraction eased for a third successive month and was the slowest since January 2016.

Output Index

sa, >50 = growth since previous month

47.7

Jun '22



New orders

The seasonally adjusted New Orders Index posted below the 50.0 no-change mark in June, signalling a reduction in private sector demand across Lebanon. Declining purchasing power among domestic clients was often mentioned by survey respondents. That said, the respective index rose to its highest level for almost six-and-a-half years, signalling a softer deterioration in new business intakes.

New Orders Index

sa, >50 = growth since previous month

47.7

Jun '22



New export orders

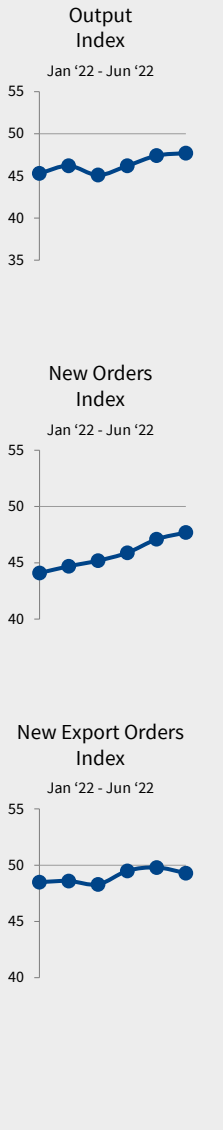
Latest survey data pointed to a further decline in new export orders received by private sector companies in Lebanon. Challenging domestic market conditions were reportedly a deterrent for overseas customers, according to anecdotal evidence. However, the rate of decrease was only marginal overall.

New Export Orders Index

sa, >50 = growth since previous month

49.3

Jun '22



Business expectations

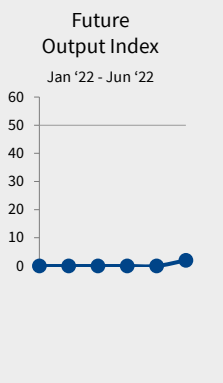
Amid reports of uncertainty, particularly with regards to political developments domestically, latest survey data highlighted pessimism among private sector firms in Lebanon. That said, there was a slight increase in the Future Output Index, which rose to a ten-month high during June.

Future Output Index

>50 = growth expected over next 12 months

2.0

Jun '22



Employment and capacity

Employment

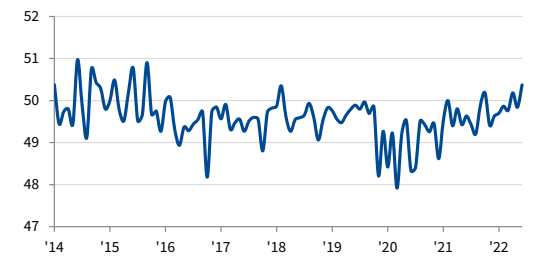
The seasonally adjusted Employment Index posted back above the 50.0 no-change mark in June, signalling a renewed expansion in private sector staffing levels across Lebanon. The rate of job creation, albeit mild, was the quickest since February 2018.

Employment Index

sa, >50 = growth since previous month

50.4

Jun '22



Backlogs of work

June survey data highlighted a rise in spare capacity across private sector companies in Lebanon, but at a slower rate, as evidenced by a sub-50.0 reading in the seasonally adjusted Backlogs of Work Index. According to firms, capacity was freed up due to a lack of incoming new business.

Backlogs of Work Index

sa, >50 = growth since previous month

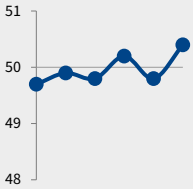
48.4

Jun '22



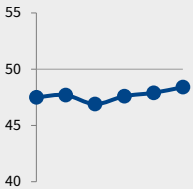
Employment Index

Jan '22 - Jun '22



Backlogs of Work Index

Jan '22 - Jun '22



Purchasing and inventories

Quantity of purchases

Having risen for the first time in over six years during May, purchasing activity at private sector firms in Lebanon declined at the end of the second quarter. Liquidity issues reportedly hindered the ability of businesses to make additional purchases. That said, the reduction was only marginal overall.

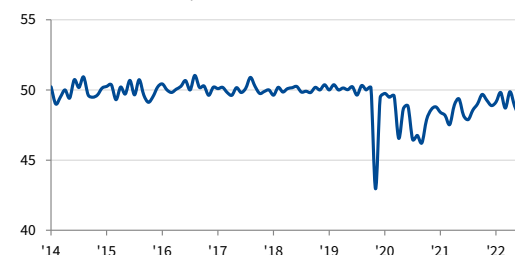
Quantity of Purchases Index 49.6
 sa, >50 = growth since previous month Jun '22



Suppliers' delivery times

Vendor performance deteriorated further and to a worse extent during June, extending the current negative sequence that started in November 2019. Some companies associated the decline in supplier performance to difficulties acquiring US dollars, as well as unfavourable movements in the exchange rate.

Suppliers' Delivery Times Index 48.1
 sa, >50 = faster times since previous month Jun '22



Stocks of purchases

The seasonally adjusted Stocks of Purchases Index ticked up slightly in June and posted broadly in line with the 50.0 no-change. Indeed, the vast majority of surveyed companies reported no change in inventories when compared to May.

Stocks of Purchases Index 49.9
 sa, >50 = growth since previous month Jun '22



Quantity of Purchases Index
Jan '22 - Jun '22

Suppliers' Delivery Times Index
Jan '22 - Jun '22

Stocks of Purchases Index
Jan '22 - Jun '22

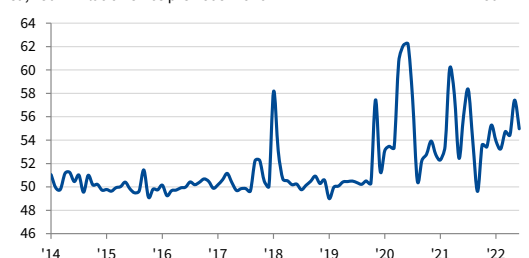


Prices

Overall input prices

Operating expenses across the Lebanese private sector continued to rise in June, reflecting a combination of both higher staff costs and purchase prices. The rate of inflation was strong overall, but eased slightly since May.

Overall Input Prices Index 55.0
sa, >50 = inflation since previous month Jun '22



Purchase prices

Prices paid by private sector firms in Lebanon for items purchased increased at the end of the second quarter. Unfavourable exchange rates movements against the US dollar were widely cited by firms that recorded an increase in their purchase costs. The rate of inflation was strong and the fastest since last December.

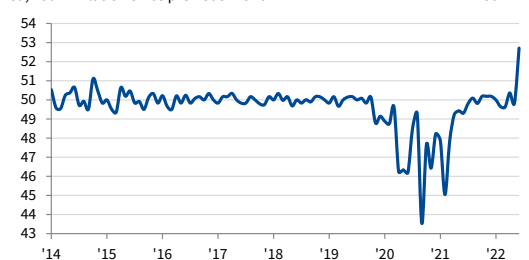
Purchase Prices Index 55.1
sa, >50 = inflation since previous month Jun '22



Staff costs

Having held broadly stable in May, employment costs across the Lebanese private sector rose during the latest survey period. According to some firms, wages have risen in line with the cost of living. The increase in staff expenses was the fastest in just over nine years.

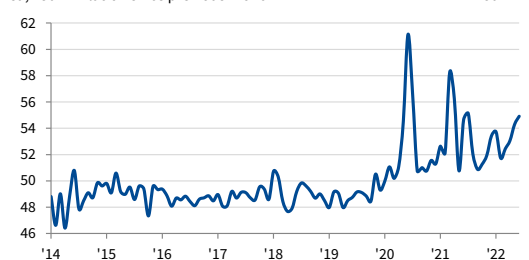
Staff Costs Index 52.7
sa, >50 = inflation since previous month Jun '22



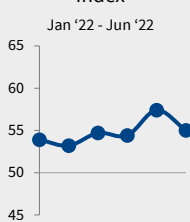
Output prices

For the twenty-ninth month in succession, private sector companies in Lebanon charged higher prices in June. Among those that lifted their rates, the US dollar exchange rate was commonly cited as a reason. The rate of output price inflation accelerated for a fourth month running and was the quickest since last July.

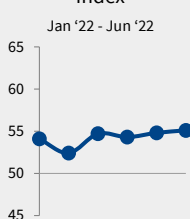
Output Prices Index 54.9
sa, >50 = inflation since previous month Jun '22



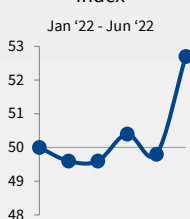
Overall Input Prices Index



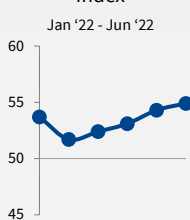
Purchase Prices Index



Staff Costs Index



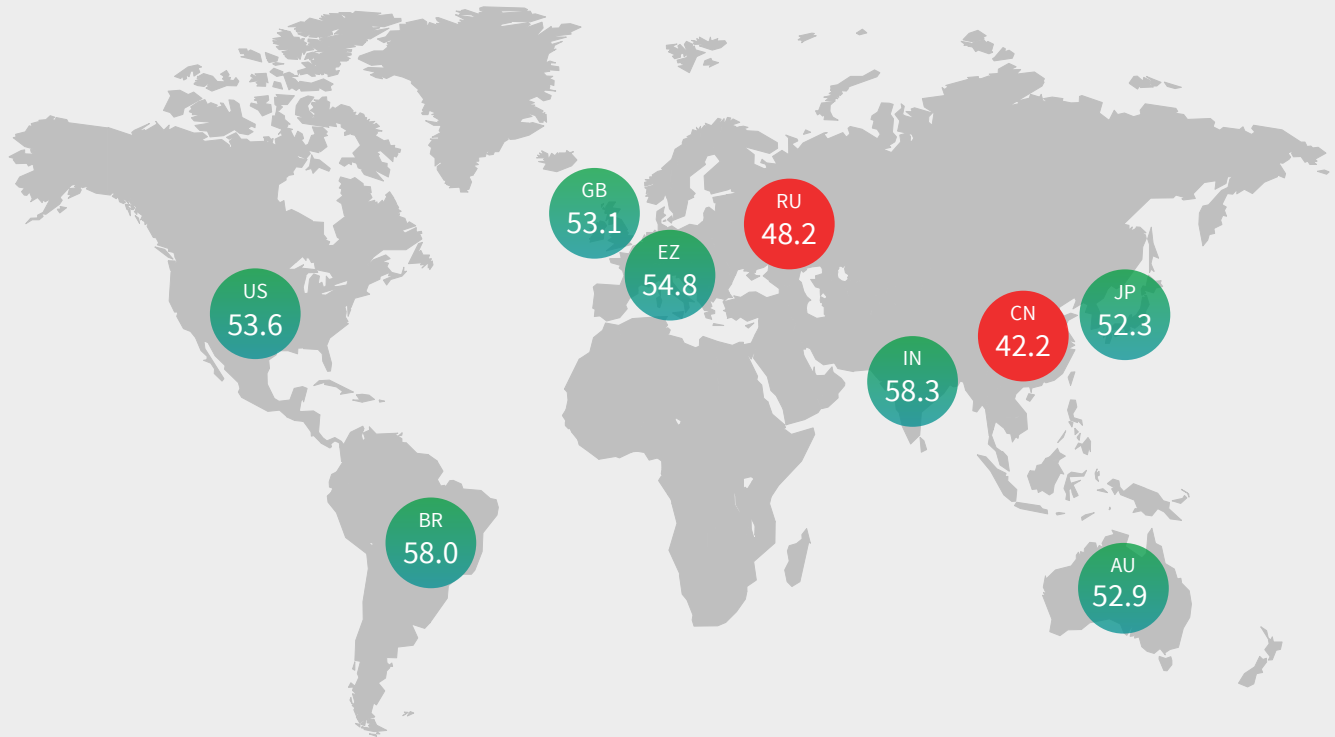
Output Prices Index



International PMI

Composite Output Index, May '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
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
06 '22	49.1	47.7	47.7	49.3	2.0	50.4	48.4	49.6	48.1	49.9	55.0	55.1	52.7	54.9

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.

June 2022 data were collected 13-24 June 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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