

## News Release

### Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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## BLOM Lebanon PMI®

### PMI rises further to 77-month high in June

#### Data collected June 13-24

- **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.

#### 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."*

#### The main findings of June's survey were as follows:

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 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.

-Ends-

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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**

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