

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI®

PMI reaches highest level since June 2013

Data collected July 12-25

- **Headline PMI signals broad stabilisation in Lebanese economy in July**
- **Output and new orders deteriorate at softest rates in over nine years**
- **Purchasing activity and employment both increase**



The Lebanese private sector economy edged closer to stabilisation during July as the headline PMI® posted only a fraction below the crucial 50.0 no-change mark. Overall, the headline measure hit its highest level since June 2013 amid softer deteriorations in both output and new orders. According to some survey respondents, improving tourism levels supported business activity and demand.

Meanwhile, there were fractional increases in both purchasing activity and employment in July, although business confidence remained subdued amid domestic political and economic uncertainty.

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 49.9 in July, from 49.1 in June and its highest mark in just over nine years. Having recorded only fractionally beneath the 50.0 no-change mark, the latest PMI figure was broadly indicative of stable conditions within Lebanon's private sector at the beginning of the third quarter.

Commenting on BLOM Lebanon PMI for July 2022, Dr. Ali Bolbol, Chief Economist/Head of Research at BLOMINVEST Bank, said:

“As would be expected, a summer recovery seems to be helping the Lebanese economy adjust to a relatively better equilibrium. After two years of Covid and acute political and economic instability, expatriate Lebanese and tourist spending are helping business conditions regain some of their buoyancy, as reflected by a higher BLOM Lebanon PMI of 49.9. The improvement was actually across the board, though the indices of output, new orders, and new export orders were still below the crucial 50 mark. In addition, expectations remain anchored in deep pessimistic territory, explained economically by uncertainty regarding a future IMF deal and, politically, by the unsettled fate of presidential elections. But we hope this summer respite extends to more stability and even recovery in the fall and beyond.”

The main findings of July's survey were as follows:

Business activity levels across Lebanon fell during July, although the rate of decline was only marginal and the weakest since May 2013. Some businesses saw their output levels boosted by a recovery in tourism. Similarly, there was the further softening in the downturn in new orders at the start of the third quarter. A weaker deterioration in foreign customer demand was also registered in July.

There was an increase in backlogs of work during July, with firms that observed a rise linking this to a pickup in new orders. Meanwhile, employment levels across Lebanon's private sector grew for a second month in a row, marking the first time in just over seven years that back-to-back expansions in workforce numbers have been registered.

Companies also expanded their purchasing activity in July, the second time in the last three months this has been the case. Stocks of purchases were however unchanged since June as shortages and delivery delays offset stockpiling efforts. Suppliers' delivery times continued to worsen in July, though at a softer pace. Liquidity issues were widely cited as a reason for the decline in vendor performance.

Indeed, reports of liquidity issues were linked with difficulties securing US dollars, with firms noting scarcity in acquiring the currency. An unfavourable exchange rate against the US dollar continued to drive up operating costs according to firms, with overall input prices increasing. Selling prices were subsequently raised, although in both cases, rates of inflation eased.

Finally, businesses remained pessimistic towards the year ahead, reflecting company concerns around the domestic political landscape.

-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.

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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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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