



# BLOM Lebanon PMI®

## PMI rises above 50.0 in August to highest level in over nine years

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### Headline PMI moves into expansion territory during August

#### Improved trends in output and new orders

#### Unfavourable exchange rate against the US dollar pushes costs up

The August BLOM Lebanon PMI® survey signalled tentative signs of an improvement in private sector operating conditions, with the headline index posting fractionally above 50.0 and reaching its highest level in over nine years. Business activity broadly stabilised, while new order intakes fell only fractionally overall. There was an increase in backlogs of work, which partly supported business activity, while employment fell slightly.

Meanwhile, there was an acceleration in rates of inflation midway through the third quarter, amid reports of an unfavourable exchange rate against the US dollar pushing up operating costs. In turn, selling prices were raised to a quicker extent than in July.

Looking ahead, businesses remained downbeat as concerns towards the domestic political environment clouded the economic outlook.

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 50.1 in August, from 49.9 in July, to its highest reading since June 2013. With a reading above the 50.0 no-change mark, the latest data signalled a fractional improvement in private sector operating conditions across Lebanon.

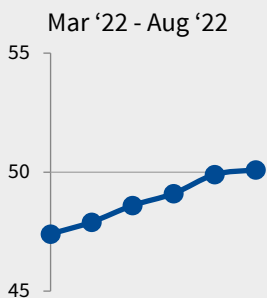
Following a sustained period of decline, Lebanese private sector business activity broadly stabilised midway through the third quarter. One supportive factor was backlogs of work, with survey data

*continued...*

Lebanon PMI  
sa, >50 = improvement since previous month



## Lebanon PMI



## Overview continued...

signalling an increase when compared to July. Overall, the rate of backlog accumulation was marginal but the quickest since December 2014.

Meanwhile, a slower reduction in new business was recorded in August, with inflows of new work from overseas approaching stabilisation.

That said, latest survey data indicated cost-cutting efforts at some private sector companies in Lebanon as employment, purchasing activity and inventories all fell. Indeed, staff costs stabilised, although there was evidence of stronger upward cost pressures as purchase price inflation accelerated to a 13-month high. According

to firms, an unfavourable exchange rate versus the US dollar pushed up operating expenses. Some companies also reported liquidity issues as a reason for lower buying activity.

To protect margins, private sector firms in Lebanon raised their prices charged to a quicker extent. Overall, the rate of output price inflation was the fastest since March 2021.

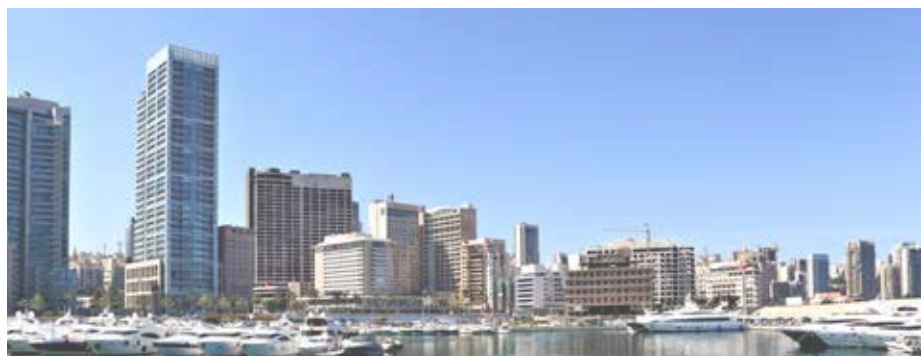
Lastly, surveyed firms remained pessimistic towards the 12-month outlook, citing uncertainty towards domestic political developments.

## Comment

Commenting on BLOM Lebanon PMI for August 2022, Mrs. Aline Azzi, Research Analyst at BLOMINVEST Bank, said:

*“The BLOM Lebanon PMI at 50.1 in August 2022, its highest in over nine years, is an important achievement, even a milestone in the recent life of the Lebanese economy. As such, it was driven by solid tourist and expatriate spending and perhaps deferred and pent-up spending by resident Lebanese. But this result should be put in context, as it reflects adjustment of the Lebanese economy towards a “New Normal”, which is not surprisingly much lower than the “Old Normal” prior to October 2019. Only a determined implementation of an economic*

*and governance reform and recovery program tied with the IMF can pull the economy from its lower new normal to a better and higher standing.”*



## Output and demand

### Output

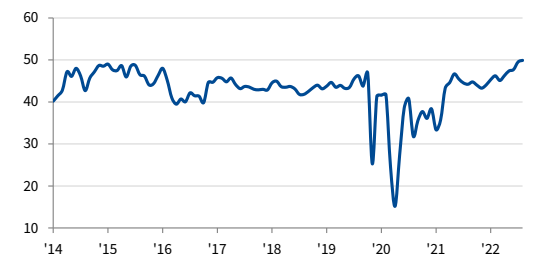
Private sector business activity across Lebanon broadly stabilised during August. Overall, the seasonally adjusted Output Index rose to its highest mark since May 2013 and was only a fraction below the crucial 50.0 mark that separates expansion from contraction.

### Output Index

sa, >50 = growth since previous month

49.9

Aug '22



### New orders

In line with output, the seasonally adjusted New Orders Index rose to its highest level since May 2013 – the survey’s first month of data collection and the only time the index has been above 50.0. Although the latest survey data pointed to a decrease in overall new business intakes, the dip was only fractional overall.

### New Orders Index

sa, >50 = growth since previous month

49.6

Aug '22



### New export orders

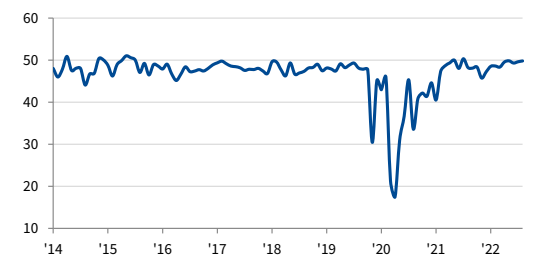
The level of incoming new work from overseas customers declined fractionally when compared to July, latest survey data showed. That said, the vast majority of surveyed companies in Lebanon's private sector reported no change (99%) in their new order intakes from clients in external markets.

### New Export Orders Index

sa, >50 = growth since previous month

49.8

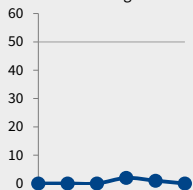
Aug '22



## Business expectations

### Future Output Index

Mar '22 - Aug '22



The Future Output Index continued to signal a pessimistic outlook among private sector companies in Lebanon towards the coming 12 months. According to a large number of respondents, political developments would play an important role in the direction of the economy over the coming year, although many were anticipating conditions to worsen.

### Future Output Index

>50 = growth expected over next 12 months

0.0

Aug '22



## Employment and capacity

### Employment

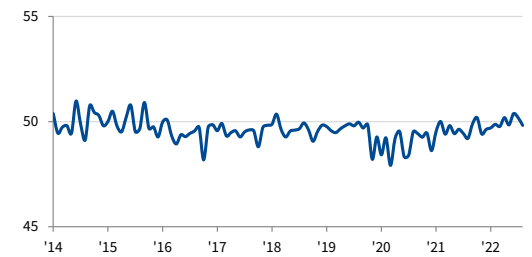
Following two successive monthly expansions, private sector staffing levels across Lebanon declined fractionally. This was signalled by the seasonally adjusted Employment Index moving below the neutral 50.0 mark during August. That said, the index recorded just above its long-run average (49.7).

### Employment Index

sa, >50 = growth since previous month

49.8

Aug '22



### Backlogs of work

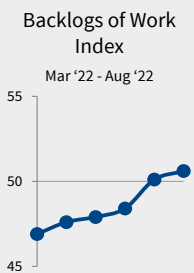
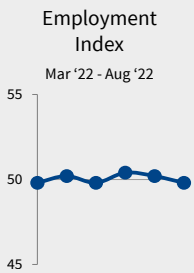
The level of outstanding work at private sector businesses in Lebanon increased for a second month running during August. Although the rate of backlog accumulation was only marginal, it was the sharpest since December 2014.

### Backlogs of Work Index

sa, >50 = growth since previous month

50.6

Aug '22

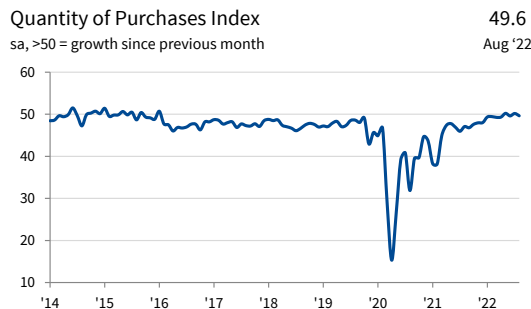




## Purchasing and inventories

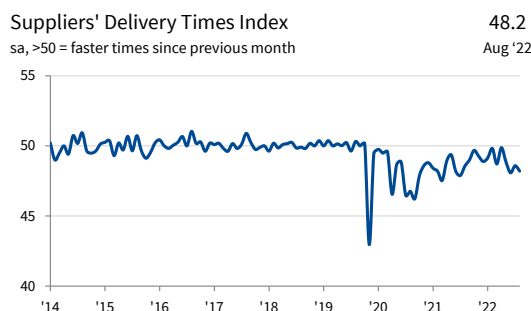
### Quantity of purchases

The seasonally adjusted Quantity of Purchases Index fell back below the 50.0 no-change mark in August, signalling a renewed decrease in buying activity at private sector companies in Lebanon. According to panellists, liquidity issues restricted some firms' ability to make additional purchases. That said, the decrease was only marginal overall.



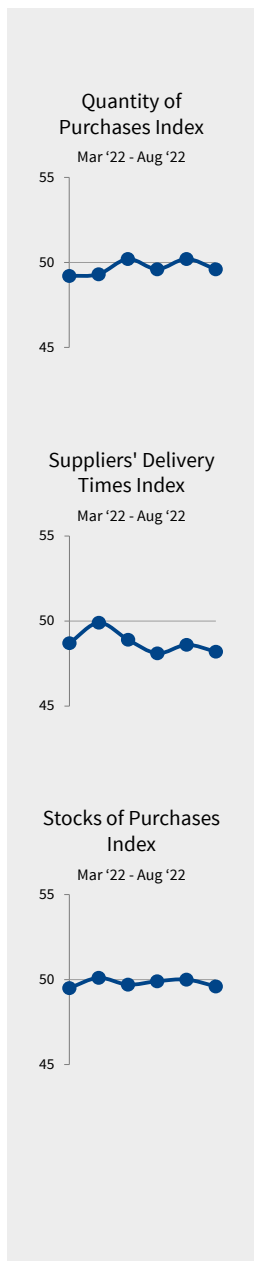
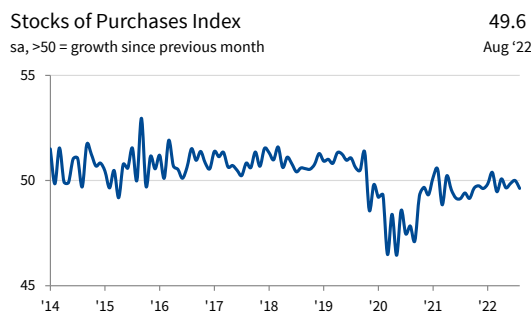
### Suppliers' delivery times

There was evidence of worsening supplier performance during August as latest survey data signalled lengthening input delivery times. Shortages, strikes and price volatility were all noted as factors causing a deterioration in vendor performance. Overall, the extent to which lead times lengthened was modest but greater than in July.



### Stocks of purchases

The seasonally adjusted Stocks of Purchases Index dipped below the 50.0 no-change mark midway through the third quarter, signalling a drop in warehoused items held by private sector companies in Lebanon. Some companies were reportedly unable to replenish inventories due to shortages.



## Prices

### Overall input prices

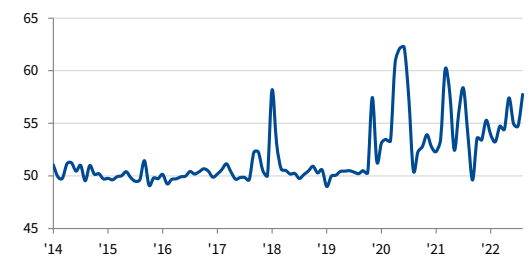
Input cost inflation picked up across Lebanon's private sector economy during August. Overall, the increase in operating expenses was sharp and the quickest in just over a year. Panel members linked the rise in costs to an unfavourable exchange rate against the US dollar.

### Overall Input Prices Index

sa, >50 = inflation since previous month

57.7

Aug '22



### Purchase prices

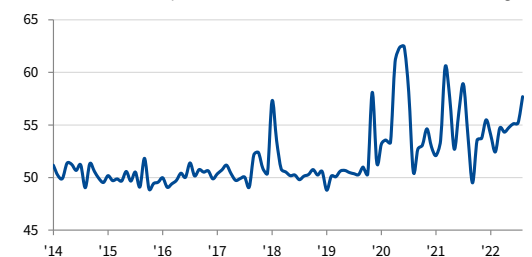
The main driver behind the rise in overall operating costs across the private sector in Lebanon was an increase in purchase prices. Latest survey data highlighted a sharp rise in prices paid that was the fastest since July 2021.

### Purchase Prices Index

sa, >50 = inflation since previous month

57.7

Aug '22



### Staff costs

The seasonally adjusted Staff Costs Index recorded 50.0 during August, signalling no change in labour expenses across the Lebanese private sector economy. This compared with a fractional decline in July and a relatively solid increase in June.

### Staff Costs Index

sa, >50 = inflation since previous month

50.0

Aug '22



### Output prices

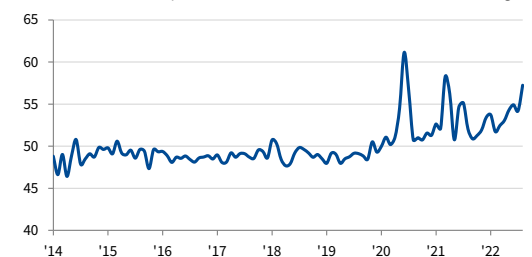
August survey data pointed to an acceleration in output charge inflation, matching the trend seen for input costs. Overall, the increase in selling prices was sharp and the quickest seen since March 2021. According to anecdotal evidence, prices charged were lifted in response to adverse movements in the lira and US dollar exchange rate.

### Output Prices Index

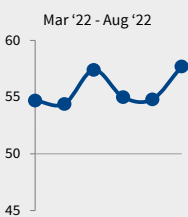
sa, >50 = inflation since previous month

57.2

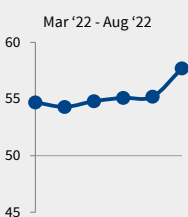
Aug '22



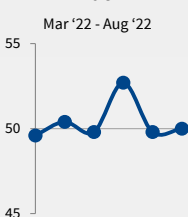
Overall Input Prices Index



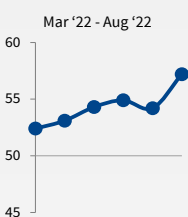
Purchase Prices Index



Staff Costs Index



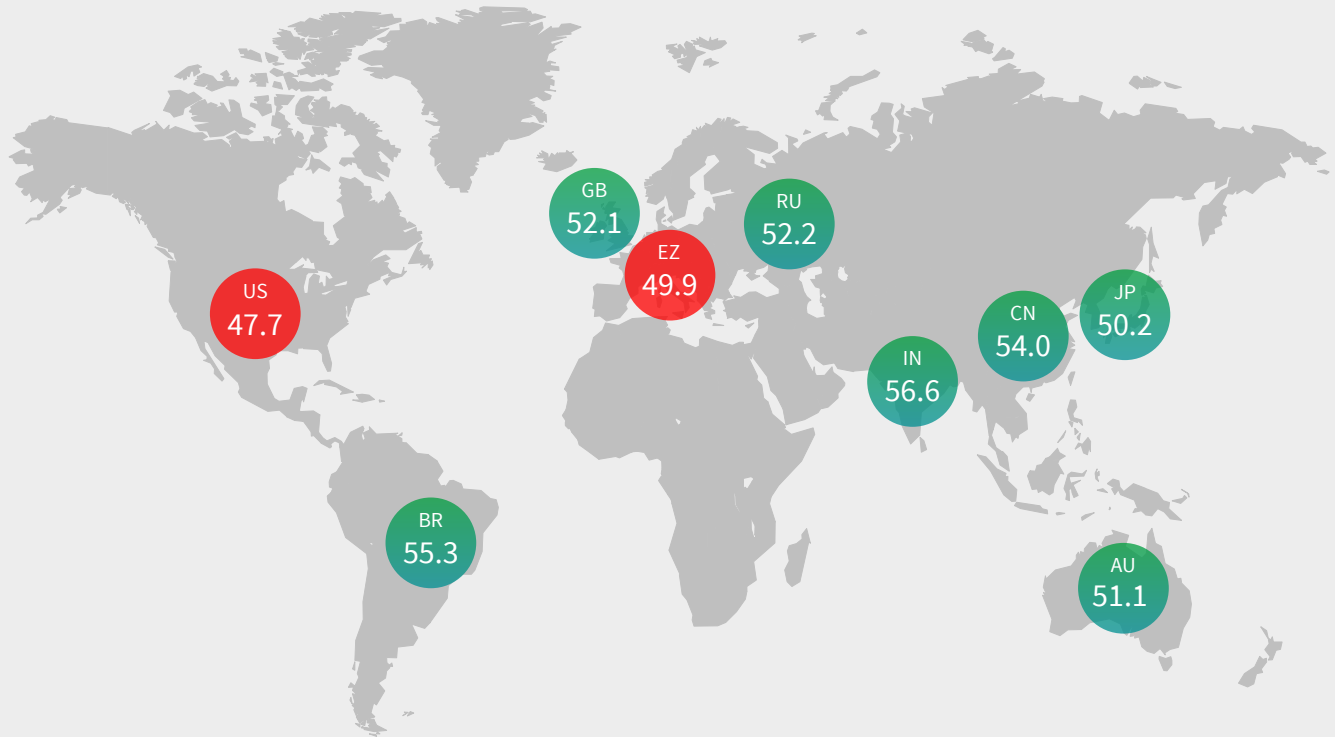
Output Prices Index



## International PMI

Composite Output Index, Jul '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
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
07 '22	49.9	49.5	49.3	49.6	1.0	50.2	50.1	50.2	48.6	50.0	54.8	55.2	49.8	54.2
08 '22	50.1	49.9	49.6	49.8	0.0	49.8	50.6	49.6	48.2	49.6	57.7	57.7	50.0	57.2

### 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.

August 2022 data were collected 12-24 August 2022.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](https://www.ihsmarkit.com/products/pmi.html).

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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.bloinvestbank.com](http://www.bloinvestbank.com).

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