News Release

BLOM Lebanon PMI®

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

Data collected August 12-24

- *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*

sa, >50 = improvement since previous month

Sources: S&P Global, Blominvest Bank
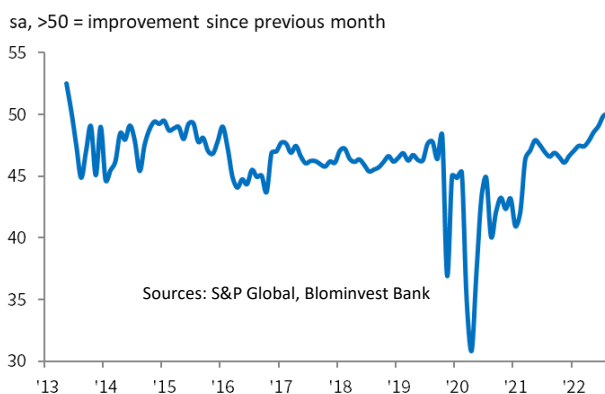
The August BLOM Lebanon PMI® survey signalled tentative signs of an improvement in private sector operating conditions, with the headline index posting fractionally above 50.0 and reaching its highest level in over nine years. Business activity broadly stabilised, while new order intakes fell only fractionally 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.

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."

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

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 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.

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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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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.