

BLOM Lebanon PMI®

Headline PMI falls to four-month low in September

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BLOM Lebanon PMI® falls back below 50.0 in September

[Output and new orders fall at quicker rates, although firms reduce their backlogs](#)

[Exchange rate weakness continues to drive purchase costs higher](#)

Having moved back into expansion territory during August, the BLOM Lebanon PMI® dipped below the crucial 50.0 mark that separates growth from contraction in September. New orders fell at a quicker pace, reflecting weaker sales performances both domestically and abroad. Output also declined at a stronger rate, although backlogs of work fell for the first time in three months as private sector firms made inroads into outstanding orders.

Meanwhile, inflationary pressures remained elevated due to the unfavourable exchange rate against the US dollar. As a result, selling charges were increased as companies sought to pass greater expenses on to clients.

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.

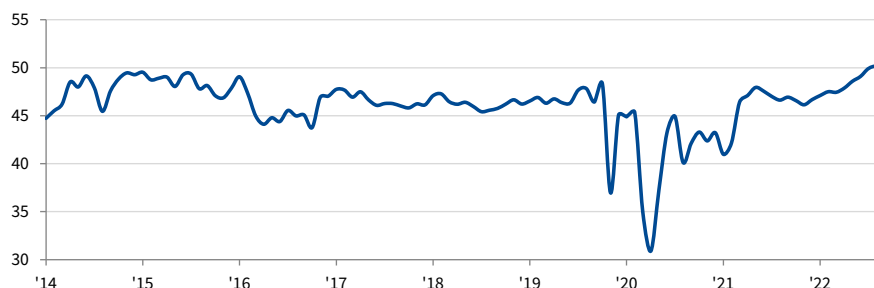
The headline BLOM Lebanon PMI® fell from 50.1 in August – its highest reading since June 2013 – to 48.8 in September. This signalled a renewed deterioration in private sector business conditions across Lebanon as the index fell below the 50.0 no-change threshold. Nevertheless, this was still above its long-run average and indicated only a mild decline when compared to August.

The drop in the headline measure was primarily a result of developments in output and new orders, with both falling at a sharper rate in September. According to survey respondents, weak client purchasing power weighed on new

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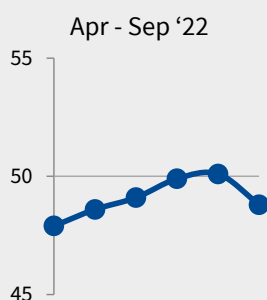
Lebanon PMI

sa, >50 = improvement since previous month



Lebanon PMI

Sep '22
48.8
Aug: 50.1



Overview continued...

business intakes. In turn, private sector business activity fell at the end of the third quarter.

Nevertheless, with new client requests falling, firms were able to channel additional resources to clearing outstanding work. For the first time since June, backlogs fell.

Private sector companies across Lebanon were conservative towards staffing in September as a result of the weakening trend in new orders. Employment levels fell fractionally for a second successive month.

Stocks of purchased items also fell for a second month in a row in September.

According to some companies, this was due to shortages of equipment. Indeed, supplier delivery times continued to lengthen.

Meanwhile, latest survey data highlighted strong cost pressures across Lebanon's private sector. Anecdotal evidence from panel members suggested this was due to an unfavourable exchange rate against the US dollar. Output charges were subsequently increased in a bid to protect margins.

Lastly, business confidence remained downbeat, with companies anticipating a challenging year ahead due to political and economic uncertainty.

Comment

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

"The BLOM Lebanon PMI has deteriorated at a faster pace to reach 48.8 in the month of September. In fact, as the summer season has come to an end, Lebanon is evidently witnessing a decrease in tourist arrivals and spending, in addition to the strike of banks. Therefore, the business activity in Lebanon's private sector is continuously shrinking amid rising inflation, political instability and weakening of the Lebanese pound. Nevertheless, the Lebanese parliament has finally approved 2022 budget and is called to try and elect a new President. Unfortunately,

it is expected that quorum will be reached but the session will be postponed as there is no political consensus on a candidate. This should add to political uncertainty and its negative impact on the economy and the exchange rate."



Output and demand

Output

The seasonally adjusted Output Index remained below the 50.0 no-change mark in September, but fell for the first time since March, signalling a faster decline in activity across Lebanon's private sector. Challenging economic conditions continued to impede business operations, according to anecdotal evidence. That said, the decline was notably weaker than seen across the survey history.

New orders

September survey data signalled a further decrease in new orders received by private sector companies across Lebanon. Moreover, the rate of decline quickened to the sharpest since May. Deteriorating client purchasing power was commonly mentioned by survey respondents. However, as was the case with output, the decrease was much softer than seen across the series on average.

New export orders

The seasonally adjusted New Export Orders Index recorded below the 50.0 no-change threshold at the end of the third quarter, indicating a drop in demand from overseas customers. Although the reduction was only modest overall, it was the quickest in six months.

Output Index

sa, >50 = growth since previous month

47.7

Sep '22



New Orders Index

sa, >50 = growth since previous month

47.5

Sep '22



New Export Orders Index

sa, >50 = growth since previous month

48.8

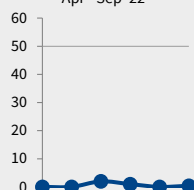
Sep '22



Business expectations

Future Output Index

Apr - Sep '22



The Future Output Index continued to signal negative business sentiment among private sector companies in Lebanon. According to survey respondents, uncertainty relating to the political and economic environment made predicating future activity levels a challenge. Some companies expect financial conditions to worsen over the coming year.

Future Output Index

>50 = growth expected over next 12 months

0.4

Sep '22

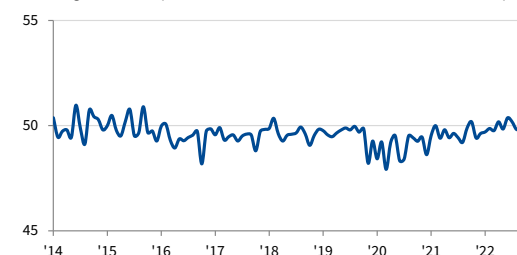


Employment and capacity

Employment

Latest survey data pointed to another fractional decrease in the level of private sector employment across Lebanon. This was indicated by the respective seasonally adjusted index recording below, but close to the neutral 50.0 mark. Overall, this was broadly consistent with that seen on average across the survey history.

Employment Index 49.9
sa, >50 = growth since previous month Sep '22



Backlogs of work

Following back-to-back monthly increases, private sector businesses across Lebanon recorded a decrease in the level of work outstanding in September. Where a reduction in backlogs was reported, this was commonly linked to lower intakes of new business. The rate of depletion was marginal overall.

Backlogs of Work Index 49.6
sa, >50 = growth since previous month Sep '22



Purchasing and inventories

Quantity of purchases

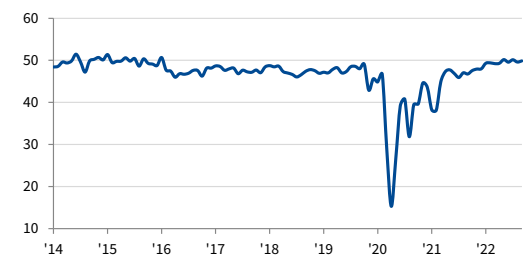
The volume of raw materials, components and other items purchased by private sector companies in Lebanon fell for a second month in succession during September, as evidenced by the respective seasonally adjusted index scoring below 50.0. That said, the decrease was weaker than in August and only fractional.

Quantity of Purchases Index

sa, >50 = growth since previous month

49.9

Sep '22



Suppliers' delivery times

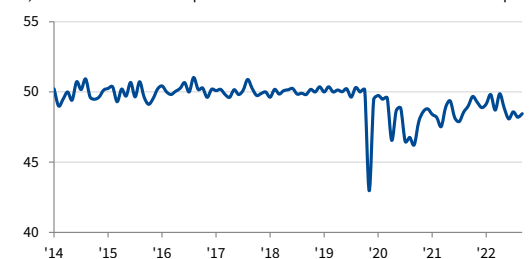
Another deterioration in vendor performance was registered by private sector businesses across Lebanon in September. Shortages of equipment were mentioned by surveyed companies, although some were adversely affected by strikes at the port of Beirut.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month

48.5

Sep '22



Stocks of purchases

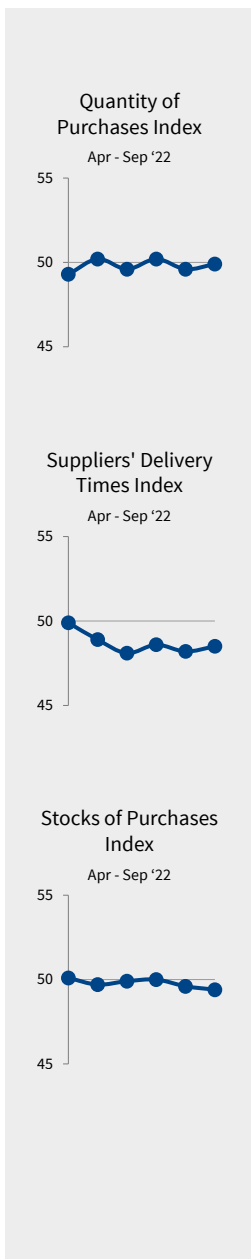
Adjusted for seasonality, the Stocks of Purchases Index posted below the neutral 50.0 mark in September to signal a second successive monthly drop in the holding of inputs by private sector firms in Lebanon. The rate of reduction was the quickest in a year, albeit only marginal overall. Shortages reportedly impacted firms' ability to stockpile.

Stocks of Purchases Index

sa, >50 = growth since previous month

49.4

Sep '22



Prices

Overall input prices

Overall operating expenses faced by private sector businesses in Lebanon rose during September, marking a twelfth successive monthly rise. The increase largely reflected higher purchase costs as staff expenses fell slightly when compared to August, latest survey data showed.

Purchase prices

Latest survey data pointed to a sharp rise in prices paid by private sector companies in Lebanon for purchased items. Where an increase was reported, this was often attributed to an unfavourable exchange rate against the US dollar. The rate of inflation edged up slightly and was the fastest since July 2021.

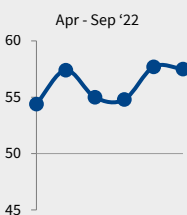
Staff costs

The seasonally adjusted Staff Costs Index recorded just below the 50.0 no-change mark in September, signalling a marginal decrease in expenses relating to labour incurred by private sector companies in Lebanon. This marked the second decline in the past three months as staff costs were unchanged in August.

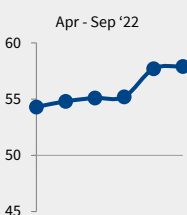
Output prices

To combat rising cost pressures, private sector companies in Lebanon increased their prices charged at the end of the third quarter. The rate of inflation was strong overall and well above its long-run average. However, the increase was slower than seen in August. Approximately 13% of surveyed companies raised their fees, compared to just 1% that offered discounts.

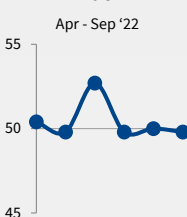
Overall Input Prices Index



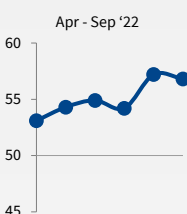
Purchase Prices Index



Staff Costs Index

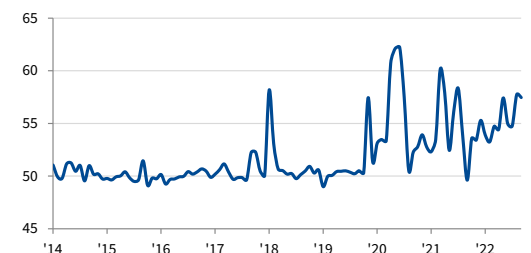


Output Prices Index



Overall Input Prices Index

sa, >50 = inflation since previous month



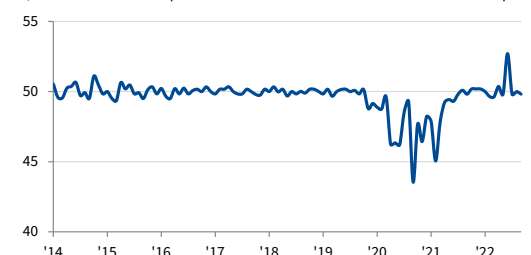
Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index

sa, >50 = inflation since previous month



Output Prices Index

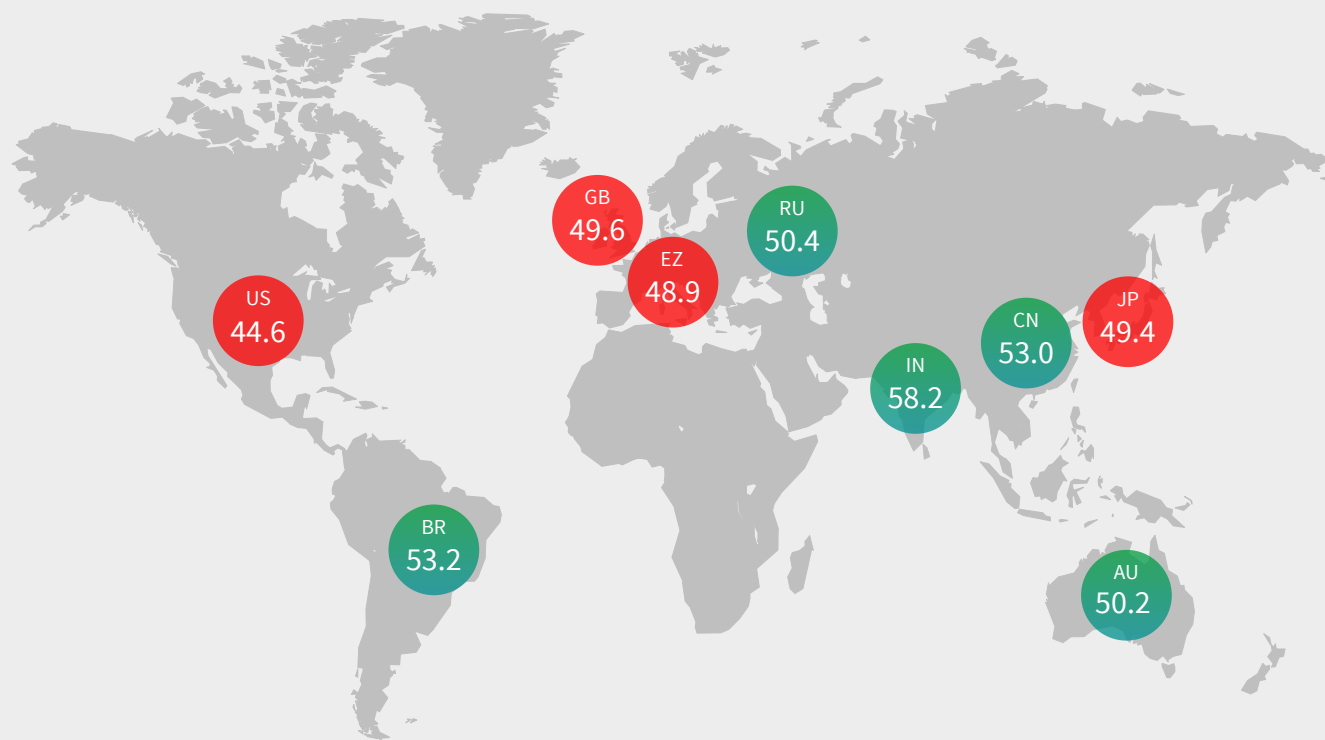
sa, >50 = inflation since previous month



International PMI

Composite Output Index, Aug '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
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
09 '22	48.8	47.7	47.5	48.8	0.4	49.9	49.6	49.9	48.5	49.4	57.5	57.9	49.8	56.8

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.

September 2022 data were collected 12-26 September 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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