



News Release

Purchasing Managers' Index[™]
MARKET SENSITIVE INFORMATION

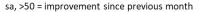
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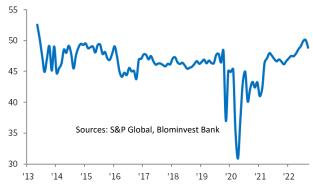
BLOM Lebanon PMI®

Headline PMI falls to four-month low in September

Data collected September 12-26

- 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.

Commenting on BLOM Lebanon PMI for September 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."

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

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 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.

-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.

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About PMI

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