

BLOM Lebanon PMI®

Headline PMI rises slightly in October

Contents

Overview

Comment

Output and demand

Business expectations

Employment and capacity

Purchasing and inventories

Prices

International PMI

Survey methodology

Further information

Softer declines in output and new orders lift headline index

Liquidity issues cause buying activity and stock levels to fall

Inflation rates ease despite sustained currency pressures

Latest BLOM Lebanon PMI® data signalled a deterioration in business conditions across the Lebanese private sector economy in October. Challenging financial conditions, political uncertainty and weak domestic purchasing power weighed on company performances during October, according to survey respondents, leading to reductions in output and new orders. That said, rates of decline eased from September.

Businesses also commented on cashflow issues, leading to falls in purchasing activity and stocks. Meanwhile, inflationary pressures remained elevated due to the high cost of US dollars.

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.

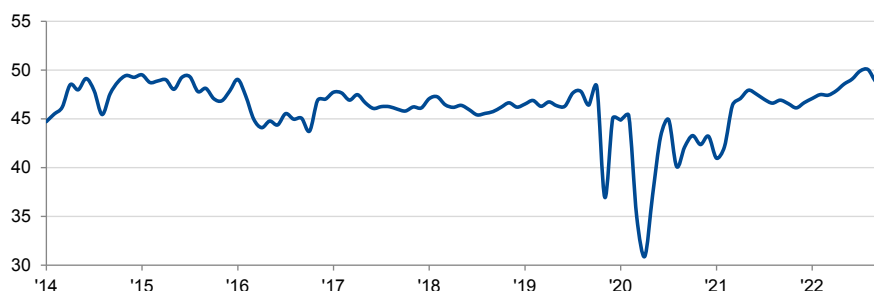
The headline BLOM Lebanon PMI® rose to 49.1 in October, from September's four-month low of 48.8 and pointing to a softer deterioration in operating conditions across the Lebanese private sector.

The headline index was kept below the crucial 50.0 level that separates growth from contraction by continued declines in output and new orders. According to survey respondents, demand conditions worsened during October due to weak client purchasing power and rising prices. New business from external markets also fell.

In turn, the latest survey data signalled a reduction in business

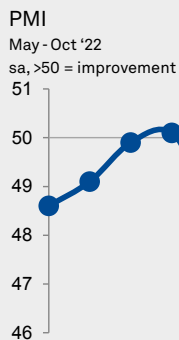
BLOM Lebanon PMI

sa, >50 = improvement since previous month



49.1

LEBANON PMI
OCT '22



activity across Lebanon's private sector. Challenging financial conditions reportedly restricted output volumes at some companies. Nevertheless, the rate of decline was softer than in September.

There were reports of liquidity issues by some panel members, with companies linking this to a decrease in purchasing activity and stocks of inputs. A number of companies also attributed lower buying activity to weak demand.

Inflationary pressures remained a notable drag on sales performances in October. The latest survey data

highlighted another increase in selling prices, albeit one that was the softest since July. Hikes in charges were reportedly due to the rising cost of US dollars. Overall input cost inflation was strong in October, despite easing to a three-month low.

Elsewhere, fractional decreases were seen in employment and backlogs of work, while disruptions at ports contributed to supplier delays.

Looking ahead, uncertainty towards the political and economic environment kept confidence in negative territory.

Comment

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

"The private sector in Lebanon revealed signs of improvement for the month of October yet it operated relatively under serious challenging conditions. Surprisingly, Lower Lebanese exchange rate has not stimulated higher exports as the new export orders dropped while output and new orders increased yet remained below the 50 threshold. Hence, the headline BLOM Lebanon PMI rose for the month of October following a most positive scenario

resulting from the historic agreement demarcating the dispute maritime border between Lebanon and Israel. Undoubtedly, short term cautious positivity would be on the horizon, nevertheless, the financial and economic crises in the country remain a major challenge for the Government. On top of that, finding gas on our shores and proper governance remain a big question. Lebanon must go faster on implementing the reforms especially as the next presidential election and State dysfunction impose an unknown timeline for the recovery."

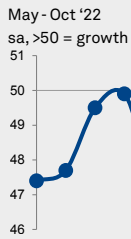


PMI®

by **S&P Global**

Output and demand

Output Index



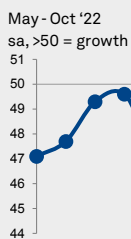
Output

The seasonally adjusted Output Index remained below the 50.0 no-change mark in October but ticked up from September to signal a softer deterioration in business activity across Lebanon's private sector. The reduction was only modest overall and weaker than seen on average since the survey began almost a decade ago. According to firms, challenging financial conditions weighed on company performance.

Output Index



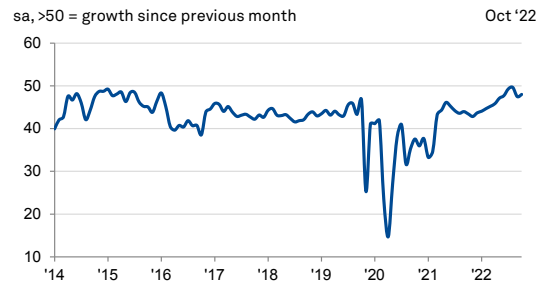
New Orders Index



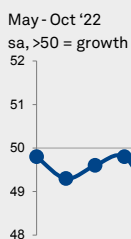
New orders

The level of new work received by private sector companies across Lebanon fell at the start of the fourth quarter. Declining purchasing power, rising prices and political uncertainty were all factors attributed to the decrease in demand. That said, the rate at which new orders fell was markedly weaker than seen across the series history.

New Orders Index



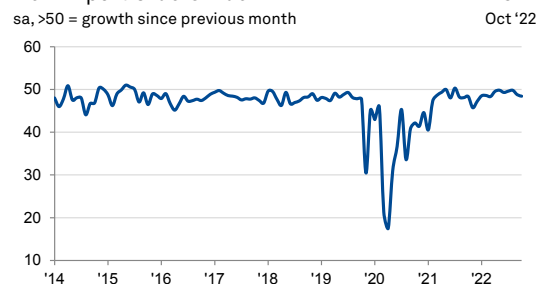
New Export Orders Index



New export orders

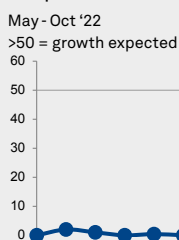
The seasonally adjusted New Export Orders Index fell further beneath the 50.0 no-change mark in October, pointing to a faster deterioration in demand for Lebanese goods and services from foreign customers. New business from overseas markets has now fallen in each month since August 2021, with the strength of the latest decline broadly matching that seen on average over this period.

New Export Orders Index



Business expectations

Future Output Index



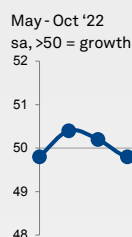
Lebanese private sector business confidence remained rooted in pessimistic territory during October. Due to a large degree of uncertainty relating to the future of the country's politics and economy, many companies noted the challenges in making accurate predictions towards the coming 12 months. Eroding purchasing power among domestic residents and financial instability were noted by panel members as reasons to be downbeat.

Future Output Index



Employment and capacity

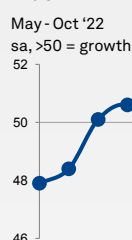
Employment Index



Employment

Another fractional reduction in private sector employment levels across Lebanon was registered by October survey data. For a third month in a row, the respective seasonally adjusted index recorded just below the 50.0 no-change mark. Of the companies that saw staffing numbers fall, most linked this to lower intakes of new business.

Backlogs of Work Index



Backlogs of work

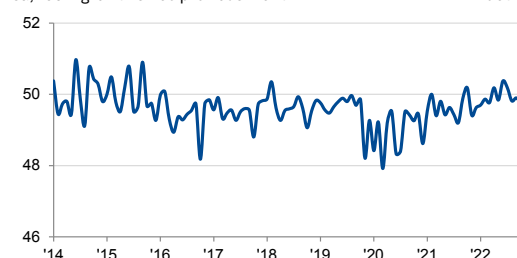
Amid falling new order receipts, the latest survey data signalled a greater degree of spare capacity at private sector companies across Lebanon during October. This was evidenced by the seasonally adjusted Backlogs of Work Index posting in sub-50.0 territory, therefore indicating a reduction in incomplete business.

Employment Index

sa, >50 = growth since previous month

49.8

Oct '22



Backlogs of Work Index

sa, >50 = growth since previous month

49.7

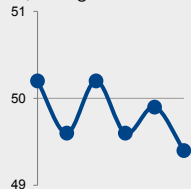
Oct '22



Purchasing and inventories

Quantity of Purchases Index

May - Oct '22
sa, >50 = growth



Quantity of purchases

Private sector businesses across Lebanon reduced their purchases of items at the start of the fourth quarter. The decrease was the fastest since April and the third in as many months. Where lower input buying was recorded, survey respondents mentioned weak demand and cashflow issues.

Quantity of Purchases Index

sa, >50 = growth since previous month

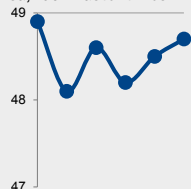
49.4

Oct '22



Suppliers' Delivery Times Index

May - Oct '22
sa, >50 = faster times



Suppliers' delivery times

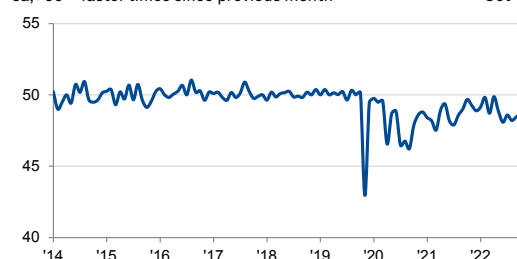
The performance of suppliers used by private sector firms in Lebanon continued to fall during October, as evidenced by the seasonally adjusted Suppliers' Delivery Times Index scoring below the neutral 50.0 threshold. High transportation costs and delays at ports were cited as the main causes of longer delivery times.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month

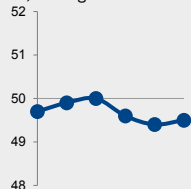
48.7

Oct '22



Stocks of Purchases Index

May - Oct '22
sa, >50 = growth



Stocks of purchases

Adjusted for seasonal variance, the Stocks of Purchases Index posted below the 50.0 no-change mark, indicating a reduction in the volume of items physically held by private sector companies across Lebanon. Shortages of stock and a lack of incoming new work led to the decrease, according to anecdotal evidence.

Stocks of Purchases Index

sa, >50 = growth since previous month

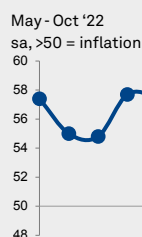
49.5

Oct '22



Prices

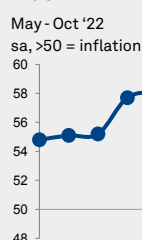
Input Prices Index



Overall input prices

Private sector companies in Lebanon experienced a further month-on-month rise in their overall operating costs in October. Although the rate of inflation eased to a three-month low, it was stronger than the series average. According to more detailed data, the increase was driven by purchase costs.

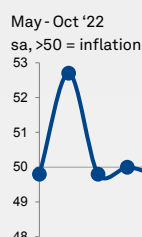
Purchase Prices Index



Purchase prices

Prices paid by private sector firms in Lebanon for purchased items such as raw materials continued to rise in October. Survey respondents frequently mentioned the adverse effects of a rising US dollar exchange rate. That said, the rate of purchase price inflation was the weakest since July.

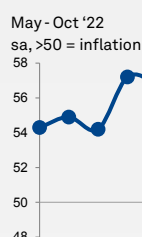
Staff Costs Index



Staff costs

The seasonally adjusted Staff Costs Index registered only just below the 50.0 no-change mark during October, signalling a fractional reduction in workforce expenses at private sector firms in Lebanon. Overall, the index was little-changed from the three prior months.

Output Prices Index



Output prices

In a bid to offset the pressures on margins caused by unfavourable exchange rate fluctuations, prices set by private sector firms in Lebanon increased during October. Overall, selling charges have risen in each month since February 2020. The increase was well in excess of that seen on average across the series history, but eased to the slowest since July.

Input Prices Index

sa, >50 = inflation since previous month

56.6

Oct '22

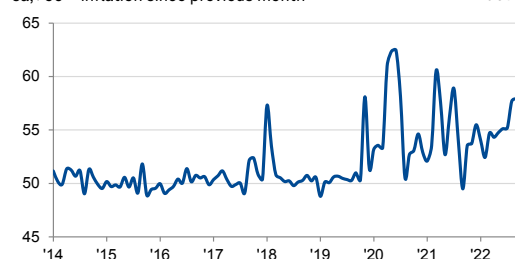


Purchase Prices Index

sa, >50 = inflation since previous month

56.6

Oct '22



Staff Costs Index

sa, >50 = inflation since previous month

49.9

Oct '22

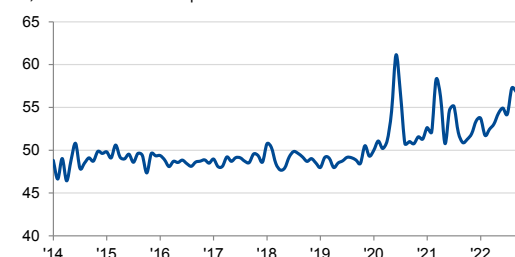


Output Prices Index

sa, >50 = inflation since previous month

55.9

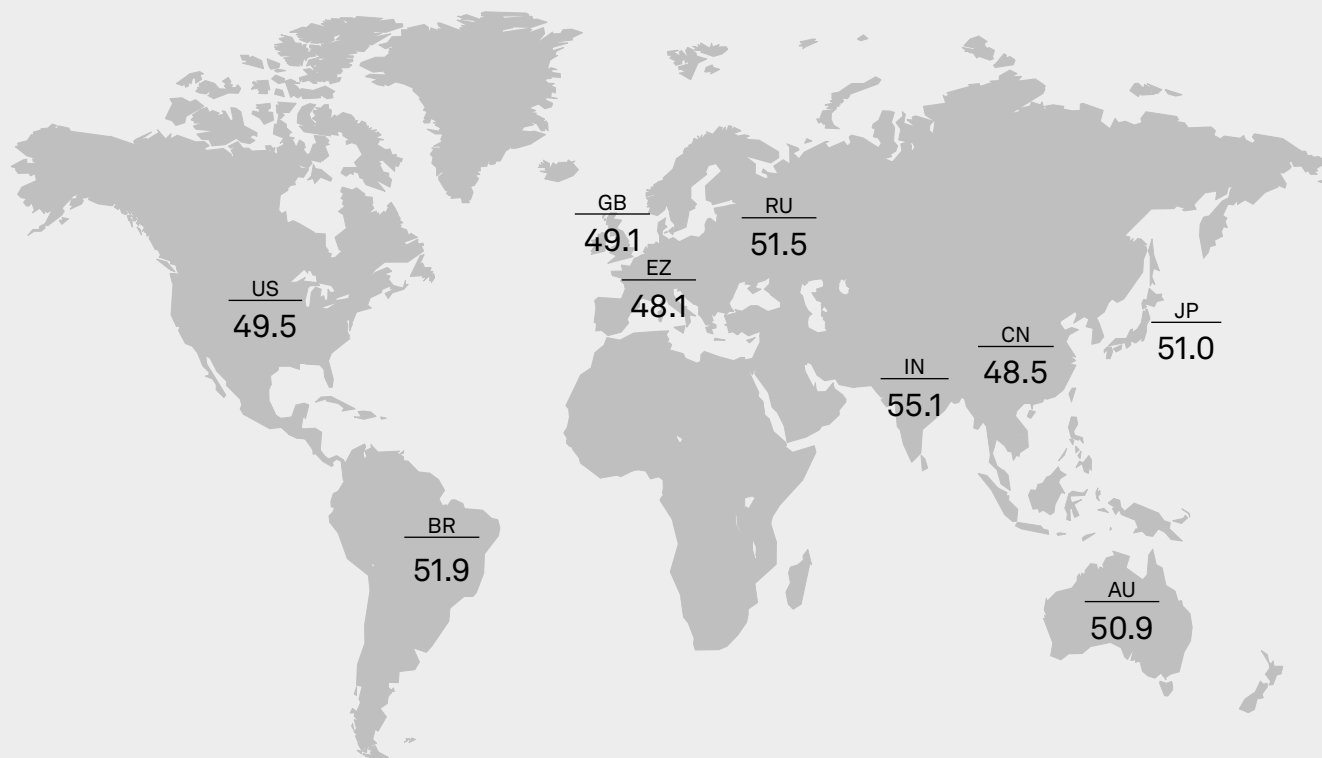
Oct '22



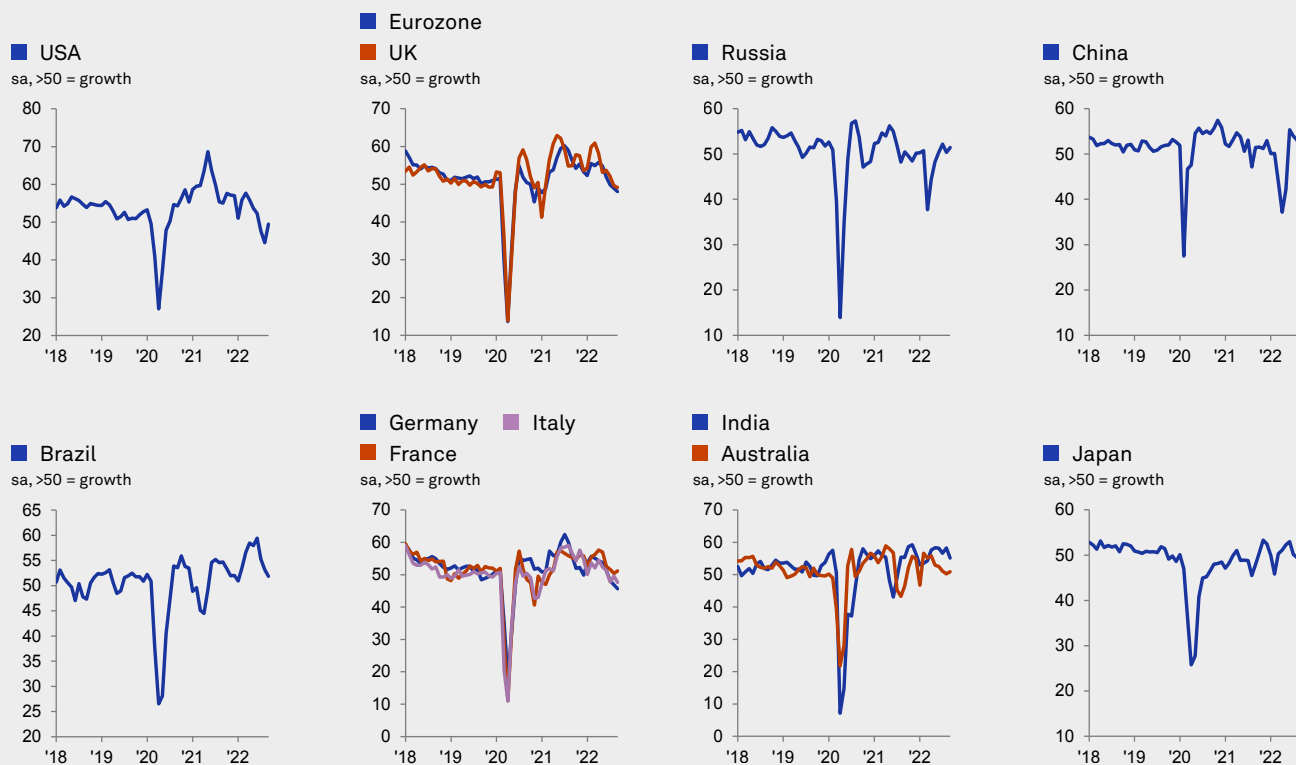
International PMI

Composite Output Index, Sep '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



Survey 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 agriculture, mining, manufacturing, construction, wholesale, retail and services. Data were first collected May 2013.

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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates

Data were collected 12-25 October 2022.

Survey questions

Private sector

Output
New Orders
New Export Orders
Future Output
Employment
Backlogs Of Work
Quantity Of Purchases

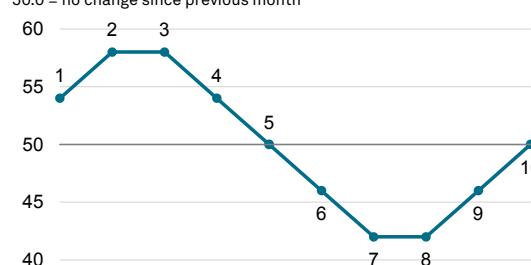
Suppliers' Delivery Times
Stocks Of Purchases
Input Prices
Purchase Prices
Staff Costs
Output Prices

Index calculation

$$\% \text{ "Higher"} + (\% \text{ "No change"})/2$$

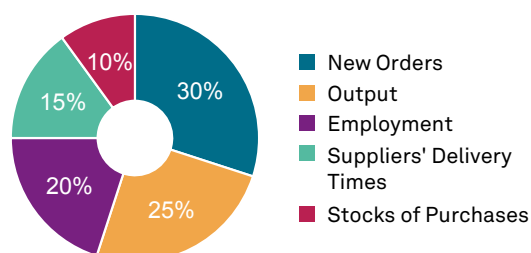
Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

PMI component weights



Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

C	Manufacturing	M	Professional, Scientific and Technical Activities
F	Construction	N	Administrative and Support Service Activities
G	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	P	Education*
H	Transportation and Storage	Q	Human Health and Social Work Activities*
I	Accommodation and Food Service Activities	R	Arts, Entertainment and Recreation
J	Information and Communication	S	Other Service Activities
K	Financial and Insurance Activities		

*Private sector

Index summary

Private sector

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
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
10 '22	49.1	48.2	48.0	48.4	0.0	49.8	49.7	49.4	48.7	49.5	56.6	56.6	49.9	55.9

Contact

Dr Ali Bolbol
 Chief Economist / Head of Research
 BLOMINVEST Bank
 T: +961 1 739 817
ali.bolbol@blominvestbank.com

Joe Hayes
 Senior Economist
 S&P Global Market Intelligence
 T: +44-1344-328-099
joseph.hayes@spglobal.com

Sabrina Mayeen
 Corporate Communications
 S&P Global Market Intelligence
 T: +44 7967 447 030
sabrina.mayeen@spglobal.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.

www.blominvestbank.com

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

www.spglobal.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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

PMI®

by **S&P Global**

© 2022 S&P Global