

BLOM Lebanon PMI®

BLOM Lebanon PMI falls to seven-month low

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Accelerated fall in new orders drives business activity down

Cost pressures ease as firms cut purchasing activity

Operating conditions faced by private sector companies in Lebanon remained challenging during November, according to the latest BLOM Lebanon PMI® survey, as falling intakes of new work caused business activity levels to shrink. Surveyed companies subsequently noted an increase in spare capacity, leading employment and purchasing activity to be cut. The business outlook also remained pessimistic due to uncertainty surrounding the domestic political and economic climate.

Meanwhile, cost pressures eased, leading to a slower rate of increase in selling charges.

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.

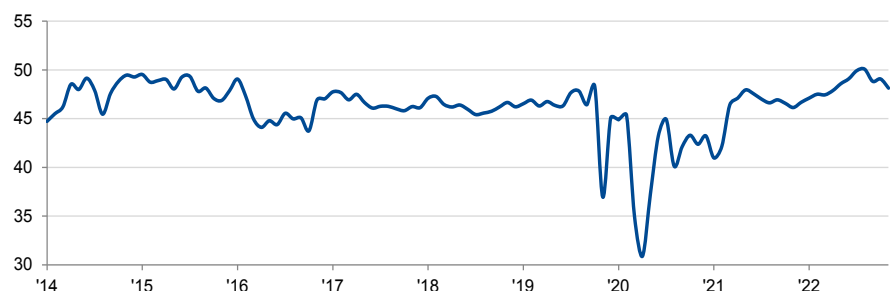
The headline BLOM Lebanon PMI® fell to a seven-month low of 48.1 in November, down from 49.1 in October, to signal the fastest deterioration in private sector operating conditions in Lebanon since April.

A significant factor behind the decrease in the headline index was new orders, which fell at the quickest pace in seven months. Lower new business intakes were linked to weak client purchasing power. Survey respondents also noted that overseas customers were deterred from placing orders due to domestic uncertainty. New export business fell to the greatest extent in almost a year in November.

Consequently, private sector

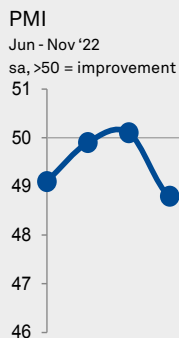
BLOM Lebanon PMI

sa, >50 = improvement since previous month



48.1

LEBANON PMI
NOV '22



business activity in Lebanon fell. The rate of decline also gathered pace and was the quickest since April.

There was evidence of increased spare capacity across Lebanon's private sector economy in November as backlogs of work decreased for the third successive month. Moreover, the rate of depletion was the strongest since March. In response, the level of employment was reduced as companies adjusted to lower business requirements.

Cost-cutting efforts meanwhile drove a decrease in purchasing activity midway through the fourth quarter.

Comment

Commenting on BLOM Lebanon PMI for November 2022, Dr Ali Bolbol, Chief Economist/Head of Research at BLOMINVEST Bank, said:

"It seems that the positive effects from a good summer season have fizzled out, as the BLOM Lebanon PMI fell to 48.1 in November 2022, its lowest level since April. The Lebanese economy has lost steam as no internal economic forces are available to keep the summer momentum. Not surprisingly, all real indicators fell: output, new orders, and new export orders. The feeble demand and decline in output even led to input and output prices rising at softer

rates, despite the weaker exchange rates. And the reason for these dismal results is that the country is still on hold, waiting like many instances before it for something to happen, the election of a new president this time. That said, we hope the upcoming Holiday Season will bring a short relief to the economy and, better still, a longer relief underpinned by positive political developments and credible agreements on economic reform and renewal."

Surveyed companies linked lower input buying to challenging financial conditions. Stocks of purchases fell fractionally in November. Overall input costs continued to rise in November, with surveyed companies commenting on the adverse effect of exchange rate weakness. That said, the rate of inflation eased amid a slower rise in purchase costs. Output price inflation also softened in November.

Looking ahead, surveyed businesses remained downbeat on their prospects due to political uncertainty.

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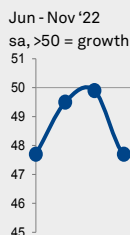


PMI®

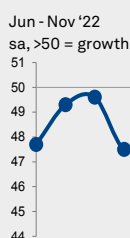
by **S&P Global**

Output and demand

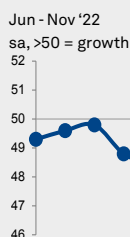
Output Index



New Orders Index



New Export Orders Index



Output

Private sector business activity levels in Lebanon contracted during November. According to surveyed businesses, the reduction was driven by challenging economic conditions domestically. The respective seasonally adjusted index fell to its lowest level since April, but was above the survey average.

New orders

The amount of new work placed with private sector firms in Lebanon fell midway through the final quarter. Economic and political uncertainty, challenging financial conditions and weak client purchasing power reportedly weighed on sales performances. The decrease in new orders was the fastest since April.

New export orders

The seasonally adjusted New Export Orders Index posted below the 50.0 no-change mark in November, pointing to a decrease in the amount of new work received from clients in external markets. Uncertainty within Lebanon reportedly deterred foreign customers from placing orders. Overall, the rate of decline was the quickest in the year-to-date.

Output Index

sa, >50 = growth since previous month

46.9

Nov '22



New Orders Index

sa, >50 = growth since previous month

46.4

Nov '22

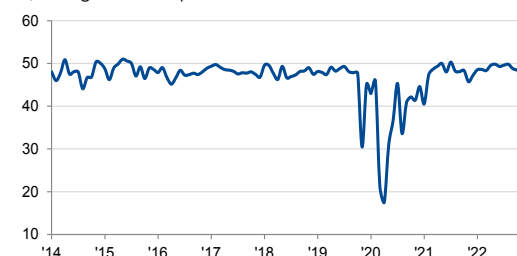


New Export Orders Index

sa, >50 = growth since previous month

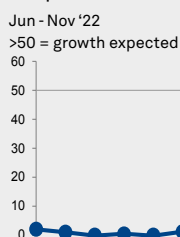
47.8

Nov '22



Business expectations

Future Output Index



Private sector companies in Lebanon remained downbeat towards the coming 12 months in November, as signalled by a sub-50.0 reading in the Future Output Index. Many survey respondents attributed their concerns to the domestic political and economic climate. Some companies also noted their expectations of a deterioration in customer purchasing power.

Future Output Index

>50 = growth expected over next 12 months

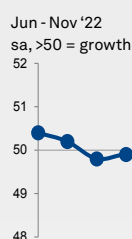
1.2

Nov '22



Employment and capacity

Employment Index



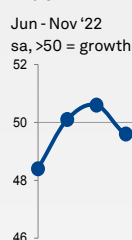
Employment

Having fallen fractionally in the three previous survey periods, November data pointed to a stronger reduction in employment levels across Lebanon's private sector. Nevertheless, the decline in staffing numbers was only marginal overall as just 2% of surveyed companies registered jobs cuts. The decrease was attributed to lower workloads.

Backlogs of work

Private sector companies in Lebanon recorded a greater degree of spare capacity in November. This was signalled by the seasonally adjusted Backlogs of Work Index posting below the 50.0 no-change mark. According to anecdotal evidence, unfinished orders were cleared due to a lack of incoming new business. Overall, the rate of depletion was the fastest since March.

Backlogs of Work Index

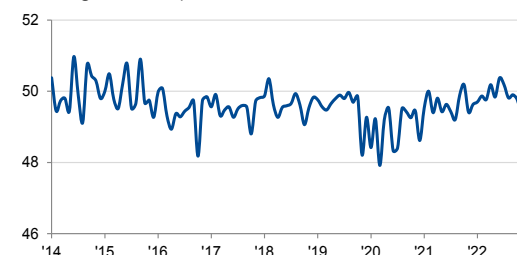


Employment Index

sa, >50 = growth since previous month

49.3

Nov '22



Backlogs of Work Index

sa, >50 = growth since previous month

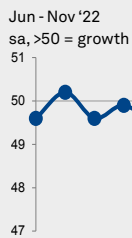
47.3

Nov '22



Purchasing and inventories

Quantity of Purchases Index



Quantity of purchases

Private sector companies in Lebanon cut their purchases of items for a fourth consecutive month during November. Albeit only modest, the contraction was the quickest since December 2021. Weak demand pressures and financial difficulties reportedly led to the reduction.

Suppliers' delivery times

Surveyed private sector companies in Lebanon signalled another worsening in vendor performance during November. This was evidenced by the seasonally adjusted Suppliers' Delivery Times Index remaining below the neutral 50.0 mark. That said, it was up to its highest mark since April to indicate the fewest incidences of delivery delays in seven months.

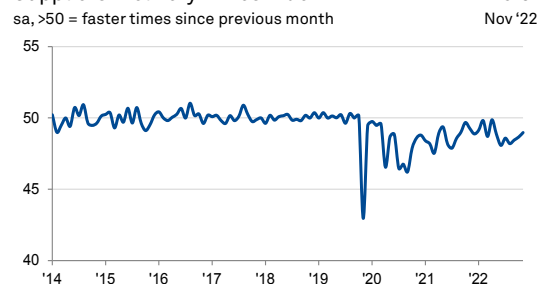
Stocks of purchases

Adjusted for seasonality, the Stocks of Purchases Index was just below the 50.0 mark that separates expansion from depletion in November, the fourth successive month in which this has been the case. This was below that seen across the series on average.

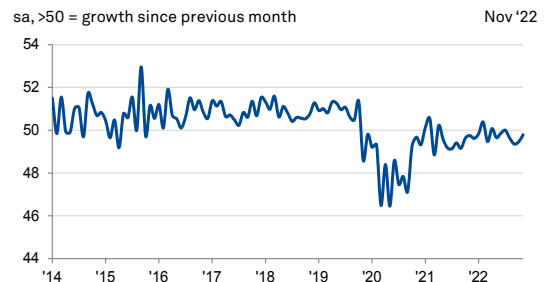
Quantity of Purchases Index



Suppliers' Delivery Times Index

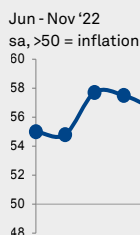


Stocks of Purchases Index



Prices

Input Prices Index



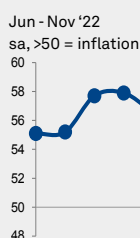
Overall input prices

Private sector businesses in Lebanon noted an increase in their operating expenses during November, extending the current period of input cost inflation to 14 months. More detailed data showed that this was predominantly driven by prices paid for purchases. That said, the overall rate of increase was the softest since July.

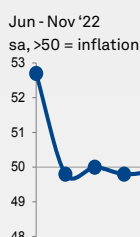
Purchase prices

The seasonally adjusted Purchase Prices Index was above the 50.0 no-change mark in November, signalling an increase in the average cost for items bought by private sector companies in Lebanon. According to respondents, this primarily reflected the unfavourable exchange rate against the US dollar. That said, the rate of inflation was the weakest in four months.

Purchase Prices Index



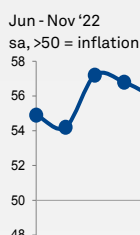
Staff Costs Index



Staff costs

Labour costs faced by businesses operating in Lebanon's private sector economy rose for the first time since June in November. The latest data contrasted with the long-run average of the series (49.7). However, the increase in staff expenses was only fractional overall.

Output Prices Index



Output prices

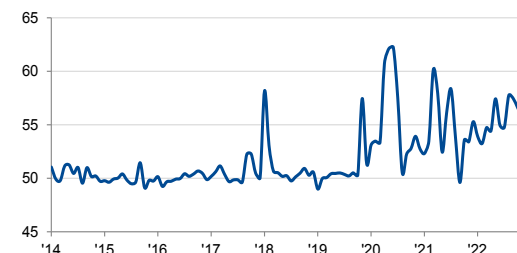
Amid rising input costs, private sector firms in Lebanon increased their prices charged in November. In many cases, selling prices were raised to compensate for exchange rate fluctuations. That said, the rate of inflation was the slowest in four months.

Input Prices Index

sa, >50 = inflation since previous month

55.7

Nov '22

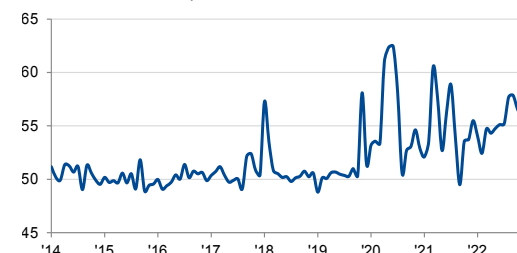


Purchase Prices Index

sa, >50 = inflation since previous month

55.7

Nov '22



Staff Costs Index

sa, >50 = inflation since previous month

50.2

Nov '22

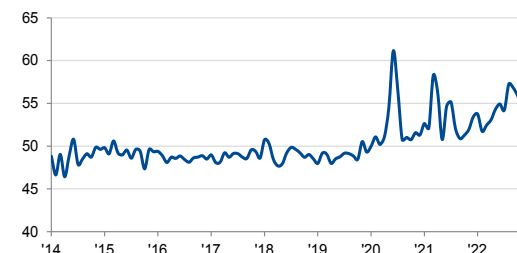


Output Prices Index

sa, >50 = inflation since previous month

54.6

Nov '22

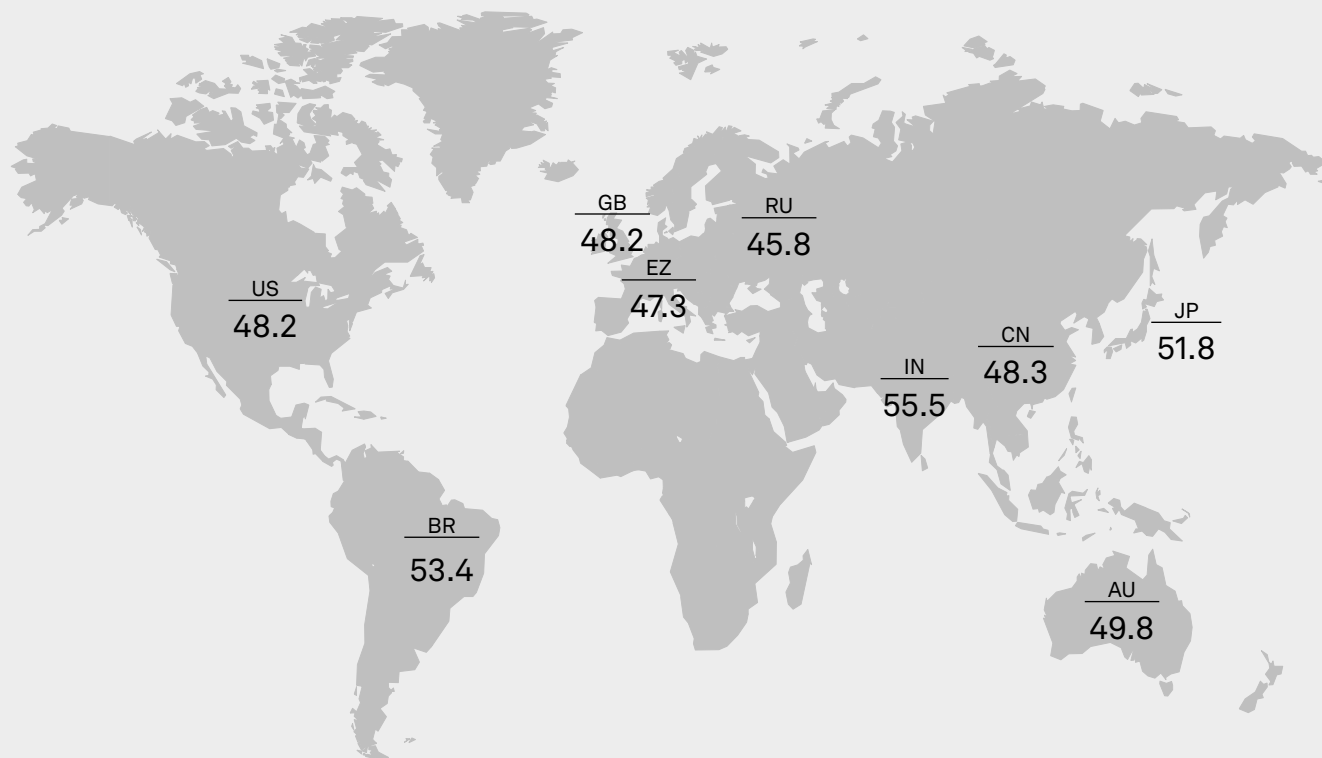


International PMI

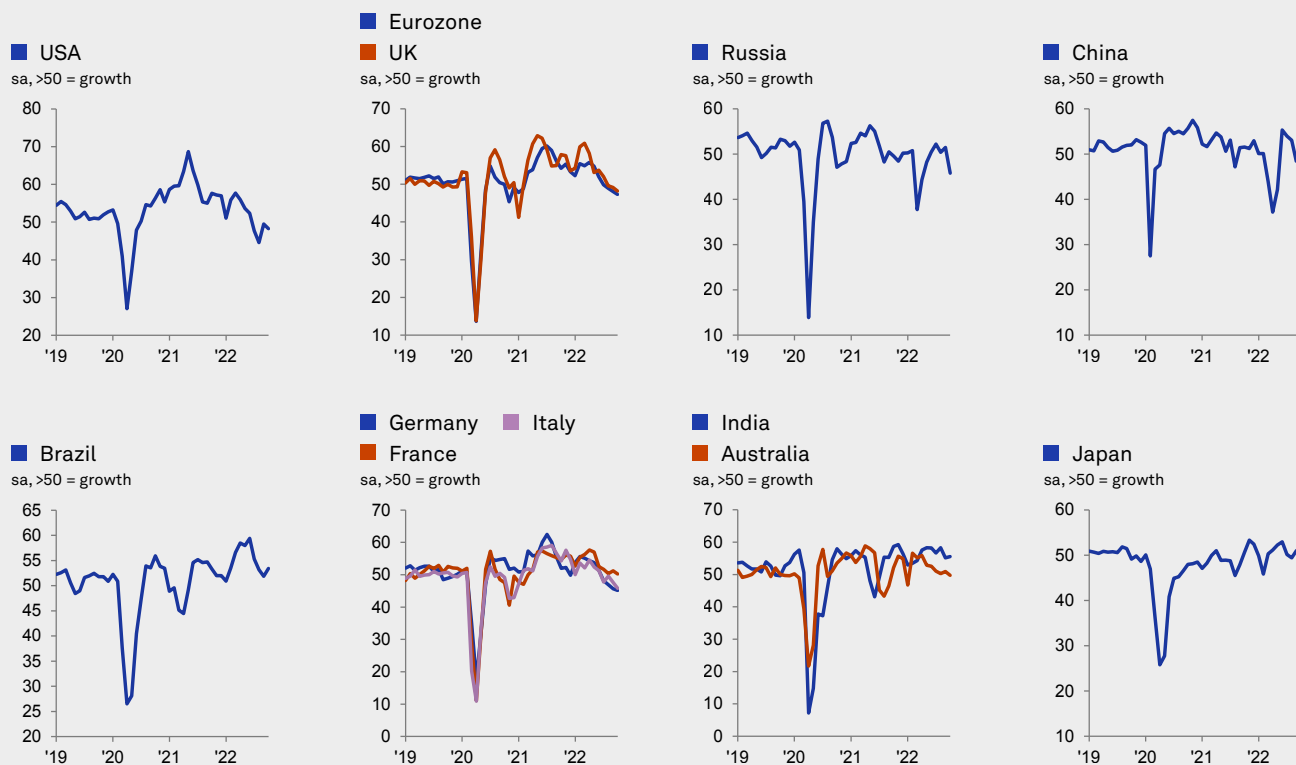
Composite Output Index, Oct '22

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



PMI®

by **S&P Global**

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 11-24 November 2022.

Survey questions

Private sector

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

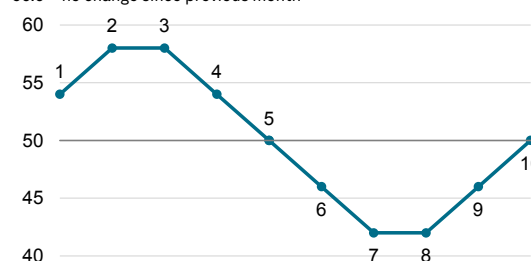
Suppliers' Delivery Times
Stocks Of Purchases
Input Prices
Purchase Prices
Staff Costs
Output Prices

Index calculation

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

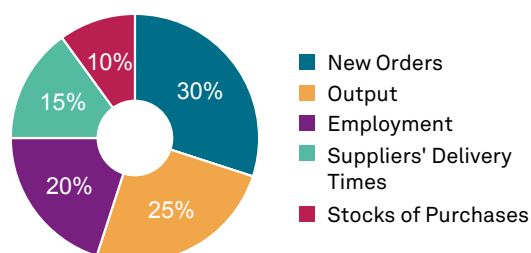
Index interpretation

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
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
11 '22	48.1	46.9	46.4	47.8	1.2	49.3	47.3	48.5	49.0	49.8	55.7	55.7	50.2	54.6

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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.

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.

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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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