

BLOM Lebanon PMI[®]

PMI falls to 11-month low in December

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Inflationary pressures remain strong but ease

Business outlook clouded by domestic challenges

Lebanon's private sector economy deteriorated during December, latest data from the BLOM Lebanon PMI[®] survey showed, as business activity declined and new work intakes shrank. Domestic political uncertainty and financial challenges reportedly weighed on company performances, while the high cost of US dollars exerted upward pressure on operating costs. Survey respondents were subsequently concerned about the outlook for the next 12 months, with many expressing their pessimism towards 2023 prospects.

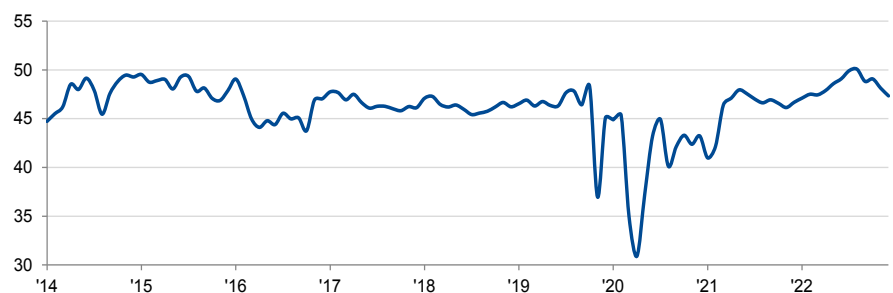
The headline figure derived from the survey is the Purchasing Managers' Index[™] (PMI[®]). The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). 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[®] posted 47.3 in December, below the 50.0 no-change mark, thereby signalling a deterioration in operating conditions faced by private sector companies in Lebanon. Furthermore, this was down from 48.1 in November, signalling the quickest decline since last January.

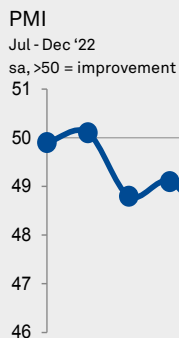
The performance of Lebanon's private sector economy was weighed down by subdued demand during December. This was evidenced by the quickest reduction in new order intakes for nine months. Weak client purchasing power and political uncertainty were factors companies mentioned as a reason for lower new orders. Subsequently, business activity levels declined in December. The rate of decline was the fastest

BLOM Lebanon PMI
sa, >50 = improvement since previous month



47.3

LEBANON PMI
DEC '22



since last March.

There was evidence of spare capacity as private sector companies in Lebanon reduced their volumes of outstanding business for a fourth month running. In turn, overall employment levels were reduced as companies adjusted to lower business requirements.

Additionally, purchasing activity was cut back in December, although stocks of inputs increased for the first time in eight months. Meanwhile, there was a broad stabilisation of supplier performance following a three-year sequence of lengthening

delivery times.

December survey data indicated an increase in overall input costs at the end of the year. According to panel members, the high cost of US dollars had pushed up the price of purchased items. That said, overall input cost inflation slowed to a five-month low. Similarly, output prices rose, but at the slowest rate since last July.

Finally, private sector firms in Lebanon were downbeat on their year-ahead prospects, with domestic uncertainty expected to weigh on the outlook.

Comment

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

“The devaluation of the Lebanese pound is one of the main reasons why we are seeing an 11-month low PMI index to 47.3 in December, despite promises of a festive season. The harsh decline in business activities is certainly driven by an eroded purchasing power of the Lebanese people and adversely weaker domestic demand. Constant disappointment on the political front also prevails; failure to elect a new head of State for more than 10 attempts coupled with a larger

trade deficit is taking its toll on the Lebanese economic situation. What complicates matters is that reform plans are in a state of limbo, signaling another year of discontent for the Lebanese. Concerns would stay in the horizon as the country seems to be paralyzed by multiple regional and domestic developments and far from any socio-economic stability. We only hope that this “grey period” does not stay long, given the severity of the economic situation.”

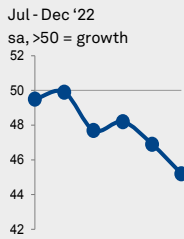


PMI®

by **S&P Global**

Output and demand

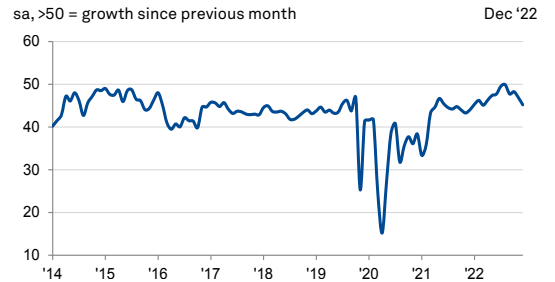
Output Index



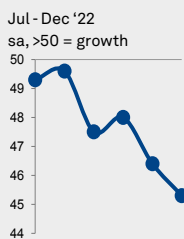
Output

Private sector business activity across Lebanon fell in December, as signalled by the respective seasonally adjusted index posting below the critical 50.0 mark. According to surveyed companies, challenging domestic conditions restricted overall output levels. The rate of decrease was the fastest since last March.

Output Index



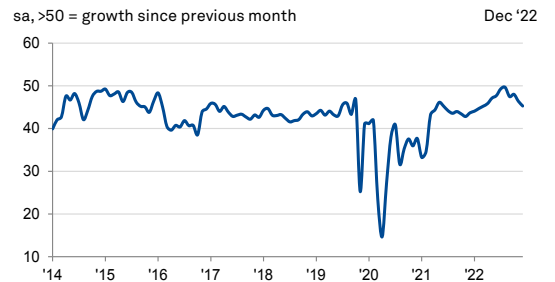
New Orders Index



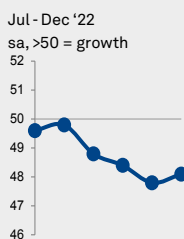
New orders

The volume of new work received by private sector companies in Lebanon declined at the end of the year. Overall, the latest decrease in new orders was the quickest in nine months. Where lower demand was recorded, this was often linked with domestic political and economic uncertainty, as well as weak purchasing power among clients.

New Orders Index



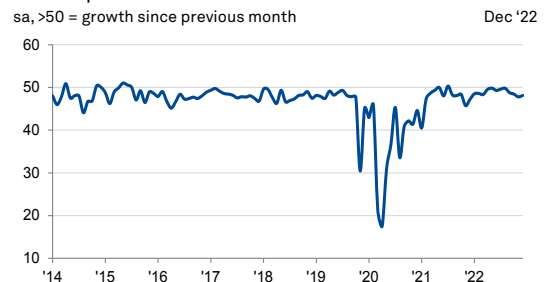
New Export Orders Index



New export orders

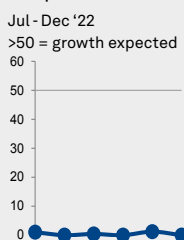
The seasonally adjusted New Export Orders Index registered below the 50.0 no-change mark in December, indicating a reduction in new work received by private sector firms in Lebanon from customers in foreign markets. Domestic instability reportedly deterred overseas clients from placing orders. That said, the reduction was only modest and slowed since the previous month.

New Export Orders Index



Business expectations

Future Output Index



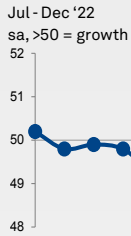
Private sector companies in Lebanon were downbeat towards 12-month outlook in December. Uncertainty regarding the future of politics in Lebanon meant many companies were unable to accurately predict the year ahead, although many survey respondents were concerned that the domestic situation might worsen. Some firms also commented on financial challenges.

Future Output Index



Employment and capacity

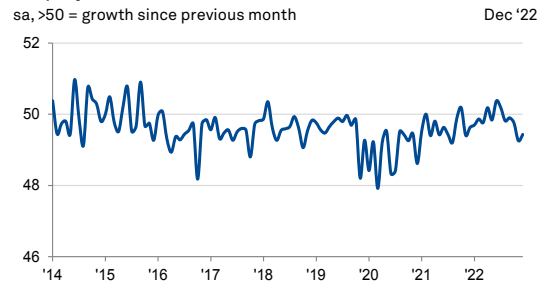
Employment Index



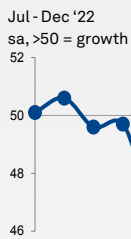
Employment

Private sector employment levels across Lebanon decreased for a fifth consecutive month in December. Where lower staffing numbers were reported, this was attributed to a lack of incoming new work. The rate at which jobs were shed was marginal overall and fractionally slower than seen during the prior survey period.

Employment Index



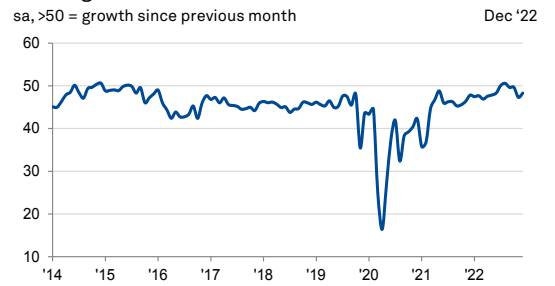
Backlogs of Work Index



Backlogs of work

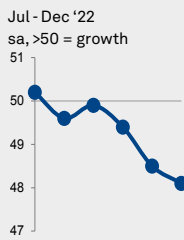
Evidence of spare capacity across Lebanon's private sector was seen through the seasonally adjusted Backlogs of Work Index, which posted below the 50.0 no-change mark in December to signal a reduction in the level of business outstanding. Survey panel members that saw incomplete workloads fall commented on weak demand conditions.

Backlogs of Work Index



Purchasing and inventories

Quantity of Purchases Index



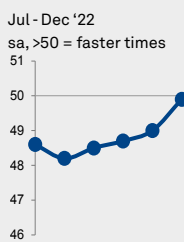
Quantity of purchases

According to December survey data, private sector companies in Lebanon reduced their purchasing activity at the end of 2022. The rate of decrease was modest and the fastest in a year. Firms reportedly trimmed their buying levels due to a lack of incoming new work.

Quantity of Purchases Index



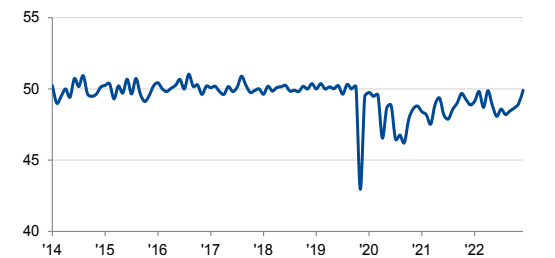
Suppliers' Delivery Times Index



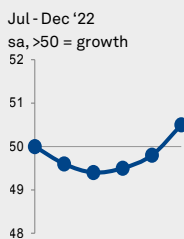
Suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index registered its highest reading since last April during December, and was only fractionally below the 50.0 no-change mark. Overall, this signalled broadly stable conditions across Lebanon's supply chains.

Suppliers' Delivery Times Index



Stocks of Purchases Index



Stocks of purchases

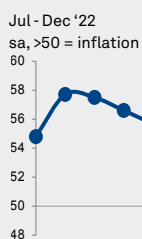
For the first time in eight months, private sector companies in Lebanon expanded their stocks of purchases during December. Overall, the rate of accumulation was the joint-fastest in just over three years. Approximately 3% of companies expanded their pre-production inventories, while less than 1% recorded a decline.

Stocks of Purchases Index



Prices

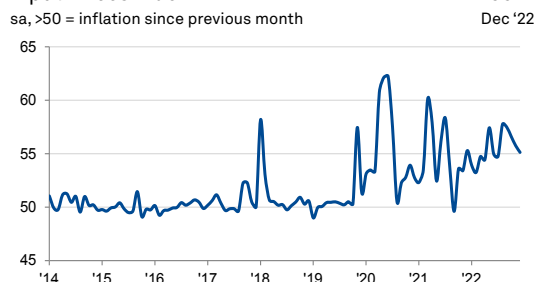
Input Prices Index



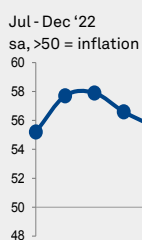
Overall input prices

December survey data signalled another strong monthly increase overall input costs faced by private sector firms in Lebanon. More granular data revealed that inflationary pressures stemmed from purchased items. That said, the rise in overall operating expenses was the softest in five months.

Input Prices Index



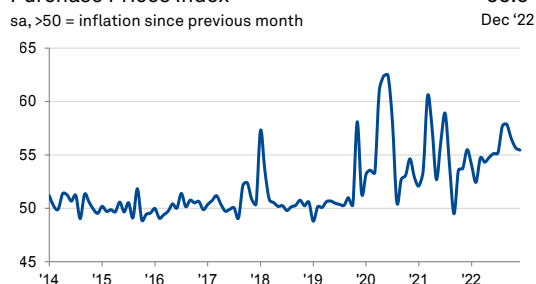
Purchase Prices Index



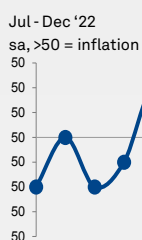
Purchase prices

Amid reports of a weak exchange rate against the US dollar, the latest survey data signalled rising prices paid for purchased items during December. Approximately 10% of respondents noted higher purchase costs, while the remainder saw no change. Overall, the rate of inflation was strong, but the weakest since July last year.

Purchase Prices Index



Staff Costs Index



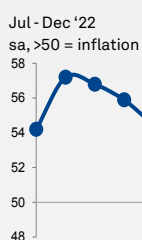
Staff costs

The seasonally adjusted Staff Costs Index registered 50.0 during the latest survey period. Consequently, this indicated no change in the labour expenses of private sector companies across Lebanon. This compared with November, where staff costs rose for the first time since June last year.

Staff Costs Index



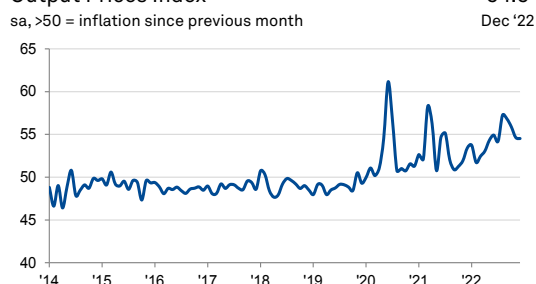
Output Prices Index



Output prices

Private sector businesses in Lebanon continued to raise their selling prices during December. In many cases, firms reportedly increased their charges due to unfavourable movements in the US dollar exchange rate. The rate of output price inflation was solid, but eased to a five-month low.

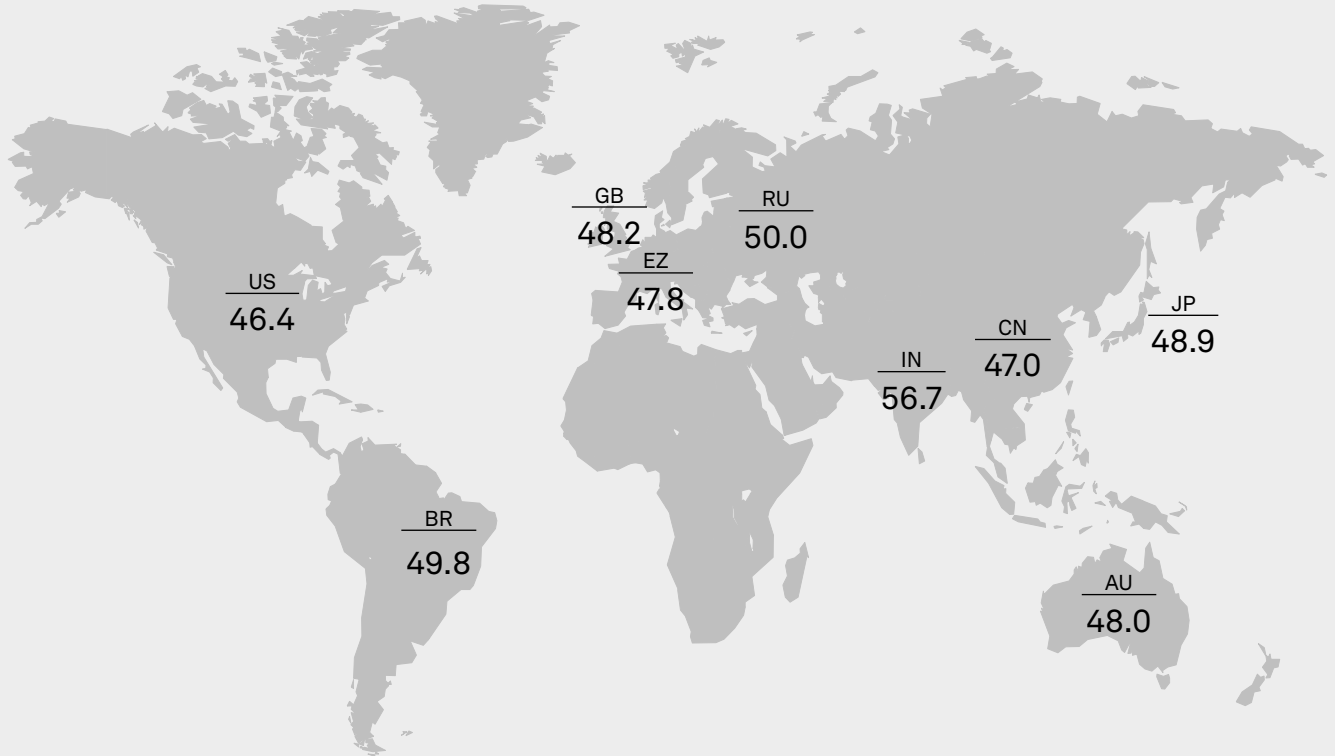
Output Prices Index



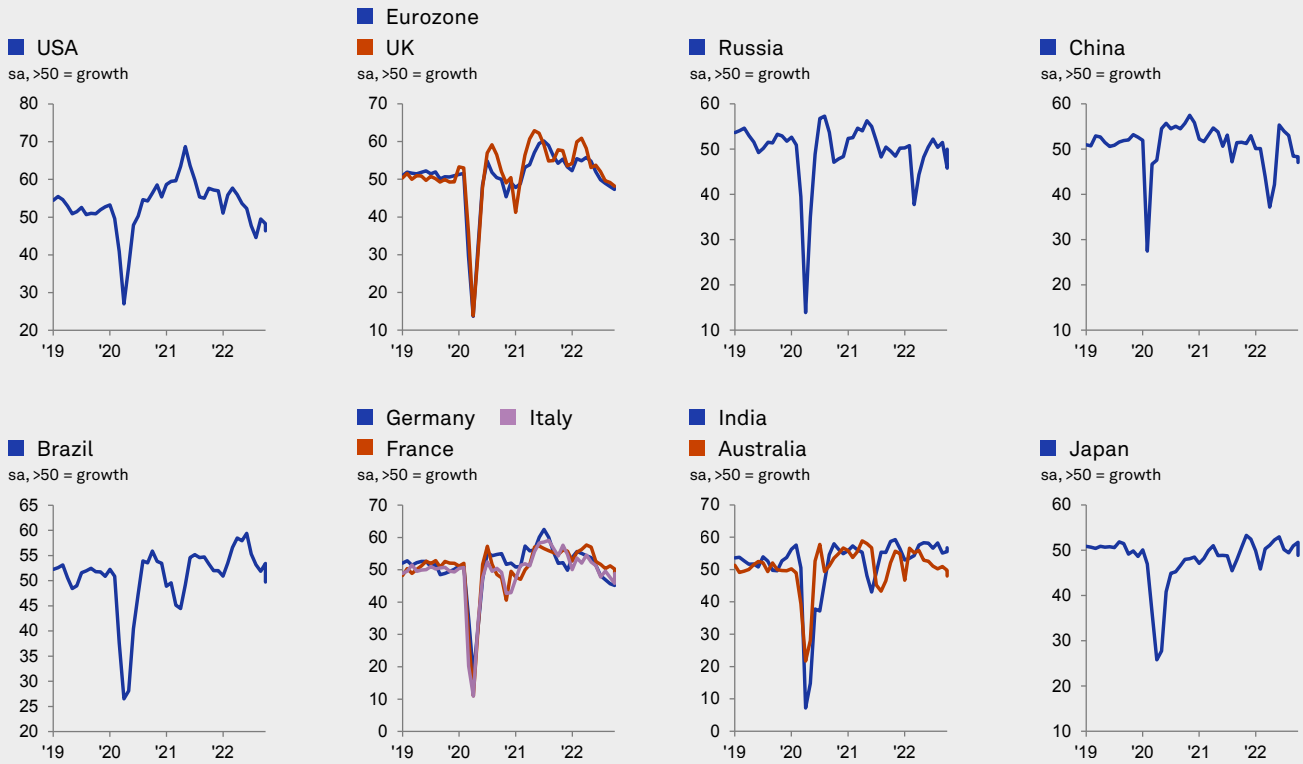
International PMI

Composite Output Index, Nov '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 06-19 December 2022.

Survey questions

Private sector

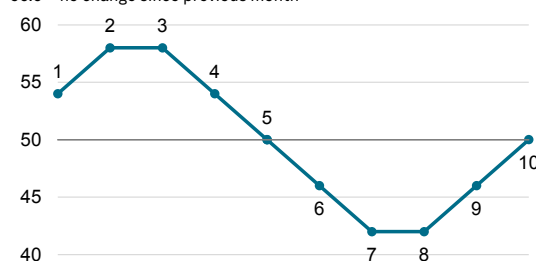
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

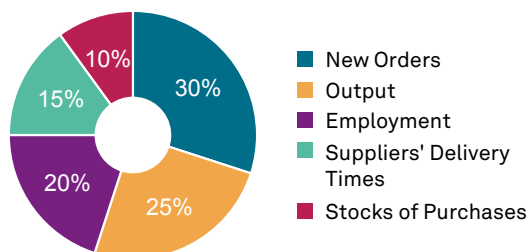
Index interpretation

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
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
12 '22	47.3	45.2	45.3	48.1	0.0	49.4	48.3	48.1	49.9	50.5	55.1	55.5	50.0	54.5

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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.
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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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