

BLOM Lebanon PMI®

BLOM Lebanon PMI rises for first time since October 2022, albeit marginally

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Headline index rises marginally as decline in activity slows

Inflationary pressures intensify due to currency movements

Input demand falls but supplier delivery times worsen

Although the BLOM Lebanon PMI® remained in sub-50.0 contraction territory in January, it rose for the first time since October 2022, pointing to a softer decline in operating conditions faced by private sector businesses. Some downward pressures were alleviated on the demand-side, as new orders and export sales both fell at slower rates.

That said, a worsening exchange rate versus the US dollar pushed up purchase costs sharply, with firms responding by raising the charges more aggressively. Supplier delivery times also worsened, with vendors wanting to renegotiate prices.

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 47.7 in January, up from 47.3 in December. While this signalled a deterioration in operating conditions across the Lebanese private sector, it marked a softer rate of decline when compared with December and the first time in three months the headline index has risen.

The latest survey data signalled a reduction in private sector business activity across Lebanon at the start of the year. Challenging domestic market conditions, linked to political and economic uncertainty, reportedly drove the decline. However, amid a softer deterioration in overall demand conditions, the drop in output levels was also slower than in the previous month.

Private sector companies in Lebanon recorded lower intakes of new work in January. Where a decrease was

BLOM Lebanon PMI

sa, >50 = improvement since previous month

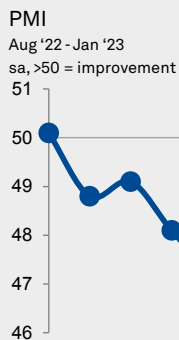


PMI®

by **S&P Global**

47.7

LEBANON PMI
JAN '23



recorded, this was often linked with weak client purchasing power. Foreign client demand also deteriorated, albeit to the weakest extent since September.

With overall order book volumes declining, the latest data showed an increase in spare capacity as backlogs of work fell. In turn, this led some companies to reduce their staffing levels. Private sector employment fell marginally in January.

Despite the challenging demand environment, output charges were raised to the quickest extent in almost two years. According to firms, a worsening exchange rate against the US dollar put pressure on company

margins. Indeed, overall input price inflation rose to an 18-month high in January. Unfavourable currency movements also impacted supplier delivery schedules, with vendors looking to renegotiate as a result.

Lastly, businesses remained pessimistic towards the growth outlook. Challenging domestic conditions, linked to political and economic uncertainty, were expected to persist and weigh on output.

Comment

Commenting on BLOM Lebanon PMI for January 2023, Mrs. Stephanie Aoun, Research Analyst at BLOMINVEST Bank, said:

"The situation in Lebanon is deeply troubling and reflects the dire circumstances that many people in Lebanon are currently facing. While most indicators were leading to further deterioration in the private sector after the holiday season, surprisingly however, the PMI jumped slightly from 47.3 in December 2022 to 47.7 in January 2023. The index rise is mainly driven by unexpected upticks in output and new orders. In fact, a severe depreciation in the domestic

currency against the US dollar drove private sector businesses to raise their prices in January. Furthermore, starting February 1st, Lebanon's central bank will likely adopt an exchange rate of 15,000 Lebanese pounds per U.S. dollar as part of a process to unify the country's multiple exchange-rate system, which could further increase liquidity and prices. Unfortunately, as economic and political things stand today, the outlook for a future badly-needed improvement remains grim."



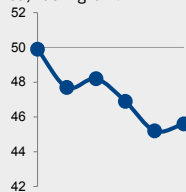
PMI®

by S&P Global

Output and demand

Output Index

Aug '22 - Jan '23
sa, >50 = growth



Output

Private sector business activity fell across Lebanon during January. Where a reduction in output was registered, this was linked with challenging political and economic conditions domestically. Some companies commented on weakness in demand. The rate of decline was solid overall, but slightly weaker than that seen at the end of last year.

Output Index

sa, >50 = growth since previous month

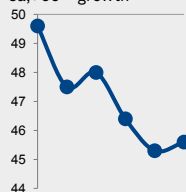
45.6

Jan '23



New Orders Index

Aug '22 - Jan '23
sa, >50 = growth



New orders

The volume of new business received by private sector firms in Lebanon decreased at the beginning of 2023. According to survey respondents, weak purchasing power among clients caused new order intakes to drop. Domestic uncertainty was also reportedly hindering firms from securing new sales. However, the latest decline was softer than in the previous month.

New Orders Index

sa, >50 = growth since previous month

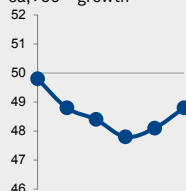
45.6

Jan '23



New Export Orders Index

Aug '22 - Jan '23
sa, >50 = growth



New export orders

The seasonally adjusted New Export Orders Index registered below the 50.0 no-change threshold in January, signalling a fall in new business received from customers in foreign markets. Although this extended the current sequence of contraction to a year-and-a-half, the latest decrease was only marginal and the weakest since last September.

New Export Orders Index

sa, >50 = growth since previous month

48.8

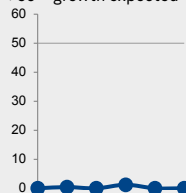
Jan '23



Business expectations

Future Output Index

Aug '22 - Jan '23
>50 = growth expected



Private sector companies in Lebanon remained downbeat towards the 12-month outlook for activity in January. In many cases, the root cause of pessimism was the current political and economic climate in Lebanon, with survey respondents expecting conditions to worsen in the year ahead. Some companies remarked on the high degree of uncertainty, making it difficult to predict their activity levels in 12 months' time.

Future Output Index

>50 = growth expected over next 12 months

0.0

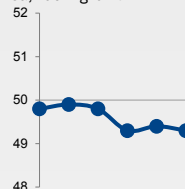
Jan '23



Employment and capacity

Employment Index

Aug '22 - Jan '23
sa, >50 = growth



Employment

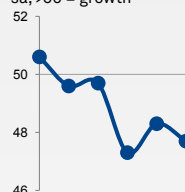
The level of private sector employment across Lebanon fell during January. Although the reduction in staffing levels was only marginal, it was the joint-fastest since August 2021 (on a par with last November) and slightly faster than that seen on average since the survey began almost a decade ago.

Backlogs of work

The seasonally adjusted Backlogs of Work Index recorded below the 50.0 no-change mark in January, signalling a reduction in outstanding business volumes. This marked a fifth consecutive monthly reduction in the amount of work pending completion at private sector companies in Lebanon. Some businesses indicated that lower new business intakes freed up capacity.

Backlogs of Work Index

Aug '22 - Jan '23
sa, >50 = growth



Employment Index

sa, >50 = growth since previous month

49.3

Jan '23



Backlogs of Work Index

sa, >50 = growth since previous month

47.7

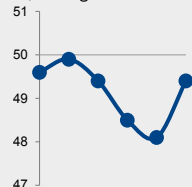
Jan '23



Purchasing and inventories

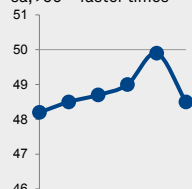
Quantity of Purchases Index

Aug '22 - Jan '23
sa, >50 = growth



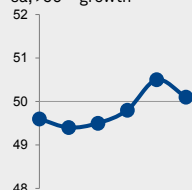
Suppliers' Delivery Times Index

Aug '22 - Jan '23
sa, >50 = faster times



Stocks of Purchases Index

Aug '22 - Jan '23
sa, >50 = growth



Quantity of purchases

In line with the trend in the five months prior, the latest survey data indicated a further monthly reduction in purchasing activity at private sector firms in Lebanon. That said, the rate of decrease was marginal and the slowest in three months. Approximately 97% of companies left buying levels unchanged.

Suppliers' delivery times

After broadly stabilising at the end of last year, supplier performance deteriorated slightly in January. In fact, average input lead times lengthened to the greatest extent in four months. According to survey respondents, delays were caused by changes in the US dollar exchange rate, with suppliers attempting to renegotiate fees with their buyers.

Stocks of purchases

The seasonally adjusted Stocks of Purchases Index registered just above the 50.0 no-change threshold in January, indicating a fractional increase in inventory levels at private sector firms in Lebanon. This followed a marginal expansion at the end of last year.

Quantity of Purchases Index

sa, >50 = growth since previous month

49.4

Jan '23

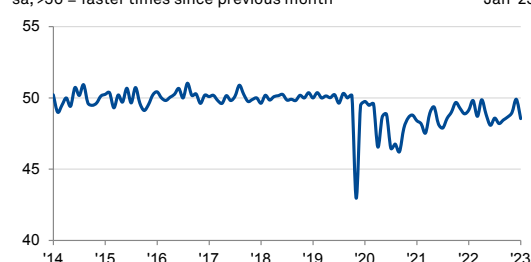


Suppliers' Delivery Times Index

sa, >50 = faster times since previous month

48.5

Jan '23



Stocks of Purchases Index

sa, >50 = growth since previous month

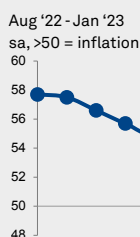
50.1

Jan '23



Prices

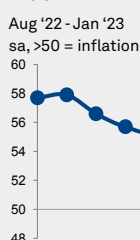
Input Prices Index



Overall input prices

Private sector companies in Lebanon recorded a sharp increase in their overall operating costs during January. Moreover, the rate of inflation accelerated to an 18-month high. More detailed data revealed that this was exclusively driven by an uplift in firms' purchase costs as staff expenses were broadly unchanged.

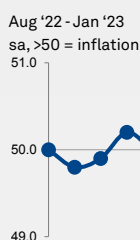
Purchase Prices Index



Purchase prices

Purchase costs rose sharply at the start of 2023. According to panellists, a depreciation in the domestic currency against the US dollar drove up prices. Exactly 18% of firms recorded an increase in their costs, with the remainder (82%) observing no change. Overall, the rate of purchase cost inflation was the quickest since July 2021.

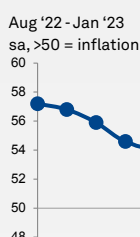
Staff Costs Index



Staff costs

Labour expenses were broadly unchanged since December, as evidenced by the seasonally adjusted Staff Costs Index recording only a fraction beneath the crucial 50.0 mark which separates an increase from decrease.

Output Prices Index



Output prices

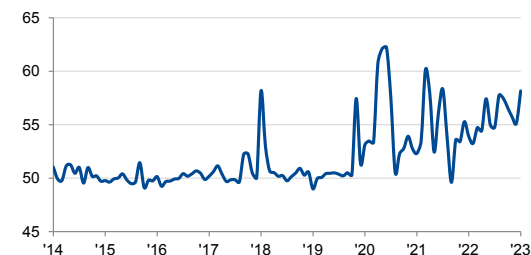
Private sector businesses in Lebanon raised their prices charged during January. According to anecdotal evidence, fees were lifted to pass on adverse exchange rate movements. The rate of output price inflation was sharp overall and the quickest since March 2021.

Input Prices Index

sa, >50 = inflation since previous month

58.2

Jan '23

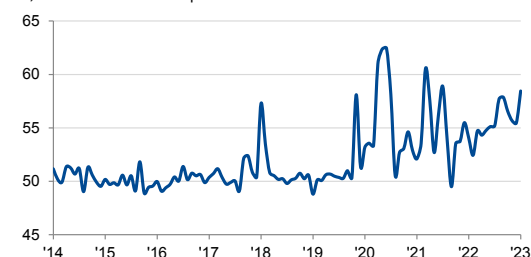


Purchase Prices Index

sa, >50 = inflation since previous month

58.5

Jan '23

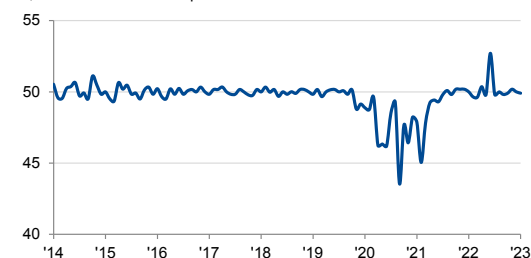


Staff Costs Index

sa, >50 = inflation since previous month

49.9

Jan '23



Output Prices Index

sa, >50 = inflation since previous month

58.2

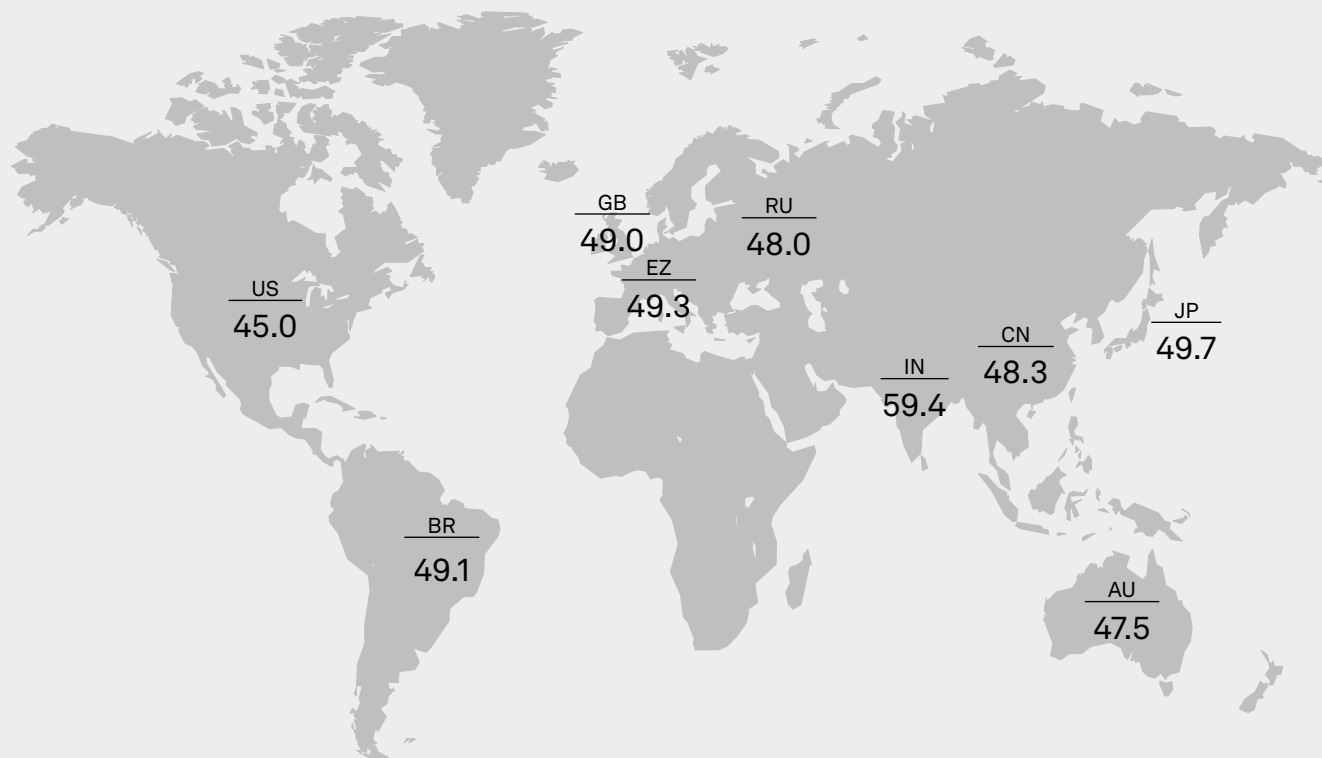
Jan '23



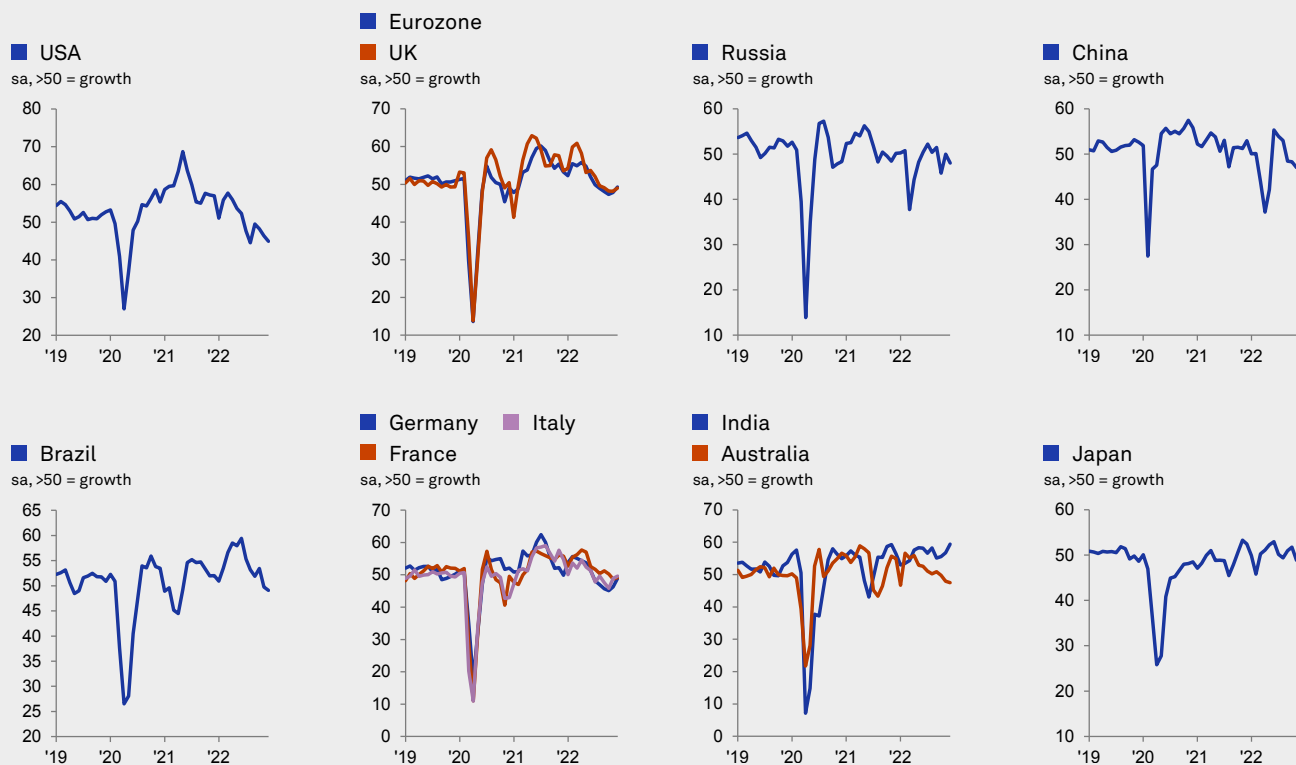
International PMI

Composite Output Index, Dec '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



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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 12-25 January 2023.

Survey questions

Private sector

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

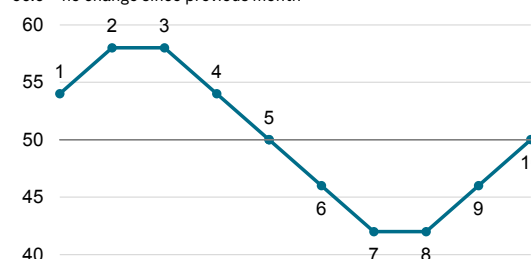
Suppliers' Delivery Times
Stocks Of Purchases
Input Prices
Purchase Prices
Staff Costs
Output Prices

Index calculation

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

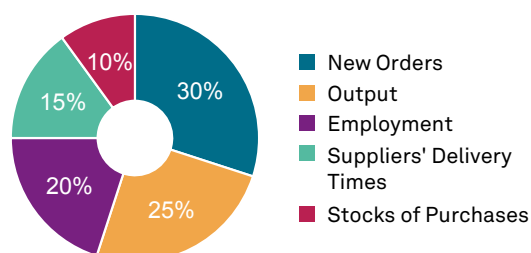
Index interpretation

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
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
01 '23	47.7	45.6	45.6	48.8	0.0	49.3	47.7	49.4	48.5	50.1	58.2	58.5	49.9	58.2

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

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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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