

BLOM Lebanon PMI[®]

BLOM Lebanon PMI rises to seven-month high in March

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BLOM Lebanon PMI rises to 49.7, from 48.8 in February

Trends in output and new orders improve

Inflationary pressures remain historically elevated

The BLOM Lebanon PMI[®] rose to its highest level since August 2022 in March as trends in output and new orders improved. While declines persisted in both cases, rates of decrease were marginal and the softest for seven months.

Amid reports of exchange rate volatility, the latest survey data showed historically elevated rates of inflation across both input costs and output prices. Supplier delivery times also lengthened to a greater extent as vendors reportedly delayed shipments.

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 49.7 in March, up from 48.8 in February to its highest level since August 2022. Although this was below the 50.0 no-change mark, it was indicative of only a fractional deterioration in private sector operating conditions.

The increase in the headline PMI was supported by both output and new orders during March. The latest survey data pointed to the slowest decline in private sector business activity across Lebanon since August 2022. A fall of a similar magnitude was also recorded for new business in March. Overall, new orders declined, but at the softest pace in seven months.

According to anecdotal evidence, challenging domestic economic conditions and weak client purchasing power weighed on business performance during March. Local instability was also a drag on export demand, according to firms, with new orders from overseas customers falling for a twentieth successive month.

Purchasing activity subsequently

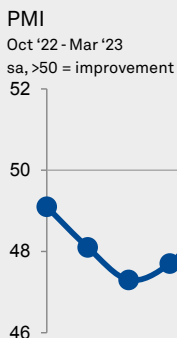
BLOM Lebanon PMI

sa, >50 = improvement since previous month



49.7

LEBANON PMI
MAR '23



decreased amid lower business requirements. The rate of decline was the quickest for three months. That said, despite input demand waning, supplier performance worsened in March. Average input lead times lengthened to the greatest extent in two years. According to firms, exchange rate volatility led some vendors to delay shipments.

Surveyed companies also noted that unfavourable exchange rate movements had pushed up their operating costs. The overall rate of input price inflation remained historically steep during March. Firms responded by raising their output charges once again.

Meanwhile, the latest survey data showed stable employment levels at the end of the first quarter. There was also a marginal uplift in stocks of purchases as firms experienced spare capacity. As a result, private sector companies across Lebanon continued to work through their backlogs in March. The rate of depletion was the slowest since October last year, however.

Lastly, although there was a small improvement in business sentiment, firms remained pessimistic towards the 12-month outlook for activity in March.

Comment

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

“Much has been said about Lebanon’s economic and humanitarian crisis, driven by on-going political paralysis and government’s deliberate inaction. Nevertheless, despite these enormous challenges, the country’s private sector has managed to cope and seems to be stabilizing. As a matter of fact, Blom Lebanon PMI rose exponentially to 49.7 in March 2023, up from 48.8 in the previous month, though still below the 50

threshold. The index rise is driven by notable upticks in output and new orders, in addition to a slight rise of stocks of purchases. In fact, private sector firms have erred on the side of caution and more economic sectors are becoming dollarized and cash based.”



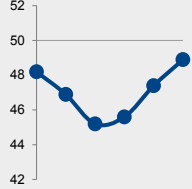
PMI®

by S&P Global

Output and demand

Output Index

Oct '22 - Mar '23
sa, >50 = growth



Output

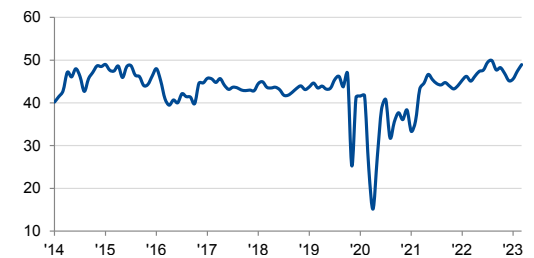
The seasonally adjusted Output Index posted below the critical 50.0 mark which separates growth from contraction again in March, but rose to its highest level in seven months and signalled only a marginal monthly decrease in private sector business activity across Lebanon. While some companies recorded lower output, linked to challenging domestic operating conditions, the vast majority of respondents (95%) saw no change since February.

Output Index

sa, >50 = growth since previous month

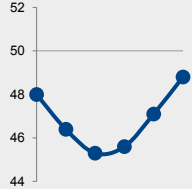
48.9

Mar '23



New Orders Index

Oct '22 - Mar '23
sa, >50 = growth



New orders

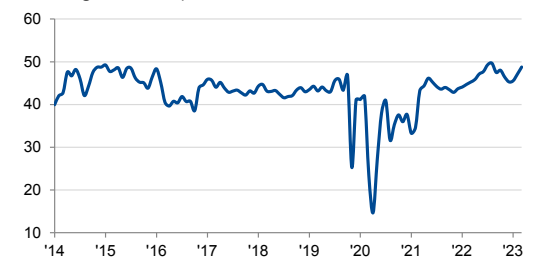
Although private sector companies across Lebanon continued to register lower demand in March, the extent to which new orders fell was marginal and the softest since August 2022. Weak domestic client purchasing power was noted as the main drag on new business intakes, according to survey respondents. That said, some companies noted an uplift in sales when compared to February.

New Orders Index

sa, >50 = growth since previous month

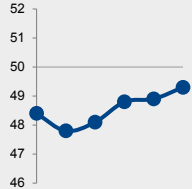
48.8

Mar '23



New Export Orders Index

Oct '22 - Mar '23
sa, >50 = growth



New export orders

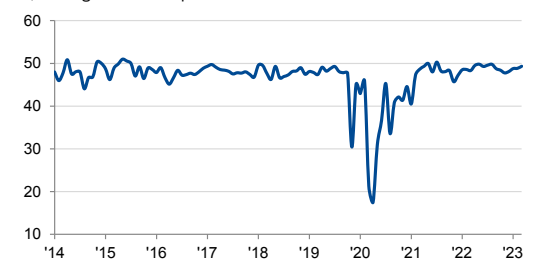
Adjusted for seasonality, the New Export Orders Index registered below the 50.0 no-change threshold in March, indicating a decrease in new business received from non-domestic clients. Local instability reportedly deterred foreign customers from carrying out business on the Lebanese market, according to some respondents. That said, the rate of decline slowed and was the weakest since August 2022.

New Export Orders Index

sa, >50 = growth since previous month

49.3

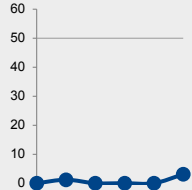
Mar '23



Business expectations

Future Output Index

Oct '22 - Mar '23
>50 = growth expected



Although the Future Output Index rose in March to its highest level since August 2021, it still pointed to a pessimistic 12-month outlook among private sector firms in Lebanon. Uncertainty towards the domestic political and economic environment was cited by many surveyed companies, while others were concerned by the possibility of further currency depreciation.

Future Output Index

>50 = growth expected over next 12 months

3.1

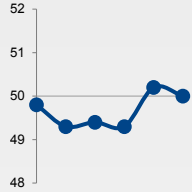
Mar '23



Employment and capacity

Employment Index

Oct '22 - Mar '23
sa, >50 = growth



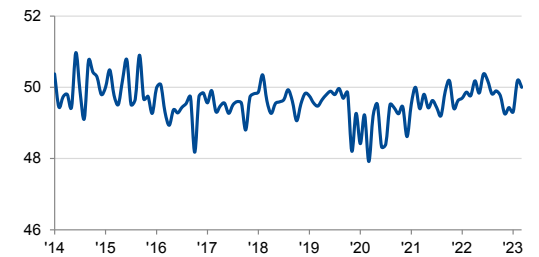
Employment

The seasonally adjusted Employment Index registered 50.0 in March, indicating no change to private sector workforce numbers across Lebanon at the end of the first quarter. This compared with a marginal uplift in February, however. Since the survey began almost ten years ago, the index has averaged 49.7.

Employment Index

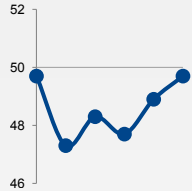
sa, >50 = growth since previous month

50.0
Mar '23



Backlogs of Work Index

Oct '22 - Mar '23
sa, >50 = growth



Backlogs of work

The volume of work outstanding across the Lebanese private sector fell fractionally during March. This was evidenced by the respective seasonally adjusted index registering just below the 50.0 no-change threshold. A lack of new business led to the decrease in backlogs, according to anecdotal evidence. Overall, the rate of depletion in work-in-hand was the slowest since last October.

Backlogs of Work Index

sa, >50 = growth since previous month

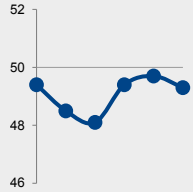
49.7
Mar '23



Purchasing and inventories

Quantity of Purchases Index

Oct '22 - Mar '23
sa, >50 = growth



Quantity of purchases

Amid reports of financial difficulty, domestic economic weakness and falling demand, private sector companies in Lebanon reduced their purchasing activity in March. The rate of decline, albeit only marginal, accelerated since February and was the quickest for three months.

Quantity of Purchases Index

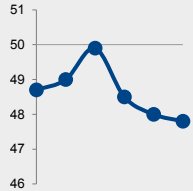
sa, >50 = growth since previous month

49.3
Mar '23



Suppliers' Delivery Times Index

Oct '22 - Mar '23
sa, >50 = faster times



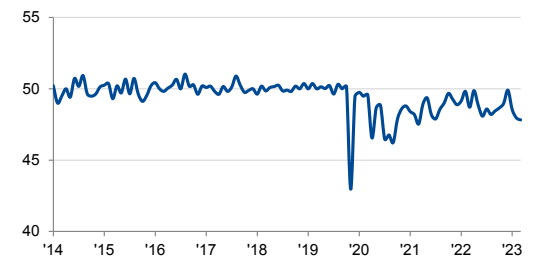
Suppliers' delivery times

Private sector companies across Lebanon reported a further lengthening of average lead times on inputs during March. Overall, deliveries were delayed to the greatest extent in two years. According to respondents, exchange rate volatility caused some suppliers to withhold deliveries.

Suppliers' Delivery Times Index

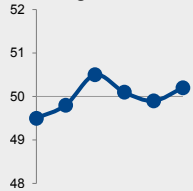
sa, >50 = faster times since previous month

47.8
Mar '23



Stocks of Purchases Index

Oct '22 - Mar '23
sa, >50 = growth



Stocks of purchases

The seasonally adjusted Stocks of Purchases Index registered fractionally above the 50.0 no-change level at the end of the first quarter, signalling a slight expansion in firms' holdings of raw materials and other components. Overall, the increase signalled was only narrowly slower than that seen across the series on average (50.4).

Stocks of Purchases Index

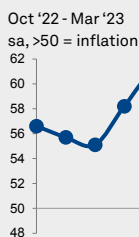
sa, >50 = growth since previous month

50.2
Mar '23



Prices

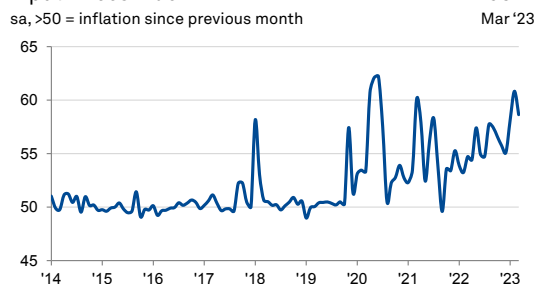
Input Prices Index



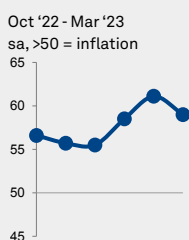
Overall input prices

March survey data indicated a rise in the overall operating costs for private sector businesses in Lebanon. The latest increase reflected hikes in purchase prices, granular data showed. The overall rate of inflation was sharp but eased since February.

Input Prices Index



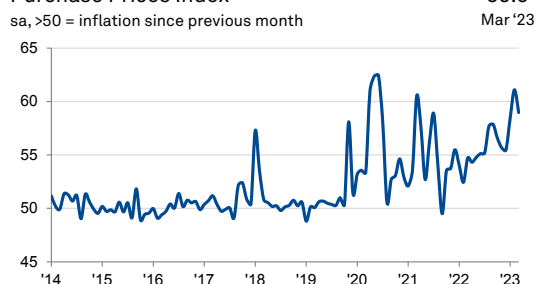
Purchase Prices Index



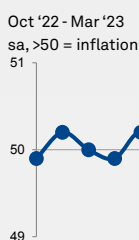
Purchase prices

The seasonally adjusted Purchase Prices Index recorded well above the 50.0 no-change threshold in March, signalling a steep increase in prices paid by private sector firms in Lebanon for physical items. Survey respondents primarily attributed the increase to exchange rate fluctuations. That said, the rate of inflation slowed slightly from February's 32-month peak.

Purchase Prices Index



Staff Costs Index



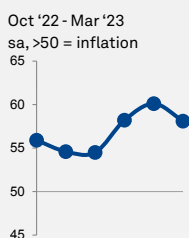
Staff costs

Private sector businesses across Lebanon observed a fractional decrease in their staff expenses during March. This was evidenced by the seasonally adjusted Staff Costs Index posting just below the 50.0 no-change mark. This compared with February, when labour costs rose slightly and for the first time in three months.

Staff Costs Index



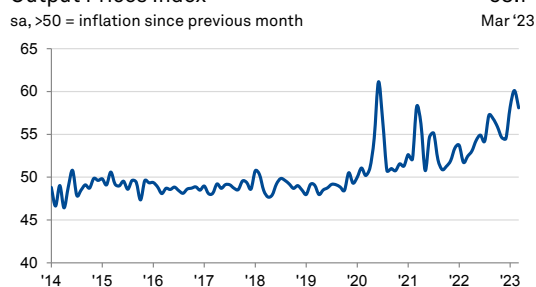
Output Prices Index



Output prices

To protect profit margins against unfavourable exchange rate movements, private sector companies across Lebanon raised their prices charged at the end of the first quarter. The rate of output price inflation was sharp overall and, despite easing to a three-month low, remained well above its survey trend.

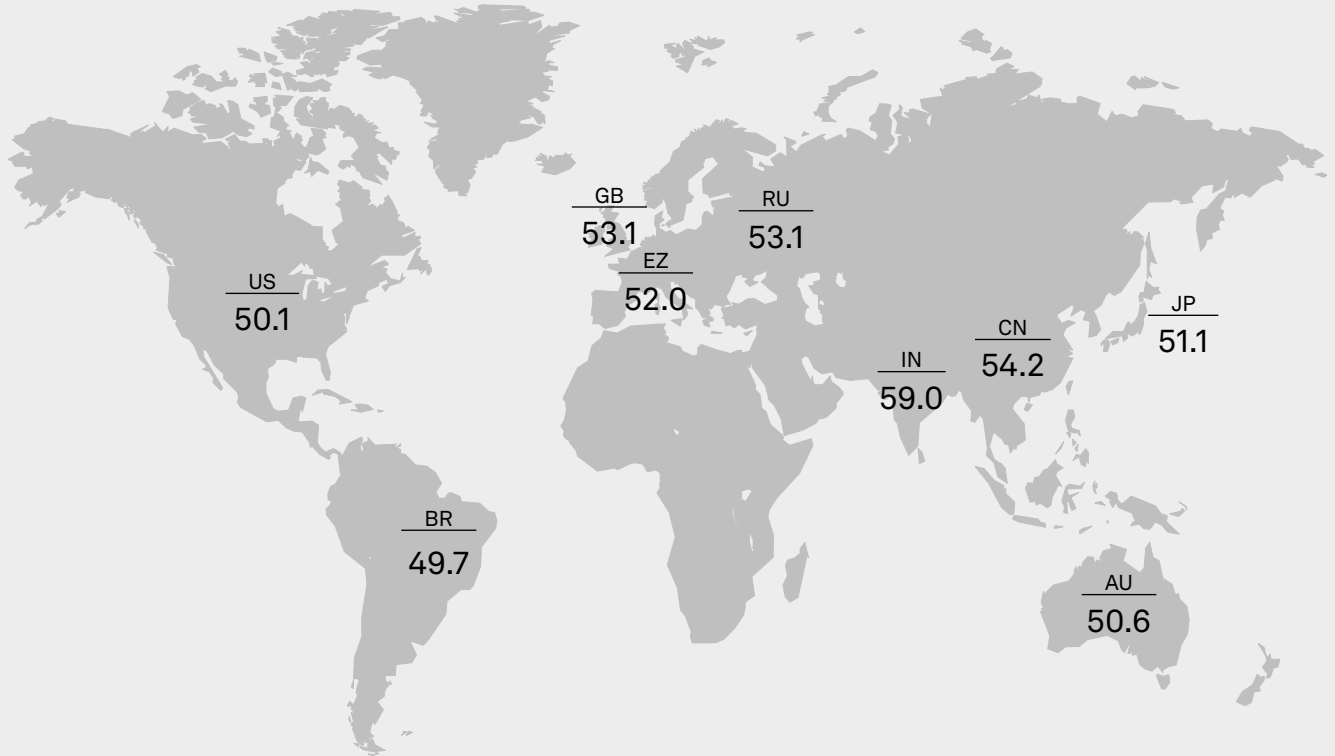
Output Prices Index



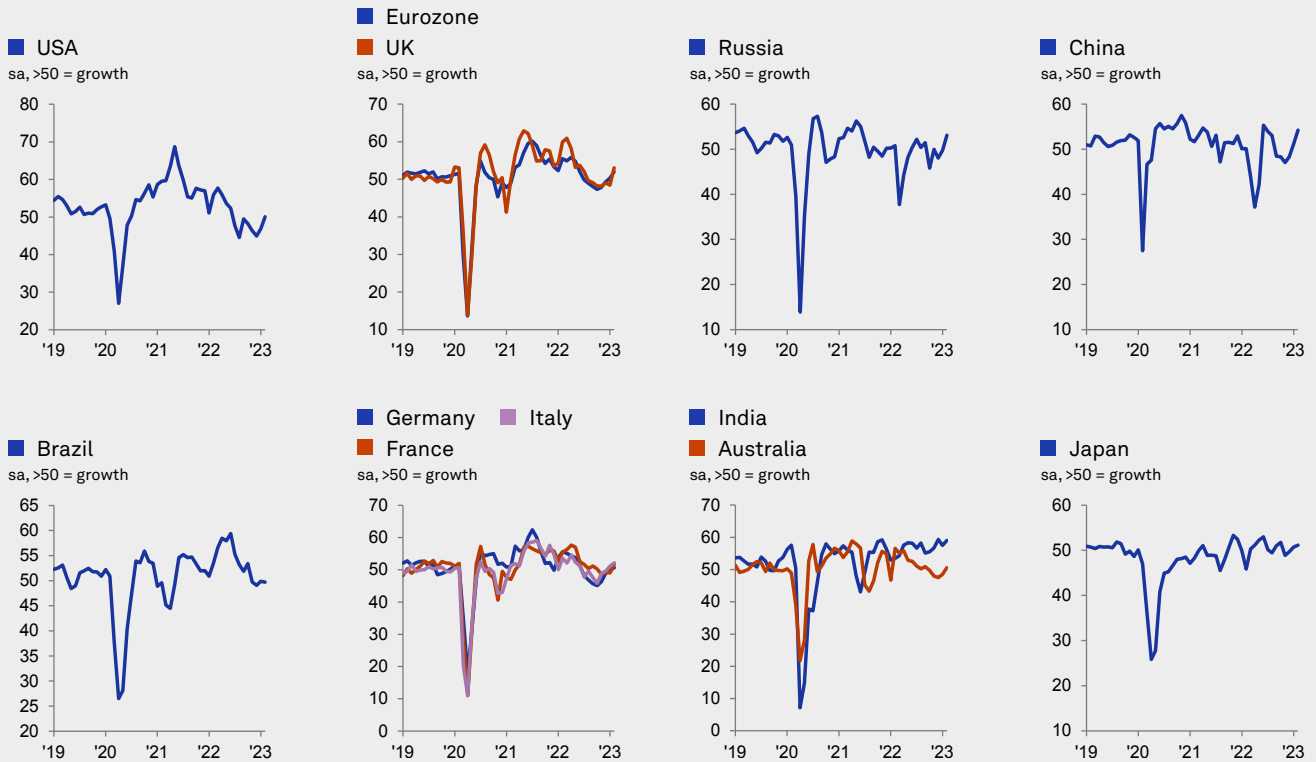
International PMI

Composite Output Index, Feb '23
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 10-27 March 2023.

Survey questions

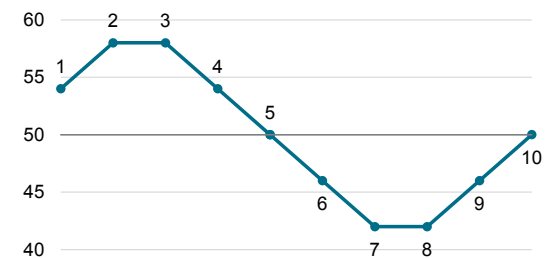
Private sector	
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

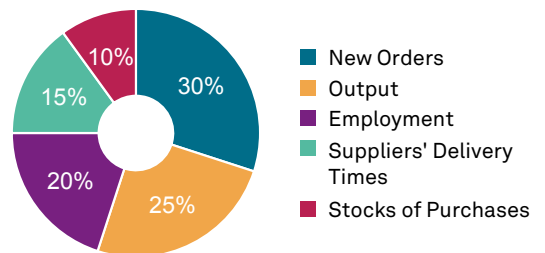
Index interpretation

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
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
02 '23	48.8	47.4	47.1	48.9	0.0	50.2	48.9	49.7	48.0	49.9	60.8	61.1	50.2	60.1
03 '23	49.7	48.9	48.8	49.3	3.1	50.0	49.7	49.3	47.8	50.2	58.7	59.0	49.8	58.1

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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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