

BLOM Lebanon PMI[®]

BLOM Lebanon PMI holds close to March's seven-month high

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Headline index edges slightly lower to 49.5, from 49.7 in March

New export orders rise for the first time since July 2021

Future Output Index rises to 37-month high

The BLOM Lebanon PMI[®] remained just beneath the 50.0 no-change mark during April, signalling another marginal deterioration in the health of Lebanon's private sector economy. Although business activity and total demand both decreased slightly, there was an uplift in new orders from abroad, while purchasing activity and employment levels also expanded.

Meanwhile, there was marked slowdown in the rate of input cost inflation, which was only marginal overall. Subsequently, firms decreased their prices charged in April for the first time since December 2019.

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[®] was little-changed from March's seven-month high of 49.7 in April, dipping only fractionally to 49.5. Overall, this indicated a mild deterioration in the health of Lebanon's private sector economy.

The latest survey data showed a fall in business activity across the Lebanese private sector at the beginning of the second quarter. The decrease was modest overall, with panel members commenting on the adverse impact of domestic instability.

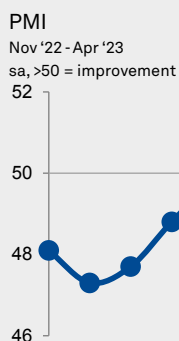
The level of incoming new work received by private sector firms in Lebanon also fell modestly during April. Where a reduction was reported, this was often linked to weak client purchasing power. That said, the decline in total order books was driven by domestic customers, as new business from overseas markets increased for the first time since July 2021. The rate of expansion, though marginal, was the joint-strongest in almost eight years.

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



49.5

LEBANON PMI
APR '23



Amid greater intakes of new business from abroad, private sector companies in Lebanon noted an increase in capacity pressures during April. Backlogs of work rose for the first time since August 2022, albeit only slightly. Meanwhile for the second time in three months, the latest survey data signalled a monthly rise in workforce numbers.

Notably, there was a sharp slowdown in overall input cost inflation at the start of the second quarter. The cooling of price pressures was driven by purchase costs, which rose only marginally during April after sharp increases seen in the previous months of 2023. Some respondents noted that they managed to secure items with US

dollars obtained at a better exchange rate. Indeed, for the first time since July 2022, purchasing activity increased during April. The expansion in buying was the quickest since the start of 2016. Consequently, firms stockpiled inputs for the fourth time in five months.

Amid a sharp easing of input price pressures, selling charges decreased across Lebanon, the first time this has been the case since December 2019. Looking ahead, while firms were still pessimistic overall, business confidence rose to a 37-month high as some companies hoped for more stable operating conditions domestically.

Comment

Commenting on BLOM Lebanon PMI for April 2023, Dr. Ali Bolbol, Chief Economist/Head of Research at BLOM Bank, said:

“Although the Blom Lebanon PMI for April 2023 was slightly lower than March, at 49.5 from 49.7, it nevertheless hid some notable improvements. This is reflected in higher export orders, employment, quantity and stock of purchases, and – perhaps most of important of all – relative business confidence. That is in addition to lower input and output price inflation due to a better and stable exchange rate.

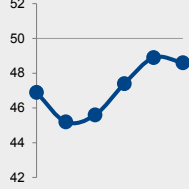
That is not to say, however, that the Lebanese economy has turned the corner; but it does show that it is slowly adjusting upwards from the low equilibrium of the previous crisis years. And only a credible and well-governed reform program can move this adjustment faster and to a much higher equilibrium level.”



Output and demand

Output Index

Nov '22 - Apr '23
sa, >50 = growth



Output

The level of business activity across Lebanon's private sector economy fell during April, as evidenced by the respective seasonally adjusted index posting below the 50.0 no-change mark. Approximately 5% of surveyed companies recorded lower output, compared to 2% that saw an improvement. Challenging conditions within Lebanon, primarily due to political and economic difficulty, reportedly drove the decrease.

Output Index

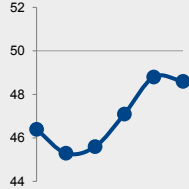
sa, >50 = growth since previous month

48.6
Apr '23



New Orders Index

Nov '22 - Apr '23
sa, >50 = growth



New orders

Surveyed businesses operating in Lebanon's private sector recorded a reduction in new workloads at the beginning of the second quarter. Weak purchasing power and domestic instability weighed on firms' order books, anecdotal evidence showed. The rate of decline was modest overall and marginally quicker than seen in March.

New Orders Index

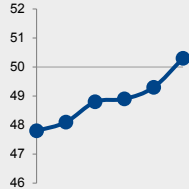
sa, >50 = growth since previous month

48.6
Apr '23



New Export Orders Index

Nov '22 - Apr '23
sa, >50 = growth



New export orders

The seasonally adjusted New Export Orders Index posted above the 50.0 no-change threshold during April for the first time in 20 months, signalling a renewed improvement in demand from overseas markets. The expansion, albeit only marginal, was a marked contrast to the decline seen on average over the survey's ten-year history.

New Export Orders Index

sa, >50 = growth since previous month

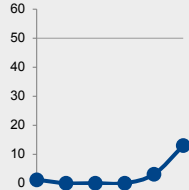
50.3
Apr '23



Business expectations

Future Output Index

Nov '22 - Apr '23
>50 = growth expected



The Future Output Index remained in pessimistic territory during April, reflecting uncertainty among panel members towards the next 12 months, and expectations of a worsening in the domestic situation at some firms. That said, the level of pessimism eased and was at its lowest since March 2020 as some companies were hopeful of a stabilisation in the economy.

Future Output Index

>50 = growth expected over next 12 months

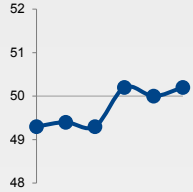
13.0
Apr '23



Employment and capacity

Employment Index

Nov '22 - Apr '23
sa, >50 = growth



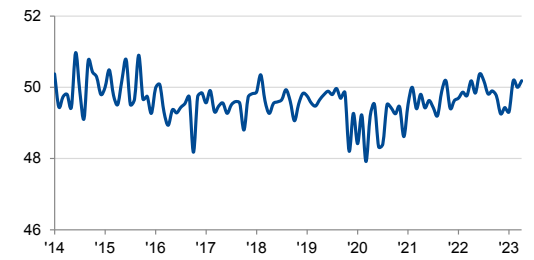
Employment

April survey data signalled a fractional rise in private sector staffing levels across Lebanon. The seasonally adjusted Employment Index edged slightly higher to record its joint-highest reading in ten months, level with February and July last year.

Employment Index

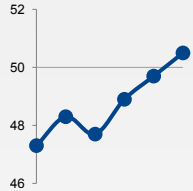
sa, >50 = growth since previous month

50.2
Apr '23



Backlogs of Work Index

Nov '22 - Apr '23
sa, >50 = growth



Backlogs of work

Private sector businesses in Lebanon registered an increase in outstanding workloads for the first time in eight months during the latest survey period. The increase in orders pending completion was only marginal, however, with the 4% of surveyed firms recording a rise partially offset by the 2% that saw a decrease.

Backlogs of Work Index

sa, >50 = growth since previous month

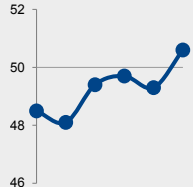
50.5
Apr '23



Purchasing and inventories

Quantity of Purchases Index

Nov '22 - Apr '23
sa, >50 = growth



Quantity of purchases

Purchasing activity across Lebanon's private sector rose during the latest survey period, marking the first expansion since July last year. Although the upturn was marginal, it was the strongest since January 2016 and a marked contrast with the solid reduction seen across the survey average.

Quantity of Purchases Index

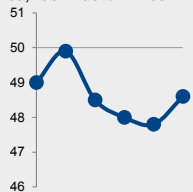
sa, >50 = growth since previous month



50.6
Apr '23

Suppliers' Delivery Times Index

Nov '22 - Apr '23
sa, >50 = faster times

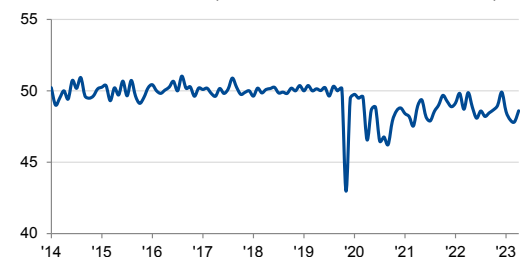


Suppliers' delivery times

Surveyed Lebanese private sector businesses reported a deterioration in vendor performance in April. According to respondents, delays were a consequence of pricing changes, leading to negotiation deadlocks. However, the extent to which lead times lengthened was the weakest in four months.

Suppliers' Delivery Times Index

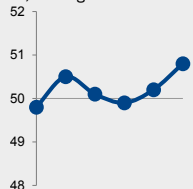
sa, >50 = faster times since previous month



48.6
Apr '23

Stocks of Purchases Index

Nov '22 - Apr '23
sa, >50 = growth



Stocks of purchases

For a second successive month, private sector firms in Lebanon recorded an uplift in their stocks of purchased items. Moreover, the rate of accumulation quickened to a three-and-a-half-year high. April's expansion in inventories marked the fourth rise in five months.

Stocks of Purchases Index

sa, >50 = growth since previous month



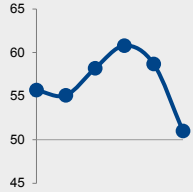
50.8
Apr '23



Prices

Input Prices Index

Nov '22 - Apr '23
sa, >50 = inflation



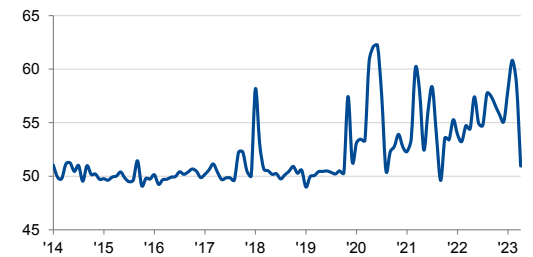
Overall input prices

Although overall input prices rose during April, the rate of inflation was only mild and slowed drastically since March. The latest increase was in fact the slowest seen in 19 months, as some companies commented on a reduction in the price of US dollars. Approximately 94% of survey respondents reported no change in their overall costs in April.

Input Prices Index

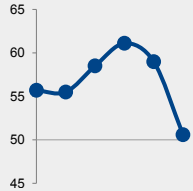
sa, >50 = inflation since previous month

51.0
Apr '23



Purchase Prices Index

Nov '22 - Apr '23
sa, >50 = inflation



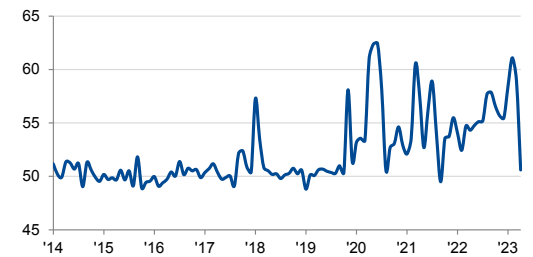
Purchase prices

Purchase costs faced by private sector firms in Lebanon rose marginally and at the weakest pace in the current sequence of inflation that began just over a year-and-a-half ago. Approximately 4% of firms recorded an increase since March, while around 2% registered a decline.

Purchase Prices Index

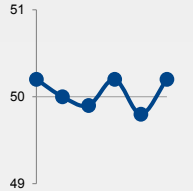
sa, >50 = inflation since previous month

50.6
Apr '23



Staff Costs Index

Nov '22 - Apr '23
sa, >50 = inflation



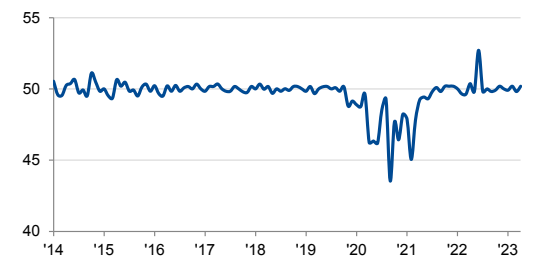
Staff costs

The seasonally adjusted Staff Costs Index ticked above the 50.0 no-change mark in April, signalling a renewed increase in firms' wage bills. That said, the rise in salary costs was fractional.

Staff Costs Index

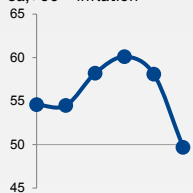
sa, >50 = inflation since previous month

50.2
Apr '23



Output Prices Index

Nov '22 - Apr '23
sa, >50 = inflation



Output prices

For the first time since December 2019, private sector firms in Lebanon discounted their prices charged during the latest survey period. This was evidenced by the seasonally adjusted Output Prices Index falling below the 50.0 no-change threshold. According to respondents, some firms lowered their charges in line with the US dollar exchange rate difference. That said, the decrease was only marginal.

Output Prices Index

sa, >50 = inflation since previous month

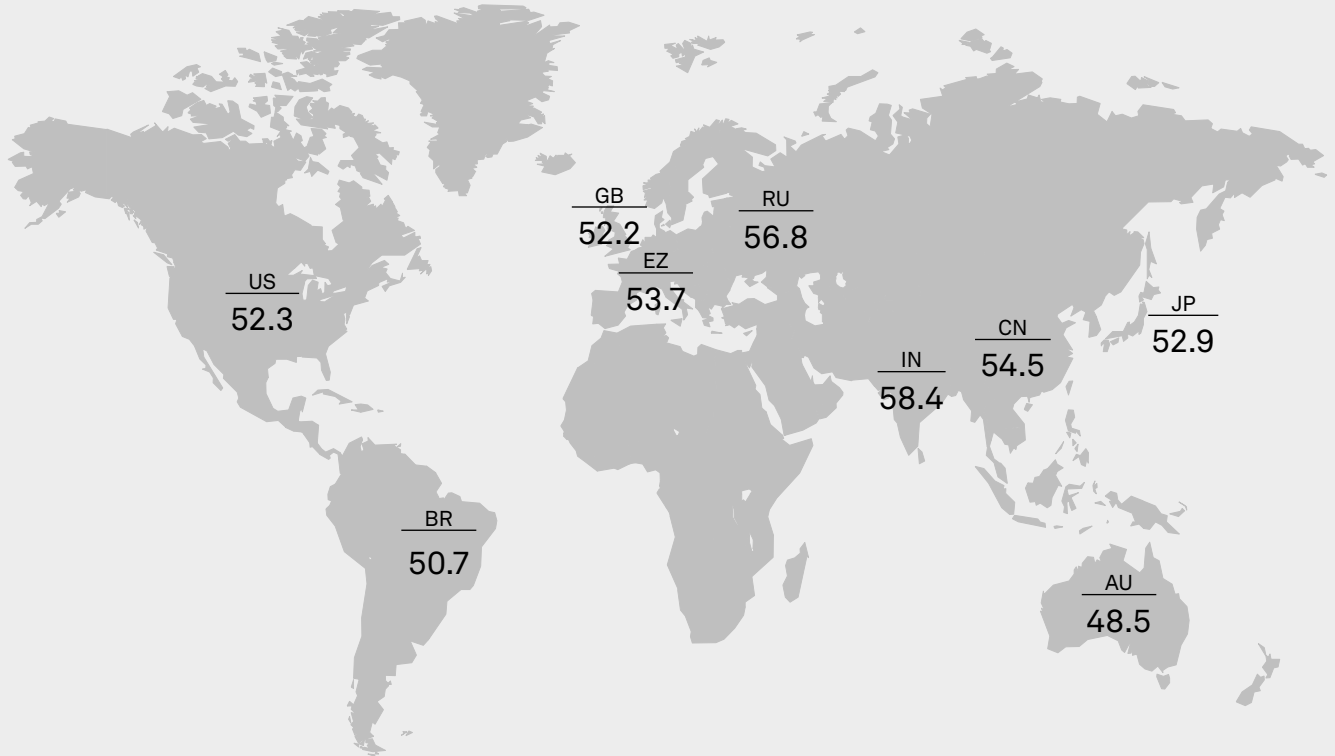
49.7
Apr '23



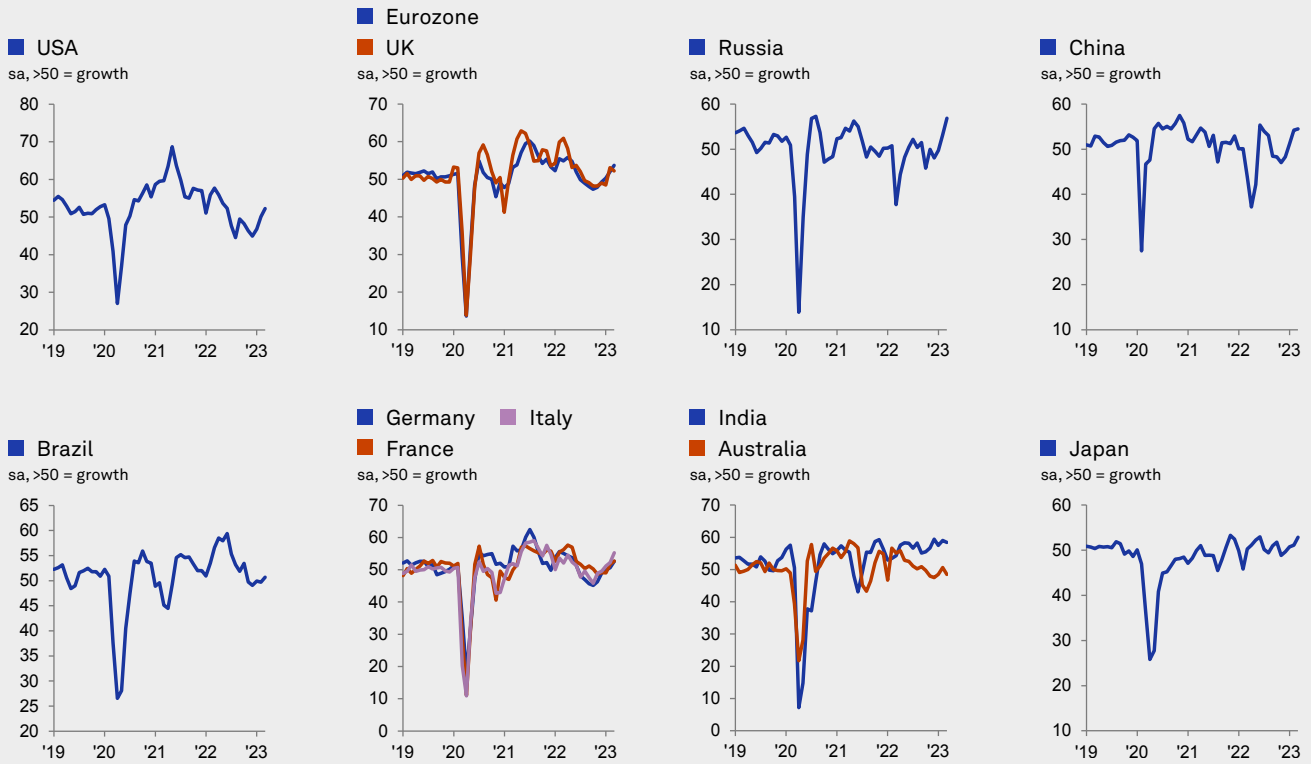
International PMI

Composite Output Index, Mar '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 12-24 April 2023.

Survey questions

Private sector

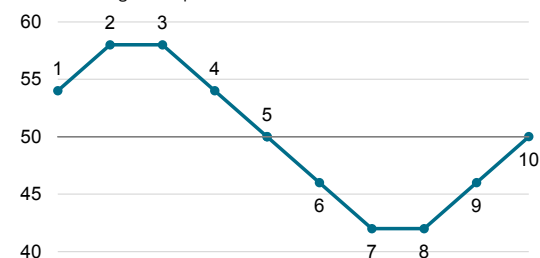
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

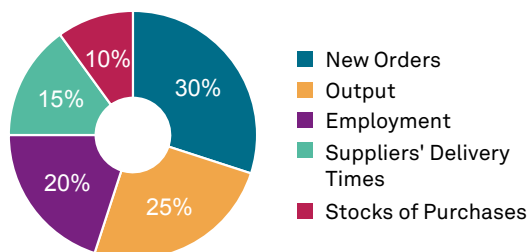
Index interpretation

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
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
04 '23	49.5	48.6	48.6	50.3	13.0	50.2	50.5	50.6	48.6	50.8	51.0	50.6	50.2	49.7

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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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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