

BLOM Lebanon PMI[®]

New export orders rise at quickest pace in almost eight years in May

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BLOM Lebanon PMI at 49.4, above long-run average of 46.5

Domestic demand remains fragile, but export orders rise further

Price pressures much softer compared to first quarter

The BLOM Lebanon PMI[®] signalled a deterioration in private sector operating conditions in May, although the rate of decline was only marginal and notably softer than seen on average since the survey began a decade ago. There were some positive developments during May, such as the strongest improvement in demand from external clients in almost eight years. Price pressures were also considerably weaker when compared to the first quarter of the year.

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[®] recorded 49.4 during May. This was

broadly unchanged from April's 49.5 and indicative of only a marginal deterioration in private sector business conditions across Lebanon. Although still beneath the critical 50.0 level that separates expansion from contraction, the latest reading of the headline index was considerably stronger than seen across the 10-year history of the survey (46.5).

Private sector business activity fell across Lebanon in May. That said, the rate of decline was only modest and the joint-weakest since August last year. The majority of firms (96%) recorded no change in output volumes when compared to April.

The trend in new orders matched that of output during the latest survey period, with the overall level of incoming new business falling only mildly and at the joint-softest pace in nine months. Nevertheless, demand from external markets had a positive influence during May as new export orders rose at the strongest rate since June 2015.

Survey respondents continued to

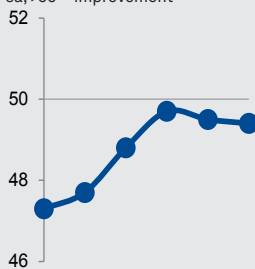
BLOM Lebanon PMI
sa, >50 = improvement since previous month



49.4

LEBANON PMI
MAY '23

PMI
Dec '22 - May '23
sa, >50 = improvement



purchase additional inputs in May. The increase in buying activity was the quickest in nearly eight-and-a-half years, but modest overall. Subsequently, stocks of purchases rose for the fifth time in the past six months.

Meanwhile, there were no signs of strain on firms' capacity as backlogs of work were unchanged since April. Employment subsequently fell, albeit only marginally.

After easing substantially in April to a 19-month low, there was little change in the overall rate of input cost inflation in May, which remained mild. Another relatively weak rate of increase in

operating expenses contrasted markedly with the steep rises seen during the first quarter. Output prices moved back into inflation territory following April's fractional decrease, but hikes in charges were only marginal.

After having moved up to a 37-month high in April, the Future Output Index dipped slightly in May. Nonetheless, it registered its second-highest reading for over three years.

Comment

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

“The BLOM Lebanon PMI experienced a marginal decrease, declining to 49.4 in May 2023 compared to 49.5 in April 2023. This slight drop can be attributed to a decline in employment. However, amidst this decline, an interesting trend emerged as new export orders witnessed an increase. This can be explained by the devaluation of the Lebanese currency against the US dollar, which has made Lebanese goods more competitive in the international markets. Looking ahead, there is a sense of optimism

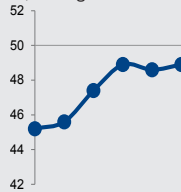
among businesses in Lebanon, as they anticipate a potential boom during the summer season. This optimism is driven by several factors, including the expected influx of tourists and a better overall capability to deal with the crisis. Consequently, it is expected that the PMI in the upcoming months will display a more positive trajectory.”



Output and demand

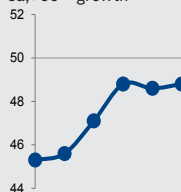
Output Index

Dec '22 - May '23
sa, >50 = growth



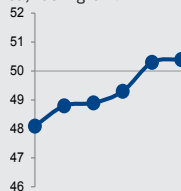
New Orders Index

Dec '22 - May '23
sa, >50 = growth



New Export Orders Index

Dec '22 - May '23
sa, >50 = growth



Output

Private sector business activity across Lebanon fell during May, with firms commenting on challenging operating conditions in the domestic market. That said, the seasonally adjusted Output Index rose to its joint-highest level in nine months and signalled a decline that was only marginal overall. In the vast majority of cases (96%), survey respondents reported no change in business activity volumes when compared with the previous month.

New orders

The trend in new orders matched that seen in business activity during May. While there was a worsening of demand conditions, it was only slight overall and the joint-softest in nine months. The decrease in new business intakes reflected falling domestic client appetite, which was reportedly constrained by weak purchasing power.

New export orders

For the second month in a row, surveyed companies in Lebanon's private sector registered an improvement in demand from external markets. This marked the first time in almost eight years that back-to-back increases in export orders have been recorded. The increase was marginal overall, but the strongest since June 2015.

Output Index

sa, >50 = growth since previous month

48.9

May '23



New Orders Index

sa, >50 = growth since previous month

48.8

May '23



New Export Orders Index

sa, >50 = growth since previous month

50.4

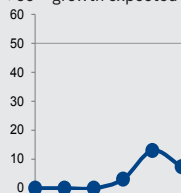
May '23



Business expectations

Future Output Index

Dec '22 - May '23
>50 = growth expected



After hitting a 37-month high in April, there was a slight softening in the Future Output Index during May. Nevertheless, it was at its second-highest level in just over three years. The majority of panellists (85%) are anticipating lower business activity volumes in the year ahead, which they attributed to the prevailing economic and political environment domestically. This compared with approximately 15% that foresee a stabilisation in output volumes.

Future Output Index

>50 = growth expected over next 12 months

7.4

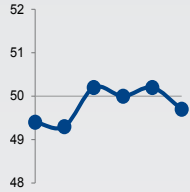
May '23



Employment and capacity

Employment Index

Dec '22 - May '23
sa, >50 = growth



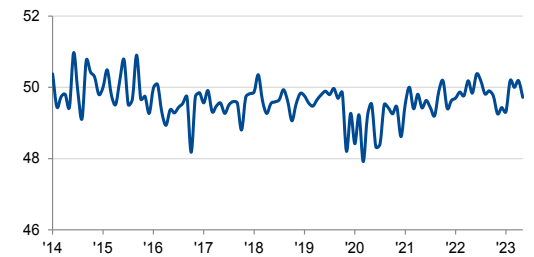
Employment

The level of employment in Lebanon's private sector economy fell marginally during May, reversing the small uplift recorded in the start of the second quarter. The result marked the first month of job losses since January. Overall, the respective seasonally adjusted index registered in line with its historic average (49.7).

Employment Index

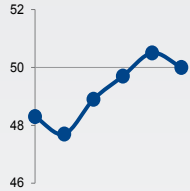
sa, >50 = growth since previous month

49.7
May '23



Backlogs of Work Index

Dec '22 - May '23
sa, >50 = growth



Backlogs of work

The seasonally adjusted Backlogs of Work Index recorded 50.0 at the midway point in the second quarter, signalling a stabilisation in the volume of outstanding work across Lebanon's private sector. This compared with April's increase, which was the first seen since August 2022.

Backlogs of Work Index

sa, >50 = growth since previous month

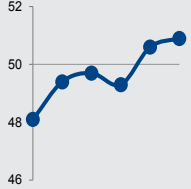
50.0
May '23



Purchasing and inventories

Quantity of Purchases Index

Dec '22 - May '23
sa, >50 = growth



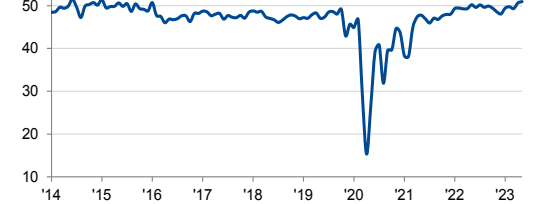
Quantity of purchases

Private sector companies in Lebanon raised their purchasing activity during May, marking back-to-back monthly increases. Moreover, the rate of expansion, albeit marginal, accelerated since April to the strongest since January 2015.

Quantity of Purchases Index

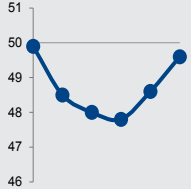
sa, >50 = growth since previous month

50.9
May '23



Suppliers' Delivery Times Index

Dec '22 - May '23
sa, >50 = faster times



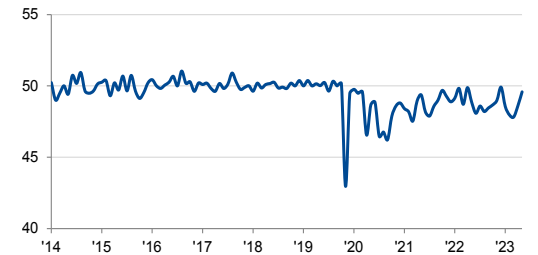
Suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index recorded below the 50.0 no-change mark once again in May, signalling a lengthening of average input lead times. That said, the deterioration in vendor performance was only marginal overall and the weakest in five months.

Suppliers' Delivery Times Index

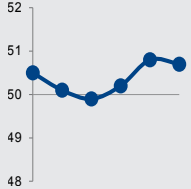
sa, >50 = faster times since previous month

49.6
May '23



Stocks of Purchases Index

Dec '22 - May '23
sa, >50 = growth



Stocks of purchases

There was a further increase in the quantity of purchased items placed into stock rooms and warehouses during May. The latest increase marked the fifth accumulation in the past six months. The rate of accumulation was only fractionally slower than April's three-and-a-half year high.

Stocks of Purchases Index

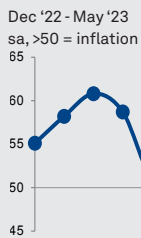
sa, >50 = growth since previous month

50.7
May '23



Prices

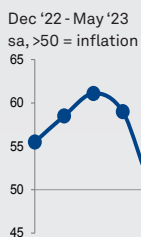
Input Prices Index



Overall input prices

There was another modest uplift in firms' overall input costs during May, with the rate of increase broadly in line with April's 19-month low. Just 3% of surveyed businesses saw their input prices rise since April, whereas the remaining 97% reported no change.

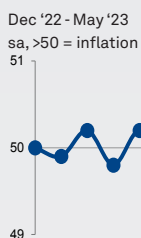
Purchase Prices Index



Purchase prices

As was the case in April, private sector companies in Lebanon registered a marginal increase in the price paid for purchased items. The rate of inflation was below its long-term average, edging up only fractionally from April's 19-month low.

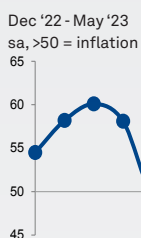
Staff Costs Index



Staff costs

The seasonally adjusted Staff Costs Index continued to hold close to the 50.0 no-change mark during May, signalling broadly stable labour expenses for private sector companies in Lebanon midway through the second quarter.

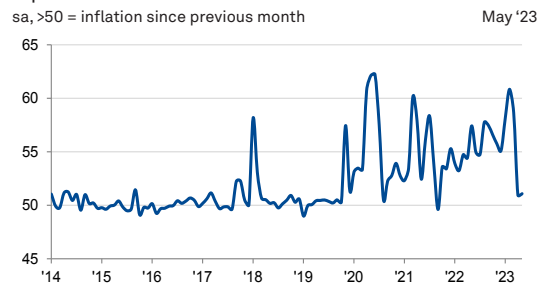
Output Prices Index



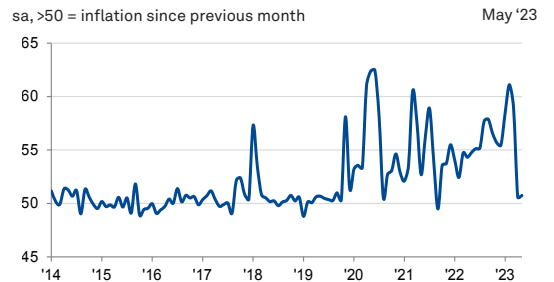
Output prices

After declining in April for the first time since December 2019, average prices charged by private sector firms in Lebanon increased during May. Where prices were hiked, firms indicated that this was to reflect movements in the US dollar exchange rate. That said, the rate of inflation was marginal overall and considerably weaker than that seen on average in the first quarter of 2023.

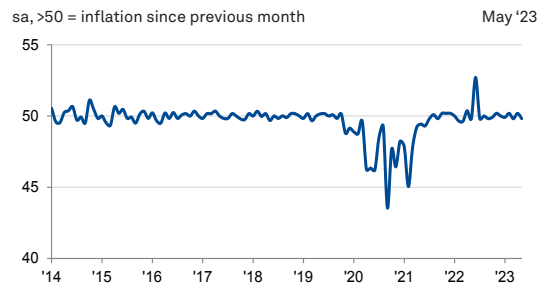
Input Prices Index



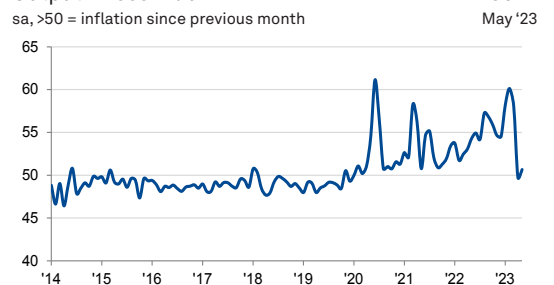
Purchase Prices Index



Staff Costs Index



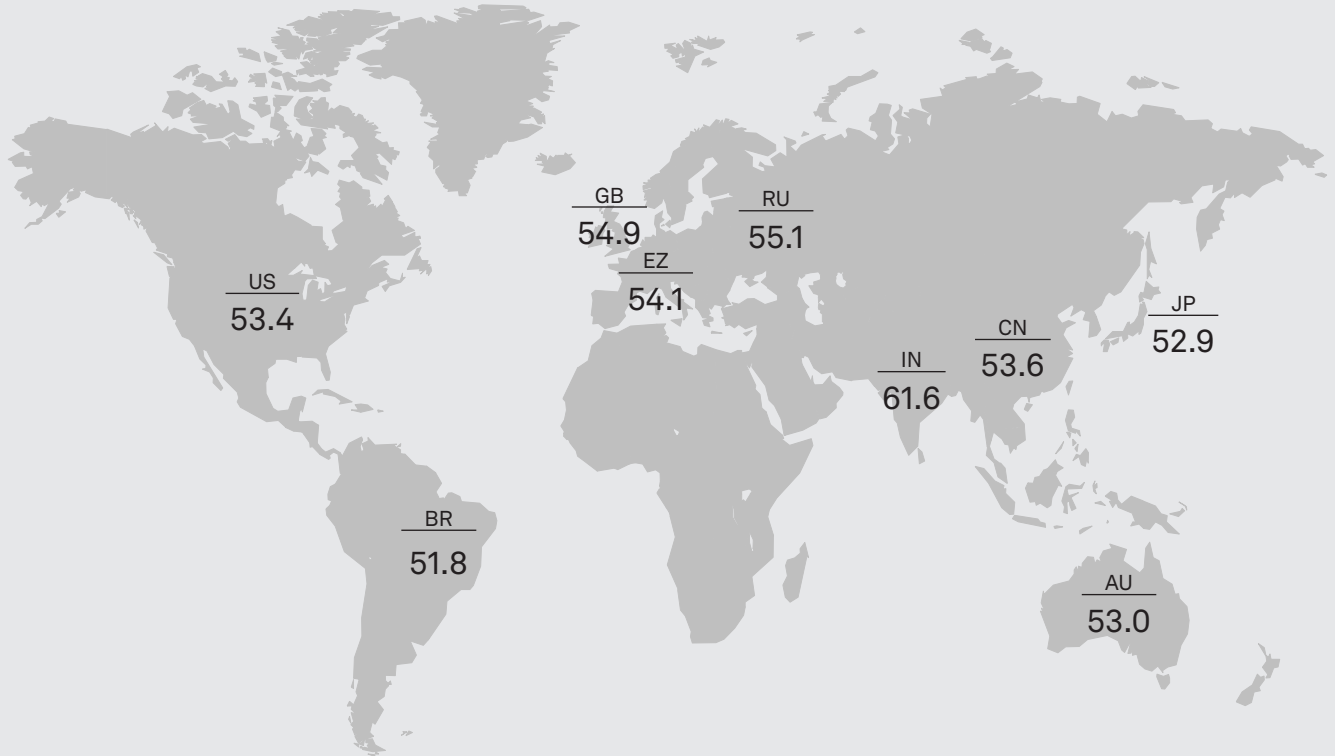
Output Prices Index



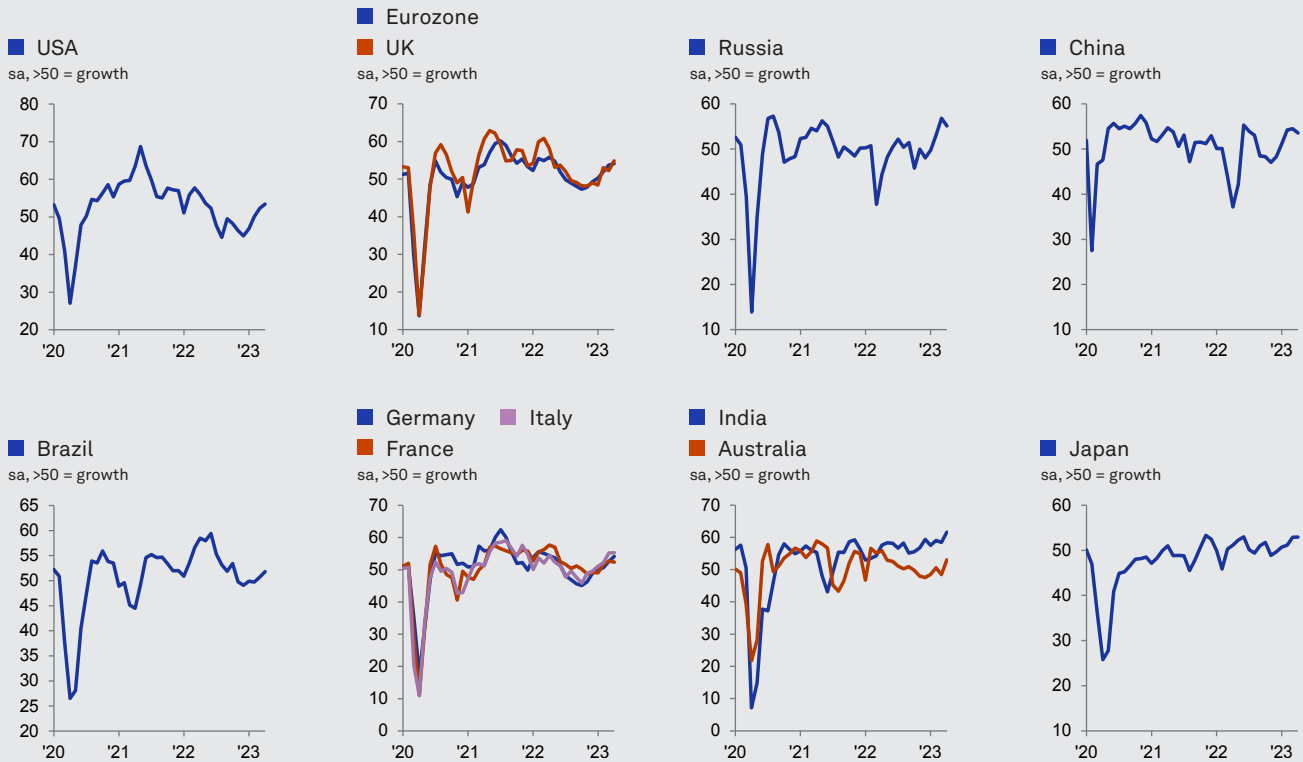
International PMI

Composite Output Index, Apr '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 May 2023.

Survey questions

Private sector

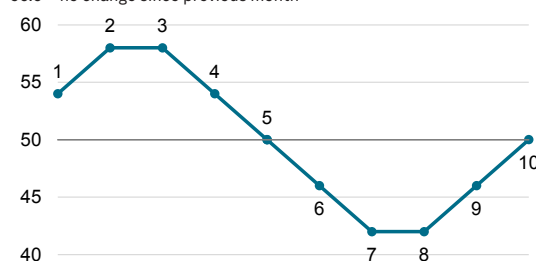
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

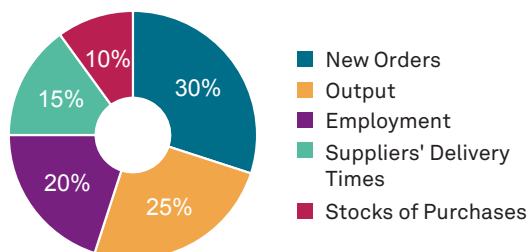
Index interpretation

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
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
05 '23	49.4	48.9	48.8	50.4	7.4	49.7	50.0	50.9	49.6	50.7	51.1	50.8	49.8	50.7

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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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