

BLOM Lebanon PMI[®]

PMI rises again in July to signal strongest improvement in private sector since June 2013

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BLOM Lebanon PMI records 50.3, up from 50.2 in June

Purchasing activity and employment rise amid stronger demand

Business confidence improves from June's four-month low

The BLOM Lebanon PMI[®] signalled a sustained improvement in the health of the country's private sector during July, with key indicators of business conditions such as new orders, employment and output all registering in growth territory. Overall, the private sector economy of Lebanon registered its fastest expansion since June 2013.

Meanwhile, business confidence also improved following June's deterioration. Supplier delivery times shortened once again, although inflationary pressures intensified slightly at the start of the third quarter.

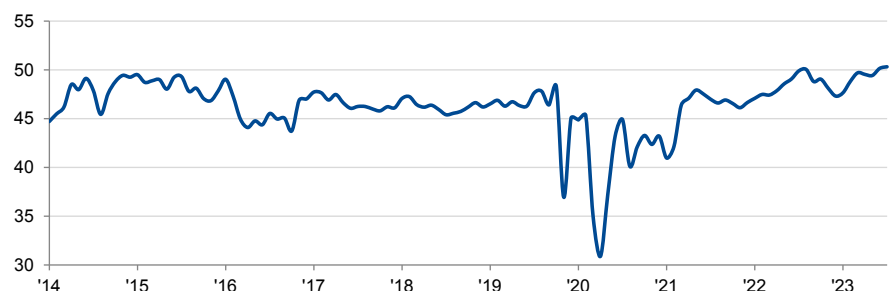
The headline figure derived from the survey is the Purchasing Managers' Index[™] (PMI[®]). The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). 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[®] moved higher in July to 50.3, from 50.2 in June. This marked a second successive month above the crucial 50.0 level that separates growth from contraction. Overall, the health of Lebanon's private sector economy improved to the greatest extent since June 2013.

July survey data signalled a sustained rise in new orders received by private sector firms in Lebanon. Notably, it was the first time in the survey history (which dates back over ten years) that back-to-back months of growth in new business have been registered. With export demand stagnating, this suggests July's uptick in sales was driven by domestic customers. Business activity levels also rose during July, albeit fractionally.

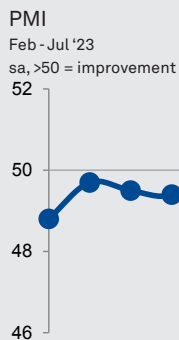
Amid evidence of stronger demand conditions, private sector employment levels continued to rise across Lebanon during the latest survey period. Furthermore, the rate of job creation accelerated to the fastest

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



50.3

LEBANON PMI
JUL '23



since September 2015. Despite greater operating capacity, private sector companies in Lebanon saw their volumes of outstanding work pick up in July.

To meet higher intakes of new business, firms raised their purchasing activity at the start of the third quarter. In fact, July's expansion in buying levels was the strongest since January 2015. Stocks of purchases subsequently rose as firms prepared their inventories for higher activity.

Indeed, the outlook for activity did show signs of improvement in July, with the Future Output Index rising to its highest mark since March 2020.

Comment

Commenting on BLOM Lebanon PMI for July 2023, Dr. Fadi Osseiran, General Manager at BLOM Bank, said:

"It is truly uplifting that the BLOM Lebanon PMI rose again in July to 50.3, signaling the strongest improvement in the Lebanese economy since June 2013. This follows on the heels of the June 50.2 reading; and what is interesting is that this momentum is driven by stronger domestic demand and higher employment. Also interesting, is that the outlook for economic activity shows signs of notable improvement, at least for the tourist summer season. We hope that

On balance though, firms remained pessimistic, with the challenging domestic political landscape expected to continue, weighing on prospects.

Meanwhile, the latest survey data showed a slight intensification of price pressures across Lebanon, with rates of input cost and output price inflation edging up to four-month highs. According to firms, purchase costs were pushed higher by unfavourable exchange rate movements against the US dollar, which firms passed on to their clients through increased charges.

this better outlook is carried over to the long run, underpinned as soon as possible by successful presidential elections, an effective economic reform program, and last but not least durable monetary and exchange rate stability."

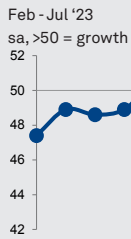


PMI®

by **S&P Global**

Output and demand

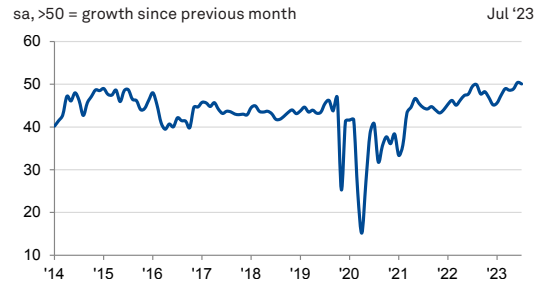
Output Index



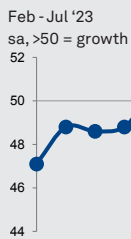
Output

After rising to its highest level since May 2013 in June, the seasonally adjusted Output Index eased slightly in July, but nonetheless registered its third-best reading in over ten years of data collection. Overall, the latest data signalled a fractional expansion in private sector business activity across Lebanon. While some firms continued to be adversely impacted by domestic political and economic issues, there were mentions of a rise in new work intakes boosting output.

Output Index



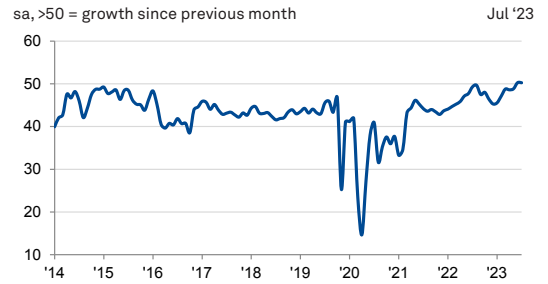
New Orders Index



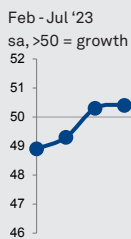
New orders

The seasonally adjusted New Orders Index matched the trend seen in the Output Index during July, recording its third-highest reading in over a decade of survey data and indicating a sustained uplift in new business received by private sector companies in Lebanon. Overall, this marked the first time in the survey history that back-to-back improvements in new orders have been registered.

New Orders Index



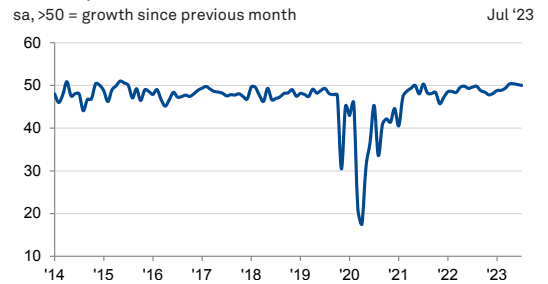
New Export Orders Index



New export orders

Recording exactly 50.0, the seasonally adjusted New Export Orders Index signalled a stagnation in demand at private sector companies in Lebanon from international clients. Just under 2% of survey respondents recorded export growth, which was cancelled out by an equal proportion seeing a reduction.

New Export Orders Index



Business expectations

Future Output Index



July survey data signalled a marked improvement in business confidence across Lebanon, with the Future Output Index rising to its highest level since March 2020. Nevertheless, with under 4% of surveyed businesses optimistic towards the 12-month outlook for activity, and 73% anticipating lower output, businesses remained pessimistic on balance. Where firms were upbeat, this was often linked to positive expectations regarding tourism. That said, many panellists commented on the challenges posed by political uncertainty.

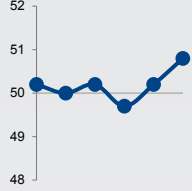
Future Output Index



Employment and capacity

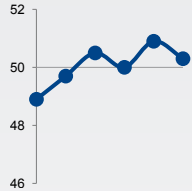
Employment Index

Feb - Jul '23
sa, >50 = growth



Backlogs of Work Index

Feb - Jul '23
sa, >50 = growth



Employment

Staffing capacity across the Lebanese private sector continued to improve in July, with the seasonally adjusted Employment Index registering above the 50.0 mark for a second consecutive month. Moreover, the rate of job creation accelerated to its strongest since September 2015. Where workforce numbers rose, this was linked with greater inflows of new business.

Backlogs of work

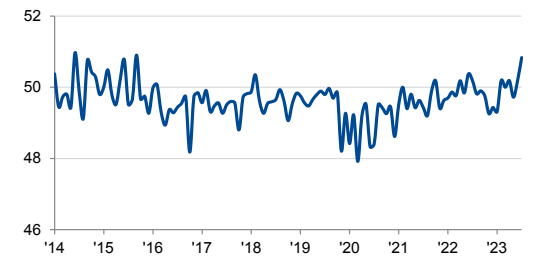
Despite a stronger rise in employment, private sector companies in Lebanon registered a further uptick in the volume of work outstanding during the latest survey period. That said, the rate of backlog accumulation was marginal and slowed from June, when it reached the quickest since May 2013. Pressure on operating capacity was attributed to greater demand.

Employment Index

sa, >50 = growth since previous month

50.8

Jul '23



Backlogs of Work Index

sa, >50 = growth since previous month

50.3

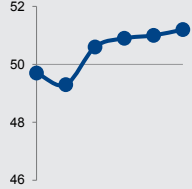
Jul '23



Purchasing and inventories

Quantity of Purchases Index

Feb - Jul '23
sa, >50 = growth



Quantity of purchases

The recent upward trend in purchasing activity was maintained during July, with input purchasing rising for a fourth consecutive month. Additionally, the rate of increase quickened, as has been the case in every month since May, to its strongest since January 2015. Buying activity rose to facilitate higher demand, according to firms.

Quantity of Purchases Index

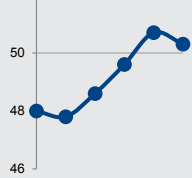
sa, >50 = growth since previous month

51.2
Jul '23



Suppliers' Delivery Times Index

Feb - Jul '23
sa, >50 = faster times



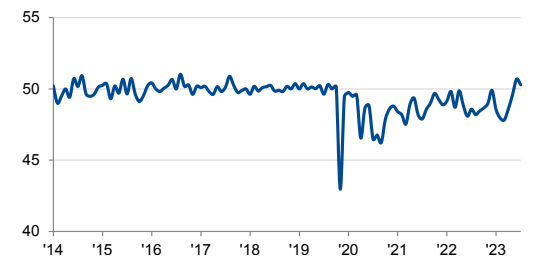
Suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index remained above the 50.0 threshold in July, signalling a continued shortening of average input lead times experienced by private sector firms in Lebanon. That said, the extent to which vendor performance improved eased from June's near six-year record.

Suppliers' Delivery Times Index

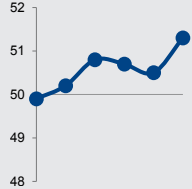
sa, >50 = faster times since previous month

50.3
Jul '23



Stocks of Purchases Index

Feb - Jul '23
sa, >50 = growth



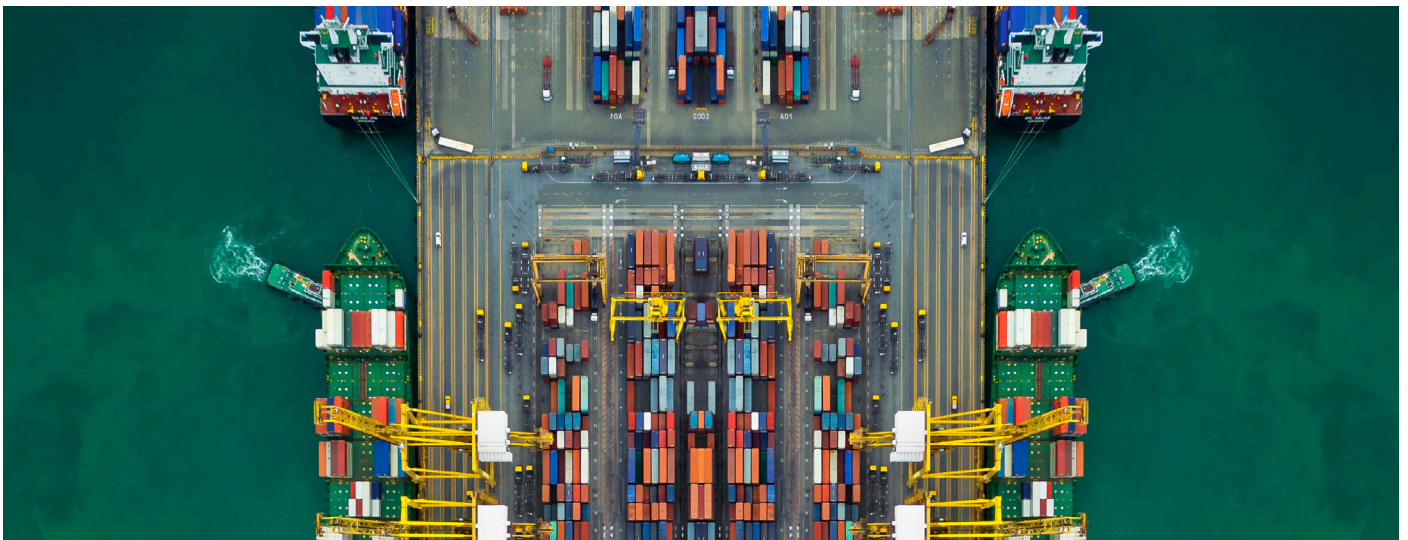
Stocks of purchases

July survey data indicated a fifth consecutive monthly increase in stocks of purchases held by private sector businesses across Lebanon. Where inventories rose, firms mentioned this was due to higher demand. The rate of accumulation accelerated since June and was the strongest since October 2019.

Stocks of Purchases Index

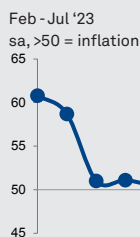
sa, >50 = growth since previous month

51.3
Jul '23



Prices

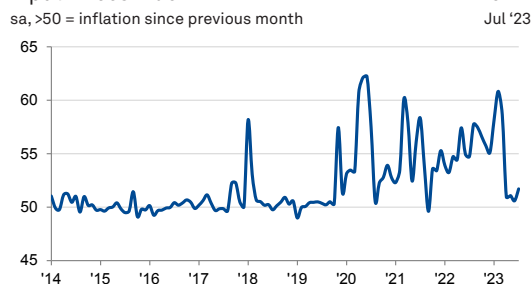
Input Prices Index



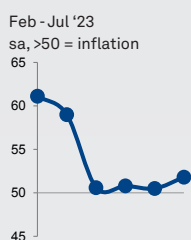
Overall input prices

Private sector companies in Lebanon observed a further rise in their operating expenses during July, as signalled by the Input Prices Index registering above the 50.0 mark. The overall rate of inflation also quickened slightly to a four-month high, but it remained considerably weaker than those seen across the opening quarter of 2023.

Input Prices Index



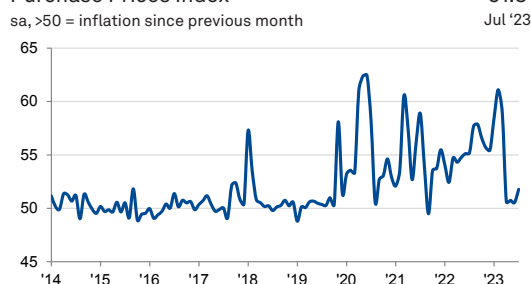
Purchase Prices Index



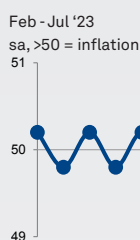
Purchase prices

The sole driver behind July's increase in input costs was purchase prices, latest survey data showed. According to panel members, the cost of items purchased were primarily pushed higher by unfavourable exchange rate movements against the US dollar. The increase in purchase prices was modest, but the quickest since March.

Purchase Prices Index



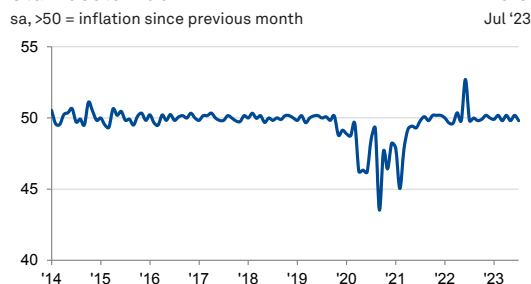
Staff Costs Index



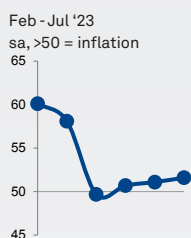
Staff costs

There was little change in staff costs for private sector companies across Lebanon at the start of the third quarter of 2023. The respective seasonally adjusted index has held close to the neutral 50.0 mark over the past year, signalling broadly stable labour costs.

Staff Costs Index



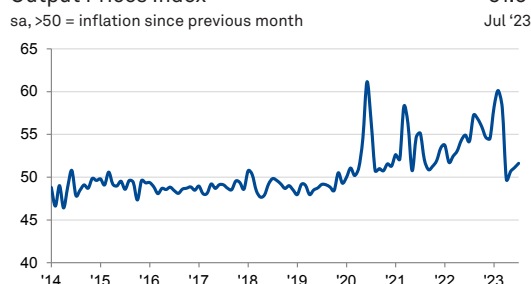
Output Prices Index



Output prices

Private sector businesses in Lebanon increased their prices charged in July, extending the current sequence of inflation to three months. Where a rise in charges was reported, this was often linked to higher purchase costs. As was the case with overall input expenses, the increase in output prices was the fastest seen since March, albeit moderate overall.

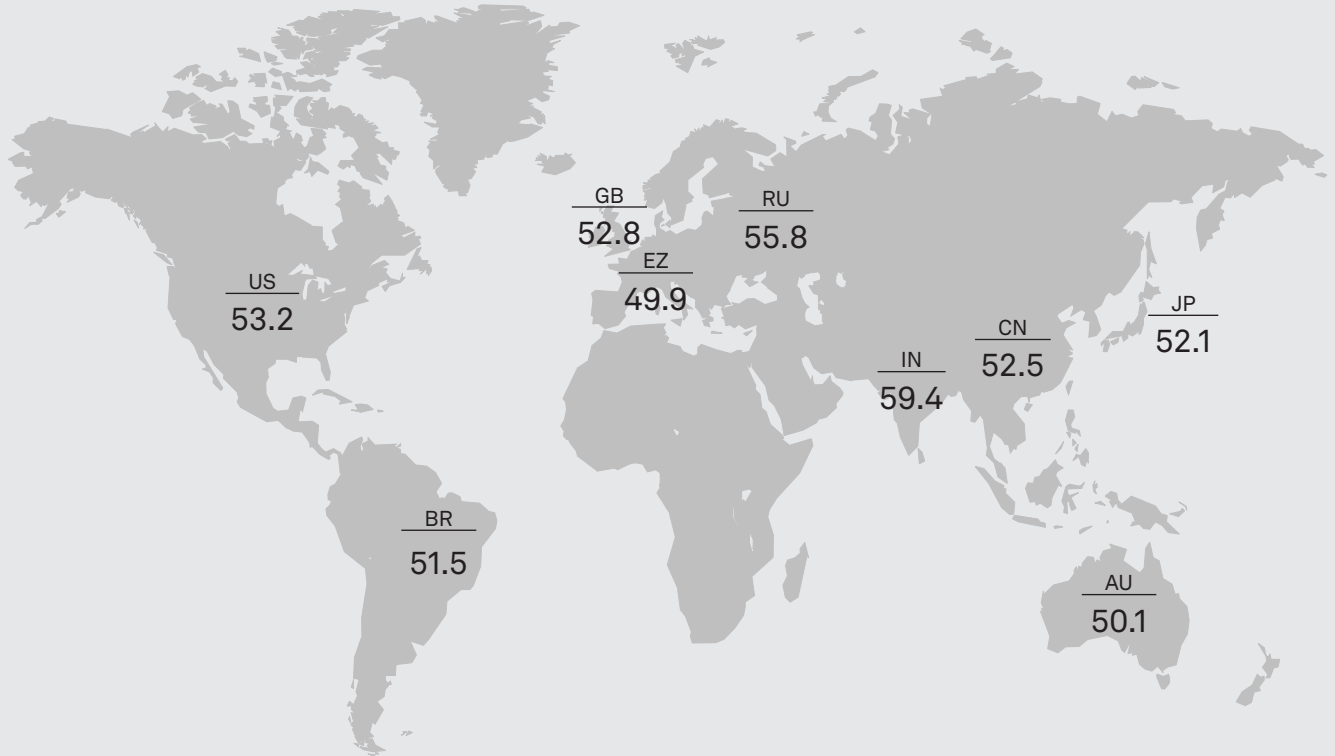
Output Prices Index



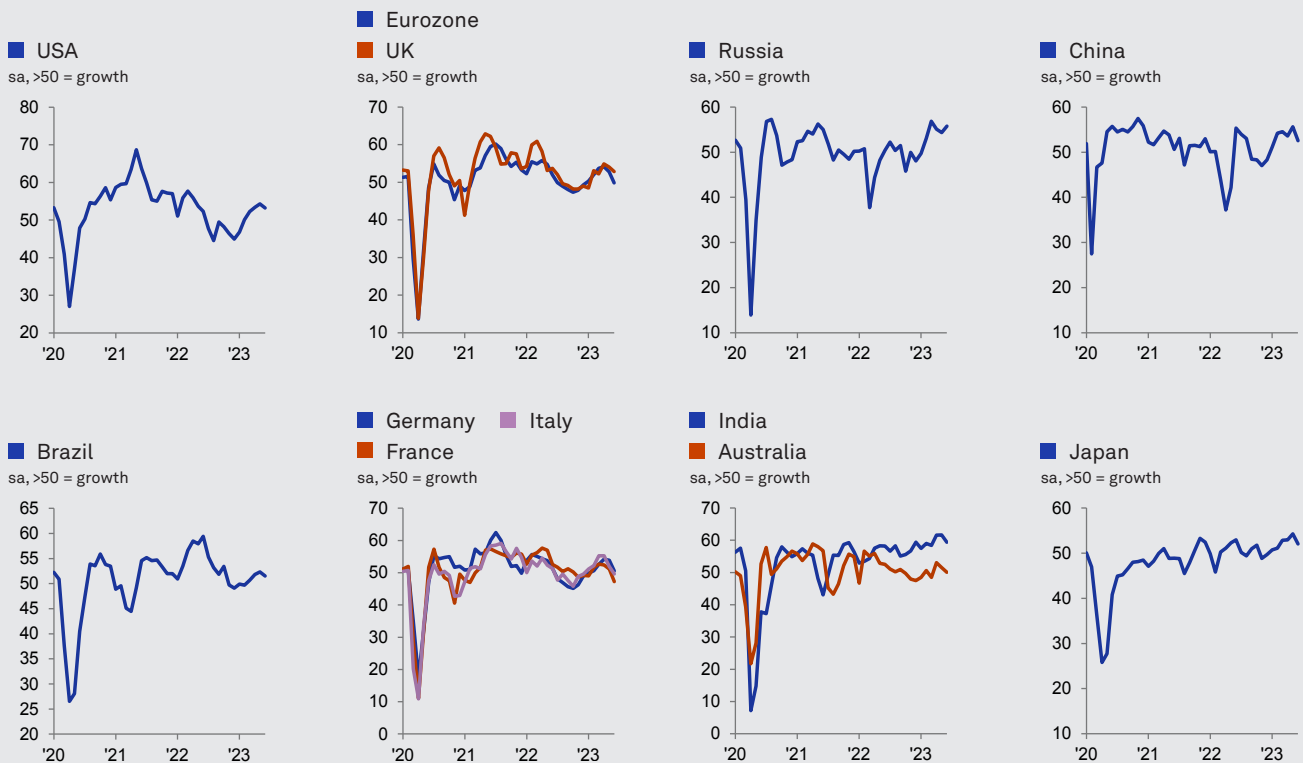
International PMI

Composite Output Index, Jun '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 12-25 July 2023.

Survey questions

Private sector

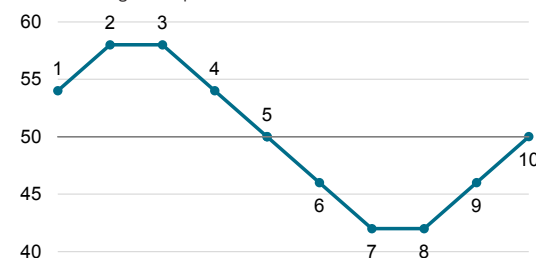
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

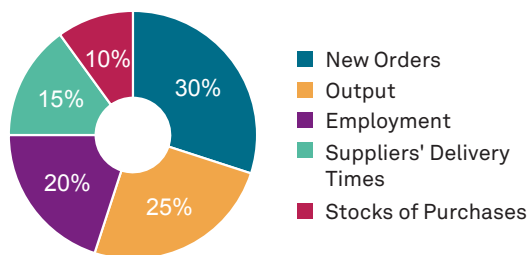
Index interpretation

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
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
06 '23	50.2	50.4	50.3	50.2	0.8	50.2	50.9	51.0	50.7	50.5	50.6	50.5	50.2	51.1
07 '23	50.3	50.1	50.2	50.0	15.3	50.8	50.3	51.2	50.3	51.3	51.7	51.8	49.8	51.6

Contact

Dr Ali Bolbol
Chief Economist / Head of Research
BLOMINVEST Bank
T: +961 1 739 817
ali.bolbol@blominvestbank.com

Joe Hayes
Principal 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.
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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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