

# BLOM Lebanon PMI<sup>®</sup>

## BLOM Lebanon PMI falls to seven-month low in August as output and new orders decline

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BLOM Lebanon PMI<sup>®</sup> falls back from July's ten-year high

Business activity levels decline as demand slows

Inflationary pressures ease slightly; sentiment improves

After signalling back-to-back improvements in the health of Lebanon's private sector in June and July, the BLOM Lebanon PMI<sup>®</sup> fell back into contraction territory midway through the third quarter as business activity and new orders deteriorated. Nevertheless, there was a substantial uplift in business sentiment as the degree of pessimism waned.

Meanwhile, unfavourable exchange rate fluctuations reportedly drove input costs higher, prompting firms to lift their charges. Nevertheless, rates of inflation cooled since July.

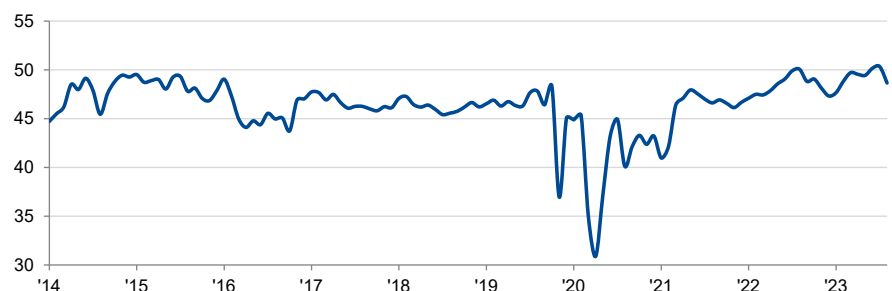
The headline figure derived from the survey is the Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>). The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of 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<sup>®</sup> fell below the critical 50.0 threshold which separates growth from contraction in August for the first time since May. At 48.7, the latest survey data pointed to a mild deterioration in the health of Lebanon's private sector economy. Overall, this represented a loss of momentum when compared with the decade-high growth rates seen in both June and July.

Business activity levels within Lebanon's private sector decreased in August for the first time since May. The contraction, which was moderate overall, was the fastest seen for six months. Challenging domestic conditions reportedly weighed on output volumes.

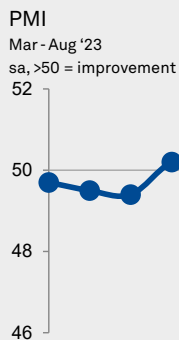
A softer demand environment also drove business activity lower in August. The latest survey data signalled the first contraction in new orders for three months, with the decline of a similar strength to that seen for output. According to anecdotal evidence, new work intakes were adversely

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



# 48.7

LEBANON PMI  
AUG '23



affected by political and economic uncertainty. Survey respondents also reported challenges in enticing international clients to make orders. New export business subsequently declined for the first time since March.

Lower new order inflows led firms to allocate more resources to completing backlogs of work. The rate of depletion was marginal, but the quickest for six months. A lack of pressure on firms' operating capacities led firms to pull back on hiring extra workers, with employment levels stabilising.

Nevertheless, there was a marked improvement in business sentiment in August as firms became less

pessimistic in their assessment of year-ahead prospects for business activity. The Future Output Index rose to its highest level since March 2020.

Meanwhile, private sector firms in Lebanon saw their input costs rise again in August amid reports of unfavourable exchange rate fluctuations. In turn, output charges were lifted as firms sought to offset pressures on their margins. However, in both cases, rates of inflation were only mild and softened from the previous month.

## Comment

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

*“The Purchasing Managers' Index (PMI) for August 2023 marked a notable decline, reaching 48.7, down from July's 50.3 and June's 50.2. This contraction was precipitated by a simultaneous decrease in output and, new orders, and while employment stabilised. The Lebanese economy heavily relied on tourism and expats activity and it seems that in August 2023, there was a drop in summer engagement activity, adding to the fact the ambiguity surrounding the status*

*of the governor at BDL. Indeed, as the Lebanese economy navigates these turbulent waters, it's concerning to note that the absence of substantial economic reforms continues to cast a shadow. Without meaningful changes, Lebanon's trajectory remains uncertain, underscoring the pressing need for impactful reforms to steer the nation toward a more promising economic future.”*

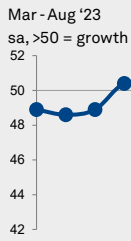


PMI®

by **S&P Global**

# Output and demand

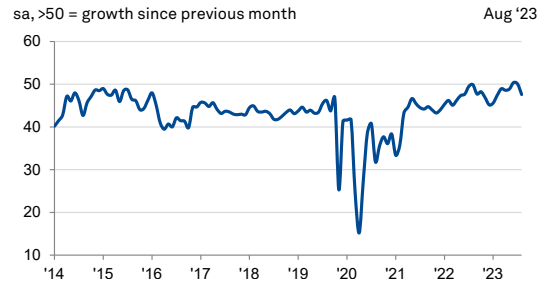
## Output Index



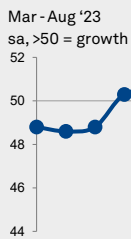
## Output

After signalling back-to-back expansions in private sector business activity across Lebanon in the two prior months, the seasonally adjusted Output Index fell below the 50.0 no-change threshold in August to signal a renewed deterioration in output. The contraction was moderate and the fastest in six months. Where a reduction was reported, this was primarily linked with challenging domestic conditions.

## Output Index



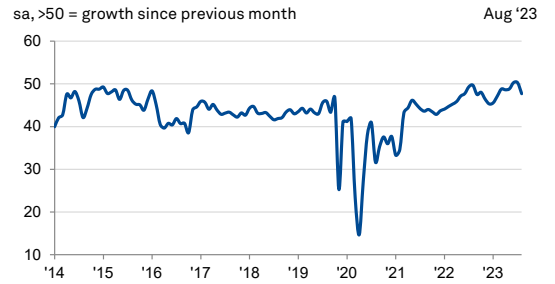
## New Orders Index



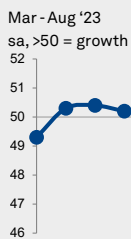
## New orders

In line with the trend in output, two successive monthly improvements in new orders were followed by a contraction midway through the third quarter. The decline was moderate overall and nearly identical in pace to that seen for business activity. Economic and political uncertainty were reasons given by panel members for underwhelming sales performances.

## New Orders Index



## New Export Orders Index



## New export orders

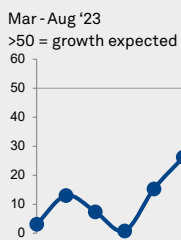
The seasonally adjusted New Export Orders Index recorded below the 50.0 no-change mark in August, signalling a decrease in new business received from non-domestic customers. Overall, this marked the first monthly decline in sales to international clients since March. Anecdotal evidence suggested that unstable conditions domestically deterred foreign clients from placing orders.

## New Export Orders Index



# Business expectations

## Future Output Index



There was a considerable uplift in business sentiment during the latest survey period, as evidenced by the Future Output Index rising sharply once again to hit its highest mark in almost three-and-a-half years. That being said, just 2% of respondents foresee higher activity levels in the coming year, with the remaining 98% equally split between those predicting a stagnation and a contraction. According to firms, the outlook for the coming year was dependent on how the political situation in Lebanon develops.

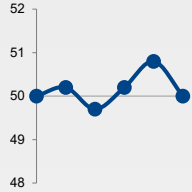
## Future Output Index



# Employment and capacity

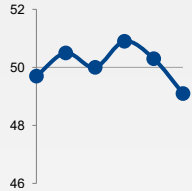
## Employment Index

Mar - Aug '23  
sa, >50 = growth



## Backlogs of Work Index

Mar - Aug '23  
sa, >50 = growth



## Employment

After rising in July at the strongest rate in almost eight years, private sector employment levels across Lebanon stabilised during August, as signalled by the respective seasonally adjusted index recording 50.0. Nevertheless, this was broadly in line with the average seen in the year-to-date (50.1).

## Backlogs of work

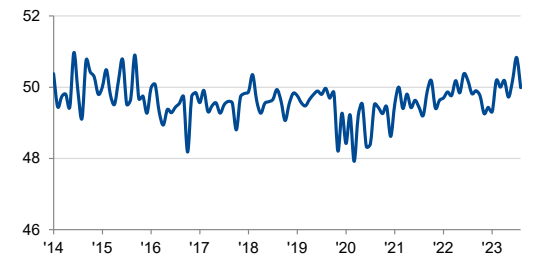
Amid falling inflows of new business, private sector companies in Lebanon turned to their backlogs of work during August in an attempt to sustain activity levels. The volume of orders pending completion fell for the first time since March and at the fastest pace for six months. The rate of depletion was marginal overall.

## Employment Index

sa, >50 = growth since previous month

50.0

Aug '23



## Backlogs of Work Index

sa, >50 = growth since previous month

49.1

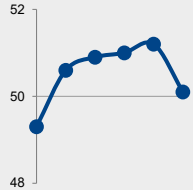
Aug '23



# Purchasing and inventories

## Quantity of Purchases Index

Mar - Aug '23  
sa, >50 = growth



## Quantity of purchases

The seasonally adjusted Quantity of Purchases Index recorded above the critical 50.0 threshold in August for a fifth month in succession, signalling a sustained uplift in Lebanese firms' demand for inputs. That said, the latest survey data highlighted a slowdown in purchasing growth, with the increase only fractional overall. Some companies cut back on spending due to lower new orders.

## Quantity of Purchases Index

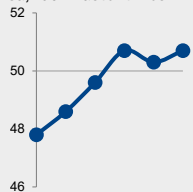
sa, >50 = growth since previous month

50.1  
Aug '23



## Suppliers' Delivery Times Index

Mar - Aug '23  
sa, >50 = faster times



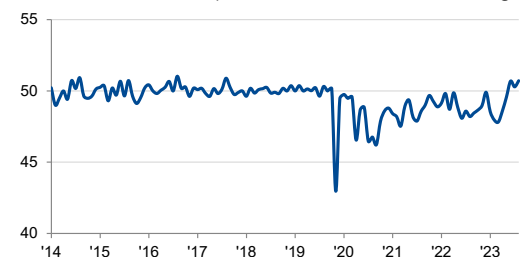
## Suppliers' delivery times

For a third successive month, the latest survey data indicated a shortening of delivery times faced by private sector companies in Lebanon. The improvement in vendor performance was the joint-greatest in six years, matching that seen in June.

## Suppliers' Delivery Times Index

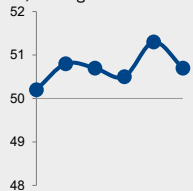
sa, >50 = faster times since previous month

50.7  
Aug '23



## Stocks of Purchases Index

Mar - Aug '23  
sa, >50 = growth



## Stocks of purchases

With purchasing activity continuing to rise but output levels falling, August survey data pointed to a further increase in the volume of inputs placed into warehouses and stock rooms by private sector businesses in Lebanon. The uplift extended the current sequence of accumulation to six months. While the rate of increase slowed since July, it remained stronger than the survey average.

## Stocks of Purchases Index

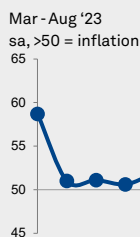
sa, >50 = growth since previous month

50.7  
Aug '23



# Prices

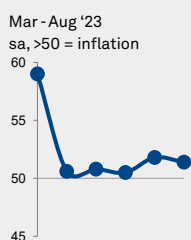
## Input Prices Index



## Overall input prices

Private sector firms in Lebanon registered a further rise in their operating expenses in August, extending the current sequence of inflation to nearly two years. Higher costs primarily reflected greater purchase prices as staff costs were little-changed since July. The rate of increase was modest and slightly softer than seen in the previous month.

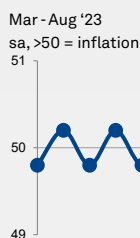
## Purchase Prices Index



## Purchase prices

Amid reports of unfavourable exchange rate movements, the latest survey data signalled a further uptick in purchase prices faced by companies in the Lebanese private sector economy. That said, the rate of inflation eased and was weaker than the long-run average of the series.

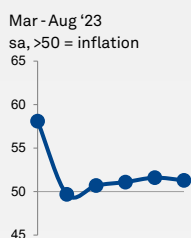
## Staff Costs Index



## Staff costs

There was a fractional rise in costs relating to workforces midway through the third quarter of the year. This was evidenced by the seasonally adjusted Staff Costs Index recording just above the no-change mark of 50.0.

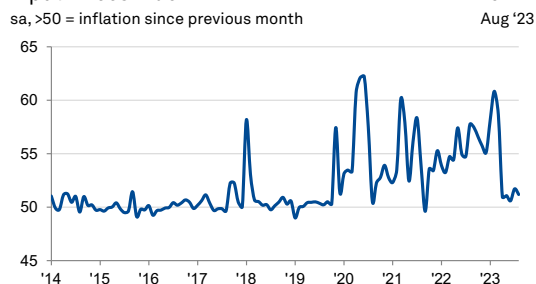
## Output Prices Index



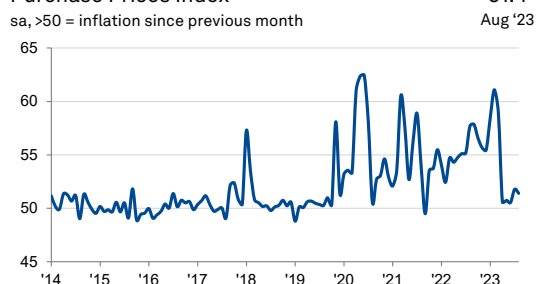
## Output prices

To offset any margin compression caused by higher input costs, private sector companies in Lebanon raised their prices charged during the latest survey period. The rate of output price inflation was modest overall and, although easing since July, was stronger than the historical average.

## Input Prices Index



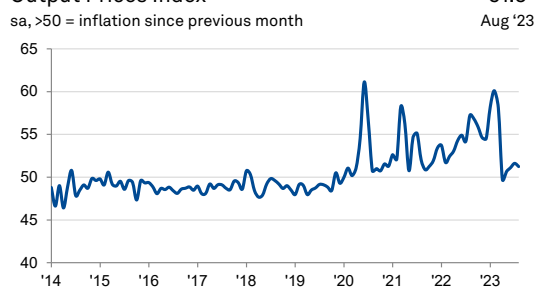
## Purchase Prices Index



## Staff Costs Index



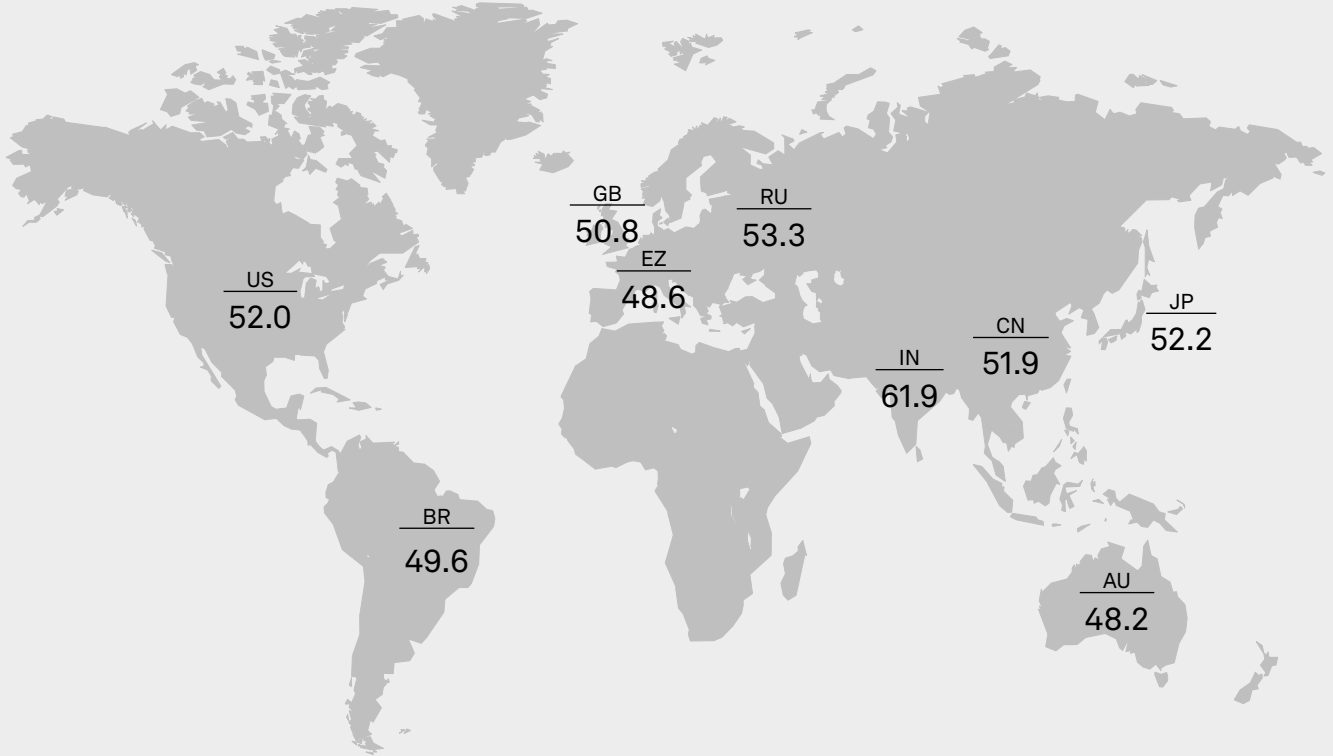
## Output Prices Index



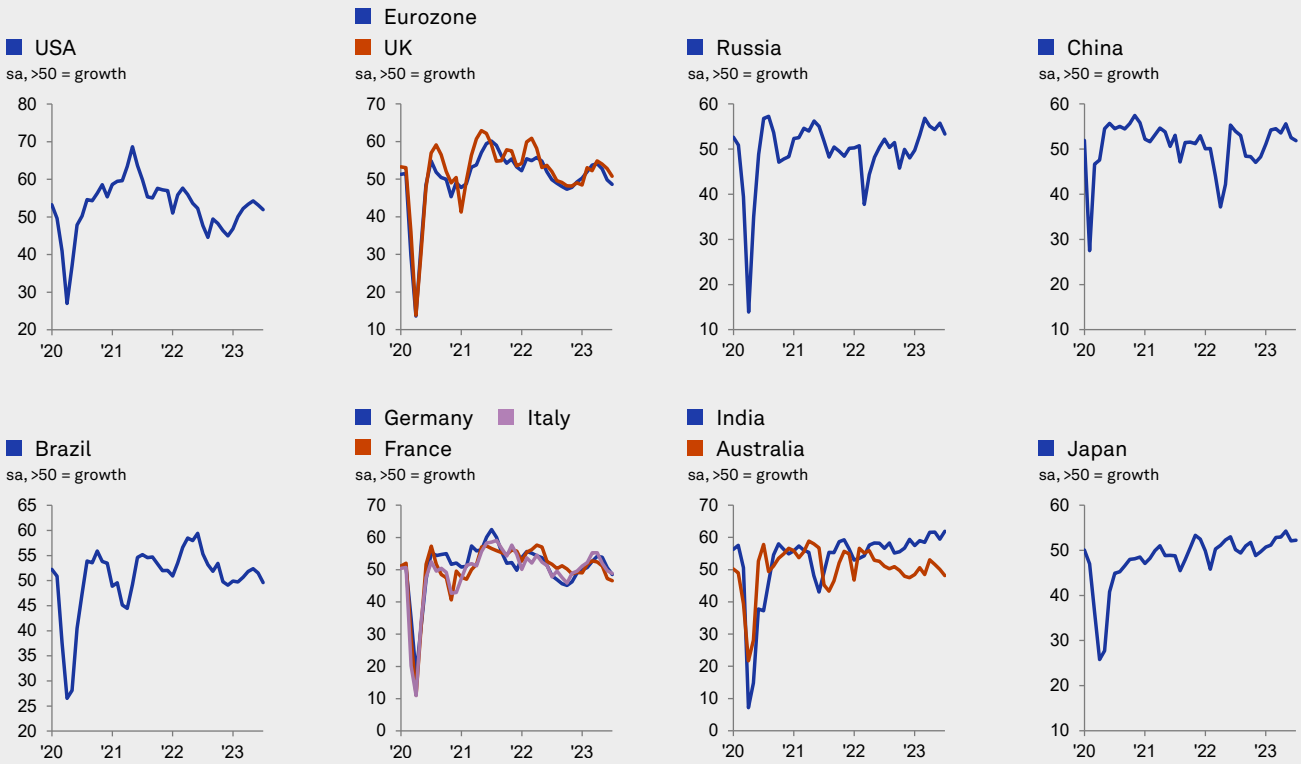
# International PMI

Composite Output Index, Jul '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](mailto:economics@ihsmarkit.com).

### Survey dates

Data were collected 10-24 August 2023.

#### Survey questions

Private sector

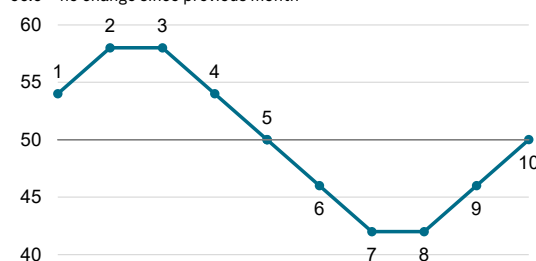
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

#### Index calculation

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

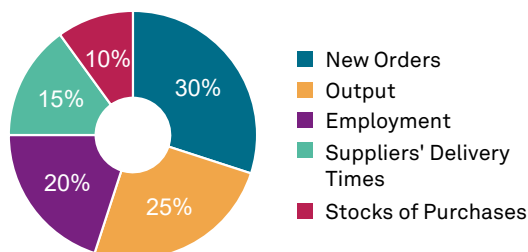
#### Index interpretation

50.0 = no change since previous month



- 1 Growth
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 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
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
08 '23	48.7	47.6	47.7	48.6	26.2	50.0	49.1	50.1	50.7	50.7	51.2	51.4	50.1	51.3

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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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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](https://ihsmarkit.com/products/pmi.html)

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