

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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BLOM Lebanon PMI®

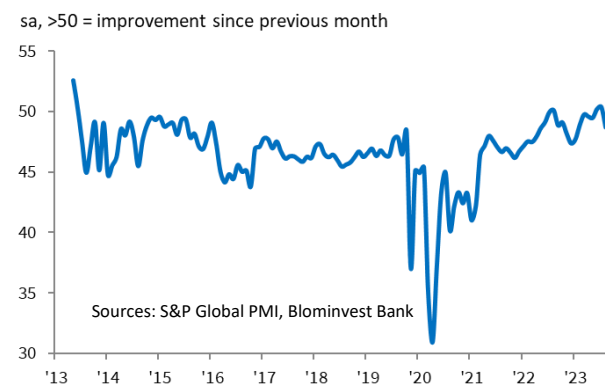
BLOM Lebanon PMI falls to seven-month low in August as output and new orders decline

Data collected August 10-24

BLOM Lebanon PMI® 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® 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™ (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® 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.

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, 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 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.”

The main findings of August's survey were as follows:

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 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.

-Ends-

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Note to Editors:

The BLOM Lebanon Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Lebanese economy, including manufacturing, services, construction and retail. The panel is stratified GDP and company workforce size. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index (PMI®) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact electronics@ihsmarkit.com.

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