

BLOM Lebanon PMI[®]

Business conditions in Lebanese private sector deteriorate in September

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BLOM Lebanon PMI[®] remains below critical 50.0 threshold

Output and new orders fall, although backlogs rise

Firms lift their charges, but at softer pace

According to the latest BLOM Lebanon PMI[®] survey, the Lebanese private sector economy saw a marginal deterioration in operating conditions at the end of the third quarter. Business activity and new orders continued to fall, although declines did ease from August. That said, employment levels were maintained amid a renewed rise in backlogs of work.

Meanwhile, amid reports of discounting, the overall rate of output price inflation eased during September.

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 49.1 in September. While this

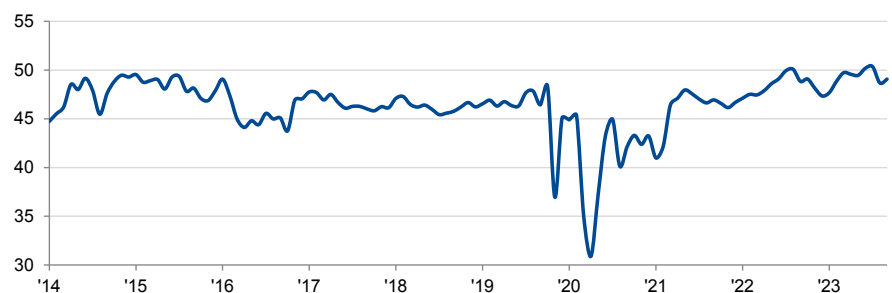
marked an increase from August's 48.7, it was below the critical 50.0 threshold and thus indicated a deterioration in the health of the Lebanese private sector economy.

The level of new incoming work received by private sector companies in Lebanon declined at the end of the third quarter. Where a decrease was reported, this was often linked to reduced client purchasing power, uncertainty and domestic economic weakness. The fall in demand was modest and slightly weaker than seen in August. This contraction also reflected subdued orders from foreign clients.

Subsequently, business activity levels fell during September, marking back-to-back months of decline. The pace of the decrease was softer than in August, however.

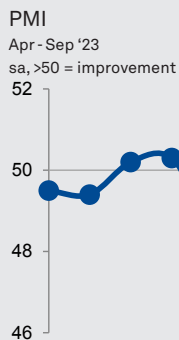
Nevertheless, the latest survey data indicated pressures on businesses' operating capacities, with backlogs of work rising. The rate of accumulation, albeit marginal, was the quickest for three months. Subsequently,

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



49.1

LEBANON PMI
SEP '23



employment levels held steady on the month, despite falling levels of new work and activity.

There was a further expansion in purchasing activity during September, the sixth successive month in which this has been the case. Stocks of inputs subsequently rose. There were also signs of stability across supply chains as average input lead times were broadly unchanged since August.

On the prices front, September survey data highlighted a sustained rise in businesses' overall operating expenses. Underlying data showed this was driven by purchase costs, with panellists reporting higher prices paid

for their inputs. That said, the overall rate of input cost inflation was modest and below its survey average.

In response, selling charges were raised as firms sought to share the burden of greater costs with clients. This extended the current sequence of output price rises to five months, although September's increase was the weakest over this period. Some companies reportedly offered sales discounts.

Comment

Commenting on BLOM Lebanon PMI for September 2023, Aline Azzi, Research Analyst at BLOMINVEST Bank, said:

"With the economic and financial crisis still hounding the country, the Lebanese private sector faced increased operating expenses and businesses registered a contraction in September, though the rate of decline moderated compared to August. Interestingly, September's survey data revealed that businesses were facing pressures on their operating capacities, leading to an increase in backlogs of work. While the rate of accumulation was marginal, it was the

fastest in three months. Surprisingly, despite the decline in new work and activity, employment levels remained stable during this period. On the positive side, it is worth noting that steady exchange rates eased inflationary pressures in September. As a result, Lebanon's Purchasing Managers' Index increased marginally to 49.1; but still suggested that private sector companies remain sceptical about the political environment and its negative pressure on their business. However, all this could be turned around – albeit slowly – if the political deadlock ended and a reforming government is formed."

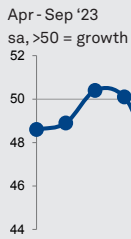


PMI®

by **S&P Global**

Output and demand

Output Index



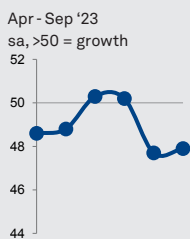
Output

Private sector business activity across Lebanon fell during September, marking back-to-back months of contraction. Where a drop in output was registered, this was often linked to the financial, economic and political challenges facing the country. That said, the rate of decrease was modest and slower than seen previously.

Output Index



New Orders Index



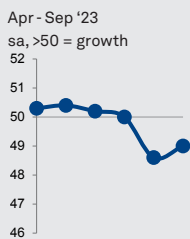
New orders

The level of new business placed with private sector businesses in Lebanon declined at the end of the third quarter. According to anecdotal evidence, reduced client purchasing power restricted the inflow of new work. Overall, the extent to which demand weakened was modest and considerably weaker than that seen on average across the survey's near ten-and-a-half-year history.

New Orders Index



New Export Orders Index



New export orders

September survey data signalled a sustained drag on order books from external markets at the end of the third quarter. This was evidenced by the seasonally adjusted New Export Orders Index posting beneath the 50.0 no-change mark for a second successive month. The rate of decline was only marginal, however, and slower than seen during August.

New Export Orders Index



Business expectations

Future Output Index



The Future Output Index remained below the 50.0 no-change mark, thereby signalling a pessimistic outlook towards the next 12 months from private sector companies in Lebanon. Weighing on confidence were expectations that the challenging political situation domestically would persist, causing uncertainty and restricting economic growth. That said, the overall level of negative sentiment was the second-weakest in three-and-a-half years.

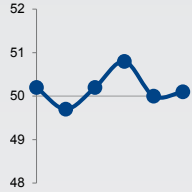
Future Output Index



Employment and capacity

Employment Index

Apr - Sep '23
sa, >50 = growth



Employment

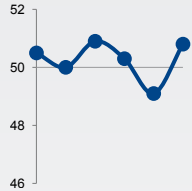
The level of employment across Lebanon's private sector economy broadly held steady during September, with the respective seasonally adjusted index holding close to the 50.0 neutral mark. Indeed, an overwhelming majority of respondents reported no change to their staffing capacity.

Backlogs of work

After having fallen in August for the first time since March, the latest survey data signalled a renewed rise in backlogs of work at private sector businesses in Lebanon. While the rate of accumulation was marginal, it was the fastest for three months.

Backlogs of Work Index

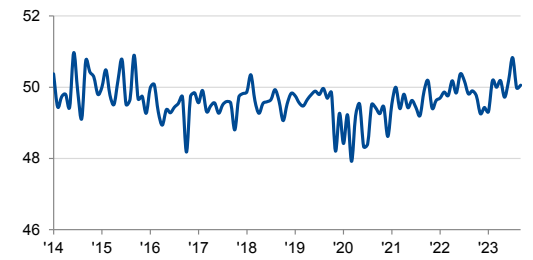
Apr - Sep '23
sa, >50 = growth



Employment Index

sa, >50 = growth since previous month

50.1
Sep '23



Backlogs of Work Index

sa, >50 = growth since previous month

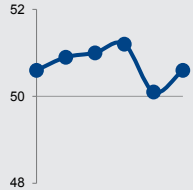
50.8
Sep '23



Purchasing and inventories

Quantity of Purchases Index

Apr - Sep '23
sa, >50 = growth



Quantity of purchases

For a sixth successive month, the seasonally adjusted Quantity of Purchases Index posted above the 50.0 no-change mark, indicating a greater input buying by private sector firms in Lebanon. Moreover, the rate of increase accelerated since August. Approximately 5% of surveyed companies registered growth in purchasing during September.

Quantity of Purchases Index

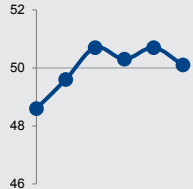
sa, >50 = growth since previous month

50.6
Sep '23



Suppliers' Delivery Times Index

Apr - Sep '23
sa, >50 = faster times



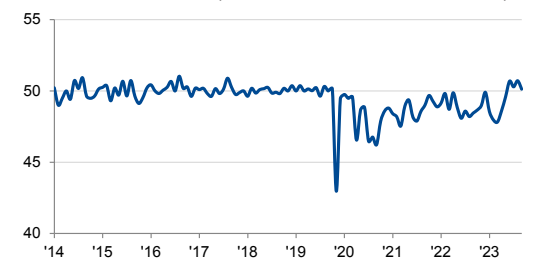
Suppliers' delivery times

According to September survey data, there was little change in vendor performance when compared with the month prior. Still, this compared with the near four-year sequence of deterioration that ran up until the second half of the year. Marginal improvements were recorded in each month between June and August.

Suppliers' Delivery Times Index

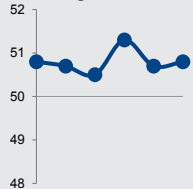
sa, >50 = faster times since previous month

50.1
Sep '23



Stocks of Purchases Index

Apr - Sep '23
sa, >50 = growth



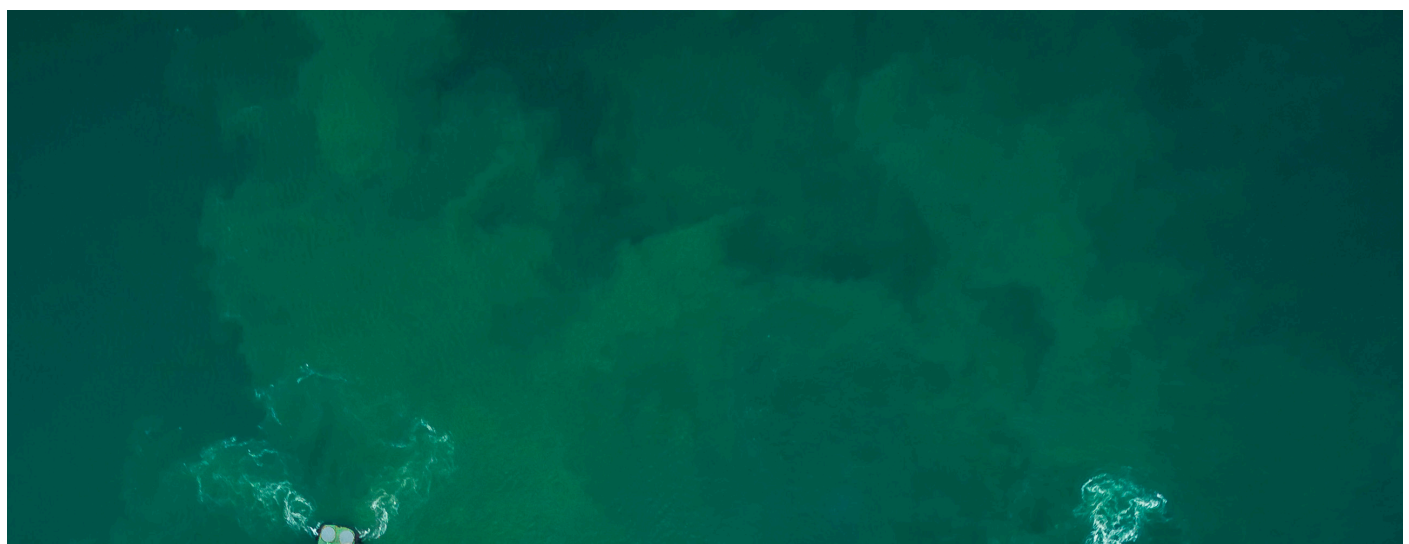
Stocks of purchases

Private sector companies in Lebanon continued to expand their stocks of purchases at the end of the third quarter, thereby extending the current sequence of expansion to seven months. The rate of accumulation was fractionally faster than seen in August, but still marginal overall.

Stocks of Purchases Index

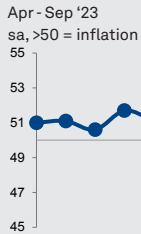
sa, >50 = growth since previous month

50.8
Sep '23



Prices

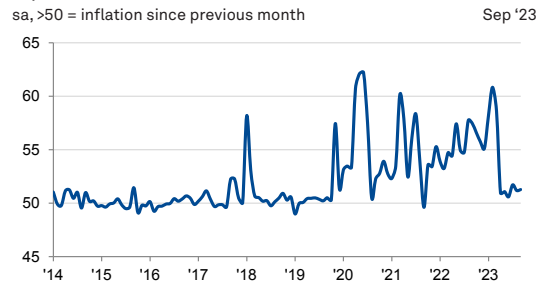
Input Prices Index



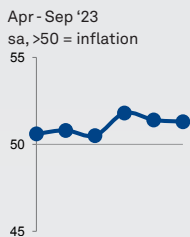
Overall input prices

Private sector companies in Lebanon recorded a further increase in their operating expenses during September. The rate of inflation was however modest and little-changed from that seen in August. Underlying data showed the uptick was driven by purchase prices.

Input Prices Index



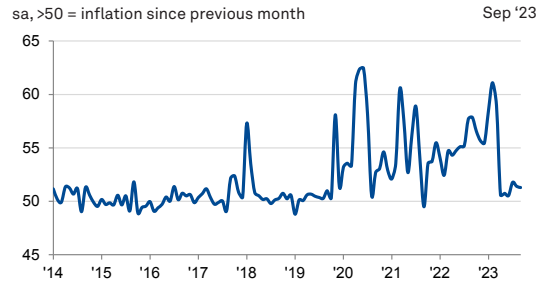
Purchase Prices Index



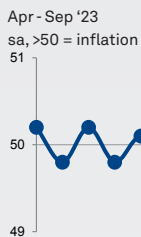
Purchase prices

September survey data pointed to an increase in the price of items purchased by private sector businesses across Lebanon. That said, with just over 1% of respondents recording a rise, the overall rate of inflation was mild and the slowest in three months.

Purchase Prices Index



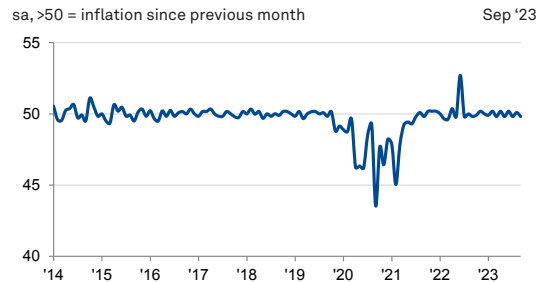
Staff Costs Index



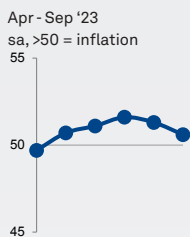
Staff costs

The seasonally adjusted Staff Costs Index dipped below the 50.0 no-change mark in September, albeit only slightly, signalling a fractional reduction in employment expenses faced by private sector companies in Lebanon.

Staff Costs Index



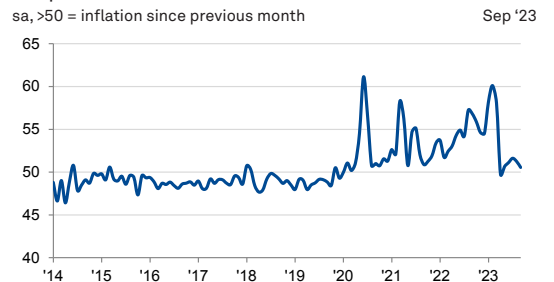
Output Prices Index



Output prices

Prices charged by private sector companies in Lebanon were once again lifted in September, extending the current sequence of rising selling prices to five months. That said, the latest increase was the softest seen over this period and only marginal. While some companies raised fees in line with their costs, others offered sales discounts.

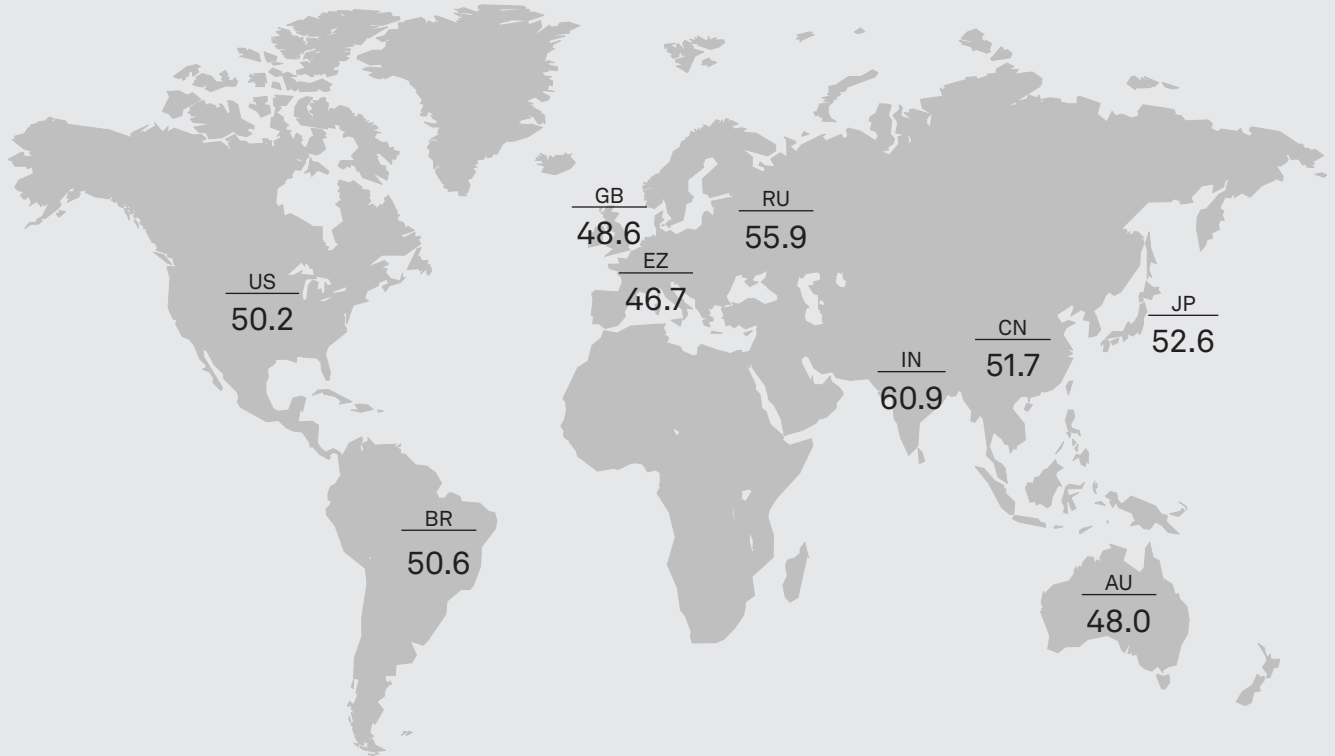
Output Prices Index



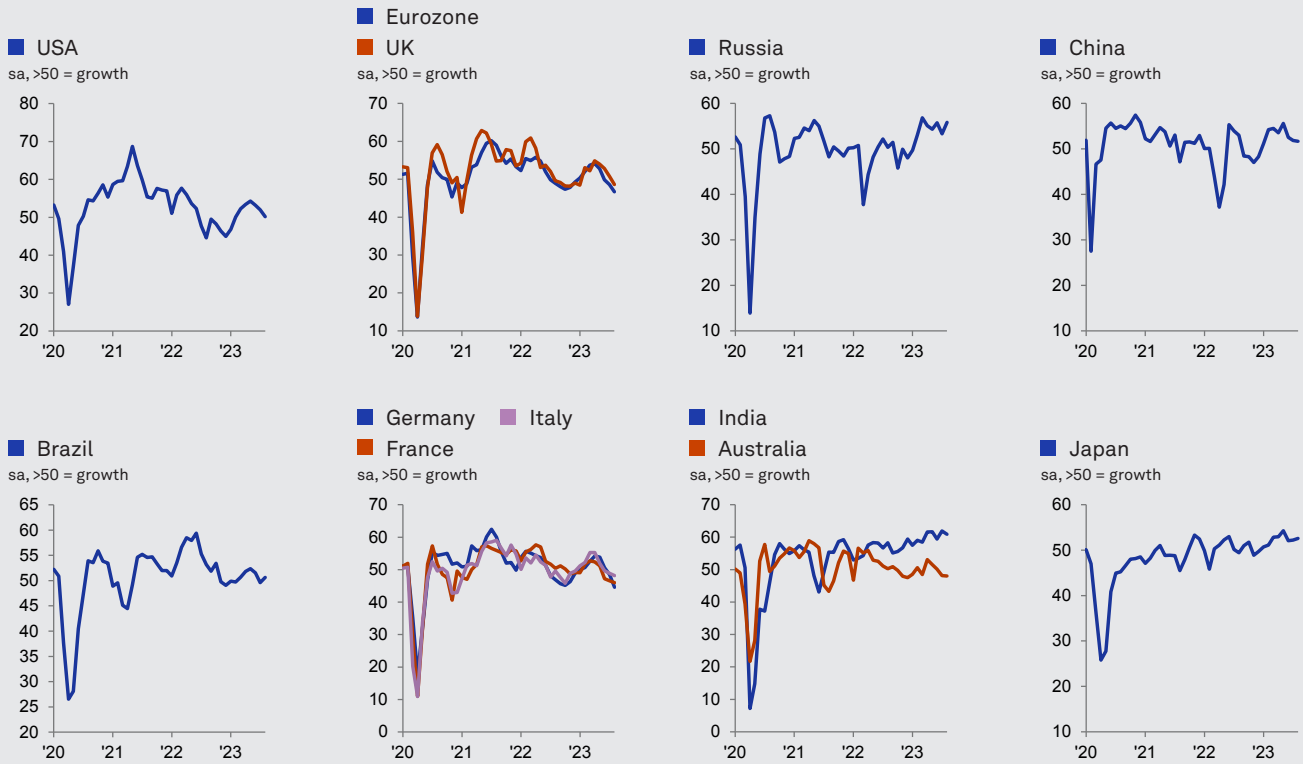
International PMI

Composite Output Index, Aug '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@spglobal.com.

Survey dates

Data were collected 12-25 September 2023.

Survey questions

Private sector

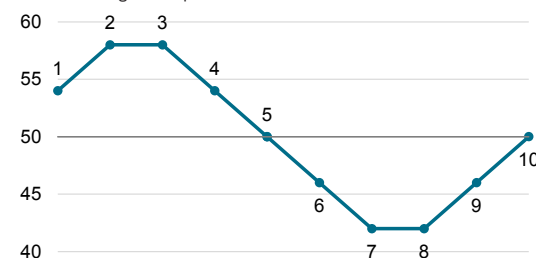
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

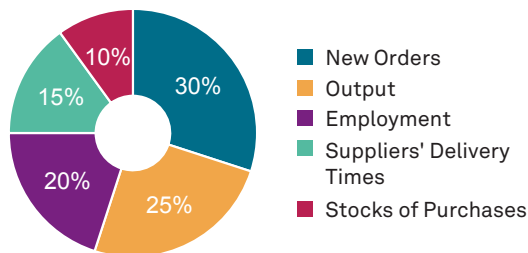
Index interpretation

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
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
09 '23	49.1	48.4	47.9	49.0	22.9	50.1	50.8	50.6	50.1	50.8	51.3	51.3	49.8	50.6

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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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