

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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BLOM Lebanon PMI®

Business conditions in Lebanese private sector deteriorate in September

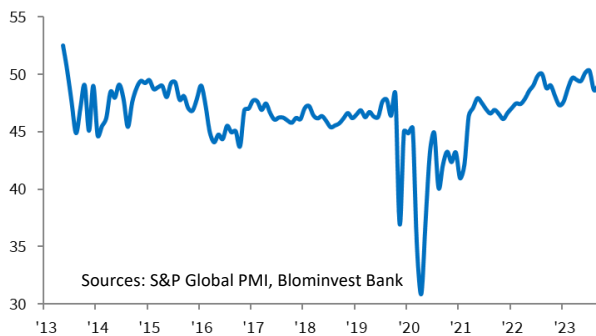
Data collected September 12-25

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

sa, >50 = improvement since previous month



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.

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.”

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

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, 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.

-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 economics@spglobal.com.

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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. For more information, see www.blominvestbank.com.

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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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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