

BLOM Lebanon PMI[®]

BLOM Lebanon PMI falls as order cancellations weigh on activity in October

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BLOM Lebanon PMI[®] falls to 48.9, from 49.1

New orders fall at fastest pace since February amid cancellations

Supplier performance and confidence worsens

Operating conditions faced by private sector companies in Lebanon deteriorated during October, according to the latest BLOM Lebanon PMI[®] survey. Weighing on business performance was the fastest decrease in new orders since February amid reports from panellists of order cancellations due to security concerns. Activity levels subsequently fell, as did new export sales and input purchasing.

Meanwhile, supplier performance worsened for the first time since May and business confidence slipped to a three-month low. On a positive note, employment rose for a second successive month.

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.

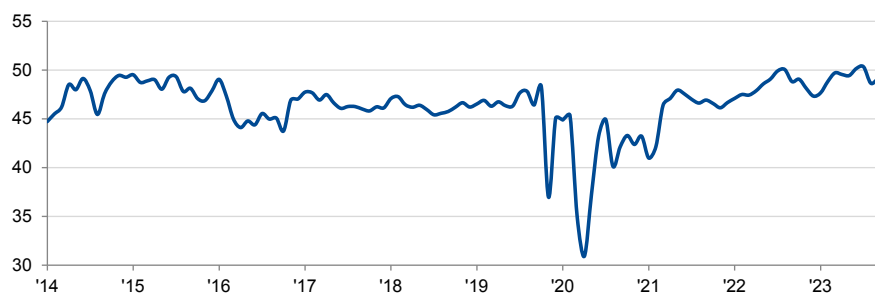
The headline BLOM Lebanon PMI[®] fell further below the 50.0 no-change mark in October to 48.9, from 49.1 in September. This therefore signalled a slightly stronger deterioration in operating conditions across the Lebanese private sector. That said, the decline was only modest overall.

October survey data pointed to a further contraction in order book volumes, extending the current sequence of declines to three months. The weakening of demand conditions was the fastest since February and moderate overall, with order cancellations due to security concerns reportedly weighing on the level of incoming new business. Sales to non-domestic customers also fell at a slightly faster pace.

Subsequently, a drop in new work intakes weighed on business activity, with output falling at a stronger rate than in September.

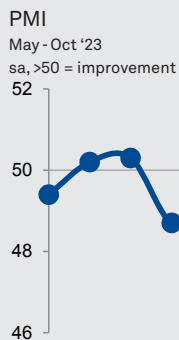
BLOM Lebanon PMI

sa, >50 = improvement since previous month



48.9

LEBANON PMI
OCT '23



Amid a sustained fall in incoming new business, October survey data highlighted a renewed month of backlog depletion across Lebanon. The decrease was the quickest since January. Nevertheless, private sector employment levels remained on an upward path, rising for a second straight month.

That said, with instability within the region rising due to the conflict in Israel and Gaza, survey respondents signalled a deterioration in supplier performance for the first time since May. Firms increased their stocks of purchases, although the accumulation was the slowest in four months amid a renewed fall in purchasing activity.

Comment

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

“In October 2023, the Purchasing Managers’ Index (PMI) witnessed a decline, dropping to 48.9 compared to 49.1 in September. One significant factor influencing this decline was the geopolitical tension arising from the Hamas-Israel war on October 7. In particular, Lebanon experienced high levels of unease, as there were concerns that the country might become involved in the conflict. As such, these regional tensions created an atmosphere of

Concerns of an escalation in the war between Hamas and Israel saw business confidence dip slightly to a three-month low. That said, the Future Output Index held fairly close to August’s 41-month high.

Elsewhere, the latest survey data highlighted sustained inflationary pressures, with overall input costs rising. Anecdotal evidence suggested that firms passed on higher expenses to their customers, leading output prices to increase for a sixth month running. That said, input costs and selling charges were up only modestly.

economic instability, impacting the PMI for October 2023. In spite of the tumultuous conditions, the Lebanese exchange rate held surprisingly steady throughout this challenging phase, where 1 USD maintained its value at 89,700 Lebanese Pounds. Finally, as we navigate these challenging times, it’s crucial to keep a close eye on the evolving geopolitical landscape and try to evade its repercussions as best as we can.”

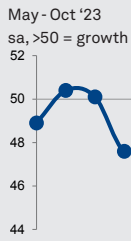


PMI®

by **S&P Global**

Output and demand

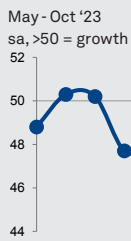
Output Index



Output

October survey data pointed to a further decrease in business activity across Lebanon's private sector, extending the current period of decline to three months. The decrease was moderate overall and slightly stronger than that seen in September. Where output was reported to have fallen (at approximately 7% of firms), order cancellations amid regional instability was noted as a factor.

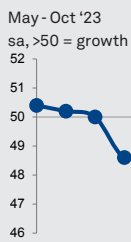
New Orders Index



New orders

The volume of new business received by private sector businesses in Lebanon continued to fall at a moderate pace in October, in line with the trend seen in the two previous months. In fact, the rate of decline accelerated fractionally to the fastest since February. According to survey respondents, increased security concerns due to conflict in Israel and Gaza led to cancellations, although other respondents continued to cite domestic political and economic instability as a driver of lower sales.

New Export Orders Index



New export orders

The seasonally adjusted New Export Orders Index registered below the 50.0 mark that separates growth from contraction in October for a third month running, highlighting a further decrease in new orders from non-domestic customers. That said, the decrease was only mild overall.

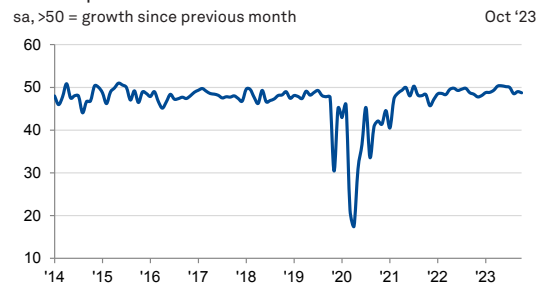
Output Index



New Orders Index



New Export Orders Index



Business expectations

Future Output Index



After rebounding to a 41-month high in August, October survey data signalled a second successive moderation in the level of business confidence across Lebanon's private sector. Subsequently, the Future Output Index registered its lowest reading in three months. Among the companies predicting a fall in business activity, security concerns due to the war between Israel and Hamas were noted, with companies expressing fears of economic repercussions from an escalation of the conflict.

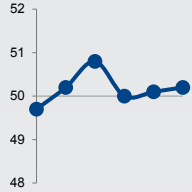
Future Output Index



Employment and capacity

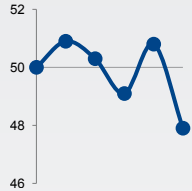
Employment Index

May - Oct '23
sa, >50 = growth



Backlogs of Work Index

May - Oct '23
sa, >50 = growth



Employment

For a second month in succession, the seasonally adjusted Employment Index recorded above the 50.0 no-change mark, signalling back-to-back increases in staffing levels across Lebanon's private sector. The rate of job creation was broadly in line with its year-to-date average, albeit only fractional overall.

Backlogs of work

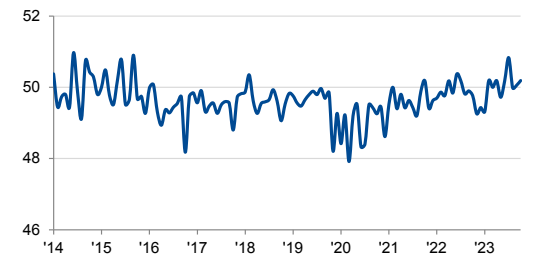
Private sector companies in Lebanon made inroads into their backlogs of work at the start of the fourth quarter, reversing the accumulation seen in September. According to respondents, a lack of incoming new business led to the reduction in outstanding business. The rate of depletion was notable and the fastest since January.

Employment Index

sa, >50 = growth since previous month

50.2

Oct '23



Backlogs of Work Index

sa, >50 = growth since previous month

47.9

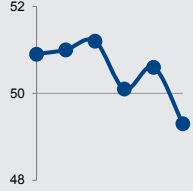
Oct '23



Purchasing and inventories

Quantity of Purchases Index

May - Oct '23
sa, >50 = growth

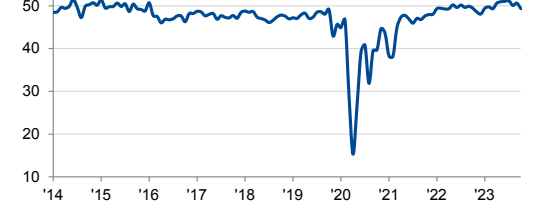


Quantity of purchases

Following six successive monthly expansions in purchasing activity, October survey data highlighted a renewed decrease in input buying by private sector companies in Lebanon. Although only marginal, the reduction was the joint-fastest since December 2022. Lower new business intakes were commonly cited as a reason for purchasing cutbacks.

Quantity of Purchases Index

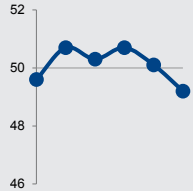
sa, >50 = growth since previous month



49.3
Oct '23

Suppliers' Delivery Times Index

May - Oct '23
sa, >50 = faster times

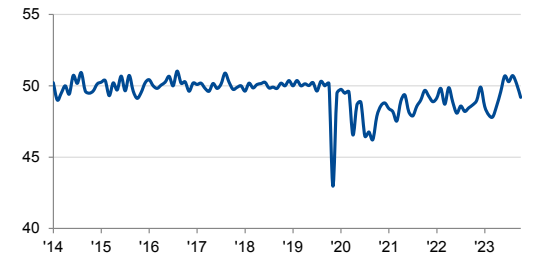


Suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index fell below the 50.0 no-change mark in October, indicating the first month in which vendor performance has deteriorated since May. However, with just under 2% of companies reporting longer average delivery times, delays were only slight.

Suppliers' Delivery Times Index

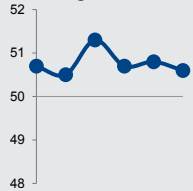
sa, >50 = faster times since previous month



49.2
Oct '23

Stocks of Purchases Index

May - Oct '23
sa, >50 = growth



Stocks of purchases

Private sector businesses in Lebanon raised their stocks of purchases at the start of the fourth quarter, in line with the trend seen since March. The rate of accumulation slowed from the previous month, however, to a four-month low.

Stocks of Purchases Index

sa, >50 = growth since previous month

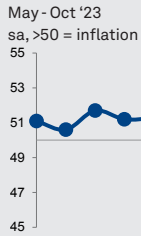


50.6
Oct '23



Prices

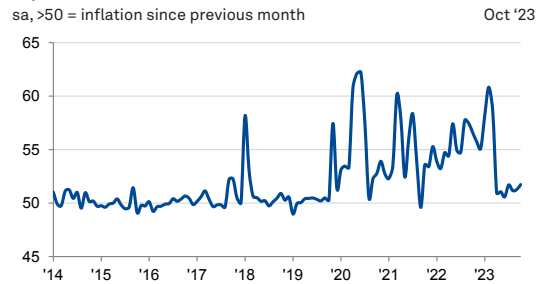
Input Prices Index



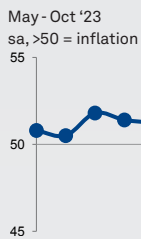
Overall input prices

Private sector companies in Lebanon registered a further moderate uptick in their operating expenses at the beginning of the fourth quarter. This primarily reflected higher purchase costs, although there were some marginal wage pressures, according to the latest survey data.

Input Prices Index



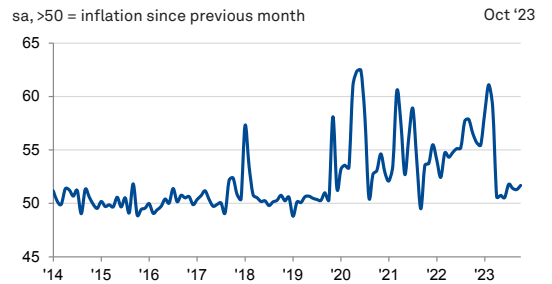
Purchase Prices Index



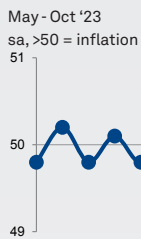
Purchase prices

October survey data signalled a twenty-fifth consecutive monthly rise in purchase prices faced by Lebanese private sector companies. Although the rate of inflation edged up to a three-month high, it was only modest and weaker than the series average.

Purchase Prices Index



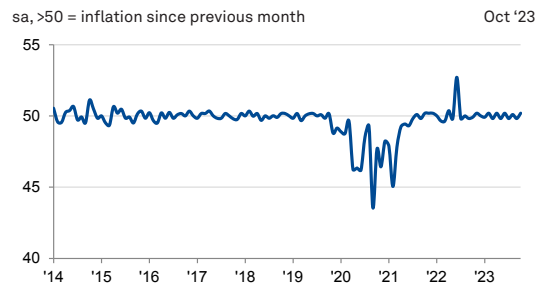
Staff Costs Index



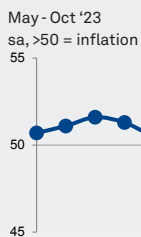
Staff costs

The seasonally adjusted Staff Costs Index rose above the 50.0 no-change threshold at the start of the fourth quarter of 2023, signalling a renewed rise in wage bills faced by private sector companies in Lebanon. While the rise was only fractional, it was the joint-quickest in 16 months.

Staff Costs Index



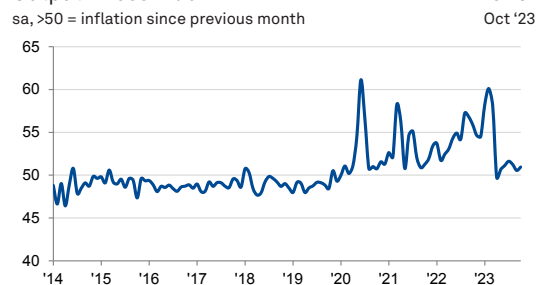
Output Prices Index



Output prices

In order to stave off an erosion of profit margins due to higher costs, private sector companies in Lebanon raised their prices charged during the latest survey period. Price hikes were again limited, however, with the rate of output charge inflation remaining mild and much softer than those seen on average in 2022.

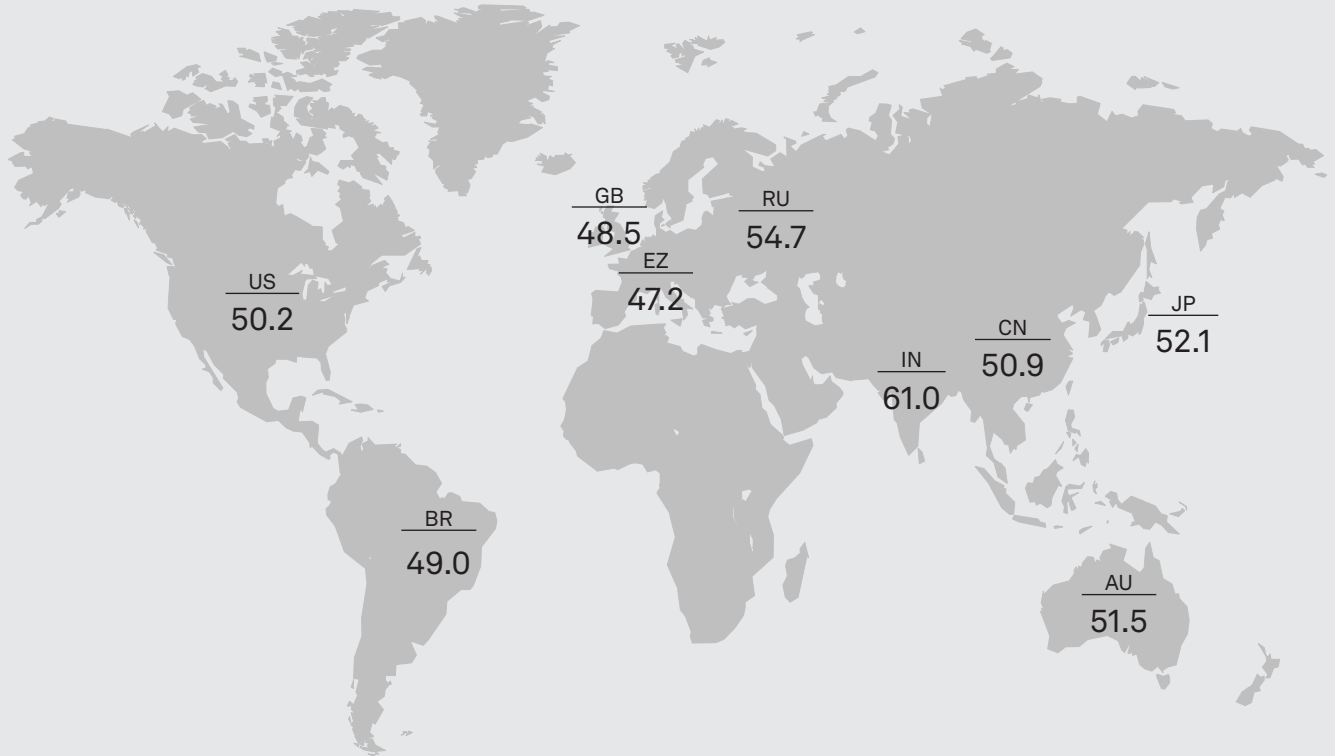
Output Prices Index



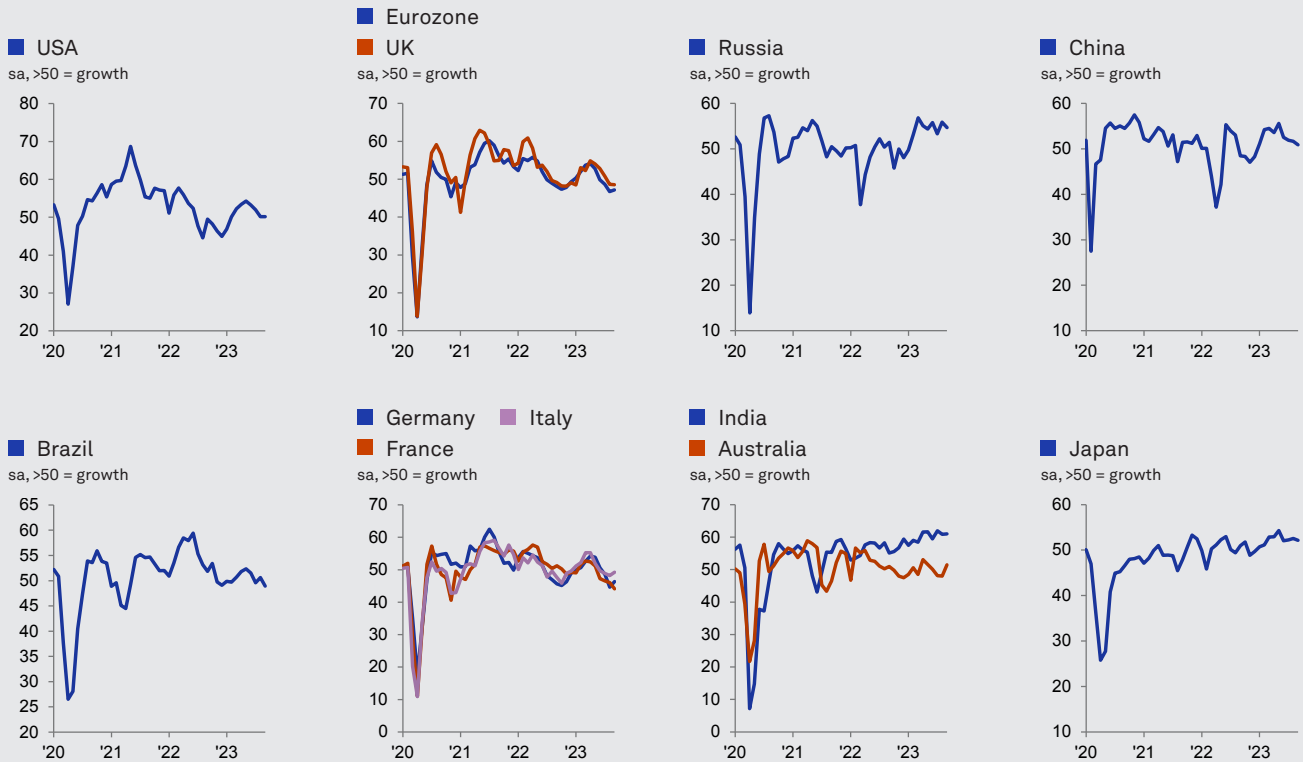
International PMI

Composite Output Index, Sep '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 October 2023.

Survey questions

Private sector

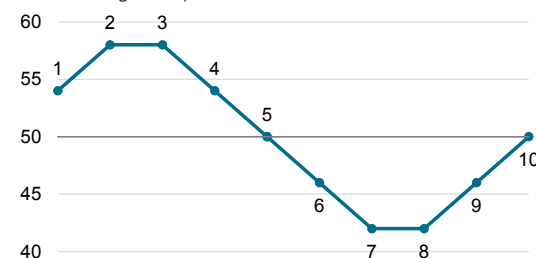
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

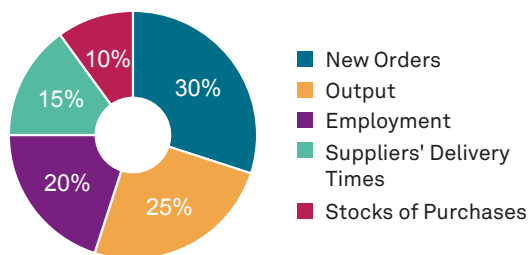
Index interpretation

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
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
10 '23	48.9	47.8	47.6	48.8	22.3	50.2	47.9	49.3	49.2	50.6	51.7	51.7	50.2	51.0

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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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