

BLOM Lebanon PMI[®]

BLOM Lebanon PMI rises to four-month high

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BLOM Lebanon PMI rises to 49.5, its highest since July

Export demand stages notable recovery in November

Price pressures persist; confidence edges up to three-month high

The contraction in Lebanon's private sector economy slowed during November, according to the latest BLOM Lebanon PMI[®] survey, as business activity declined at the slowest pace in four months amid a modest notable in new export orders. Business confidence also improved slightly, rising to its highest level in three months.

On the prices front, cost pressures persisted in November, leading to another rise in firms' selling charges.

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[®] registered 49.5 in November to signal

a marginal contraction in business activity across the Lebanese private sector economy. That said, this was up from 48.9 in October and its highest level since July.

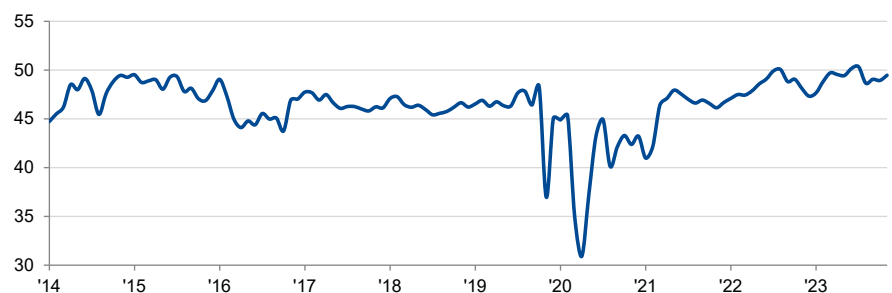
According to surveyed companies that reported a lower volume of business activity during November, instability within the Middle East was cited as a drag on output. Security concerns and domestic political uncertainty also constrained order books, anecdotal evidence showed. That said, the decline in new business inflows was the slowest seen in the current four-month sequence of decrease.

A notable recovery in demand from international clients midway through the final quarter was a key finding of November's survey, with new export orders rising for the first time since June and at the fastest pace since May 2015.

Signs of improvement in parts of the economy fuelled an uptick in business confidence during November, as seen by the Future Activity Index moving

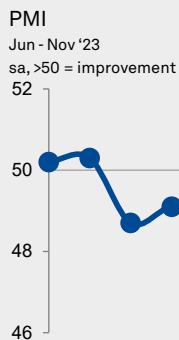
BLOM Lebanon PMI

sa, >50 = improvement since previous month



49.5

LEBANON PMI
NOV '23



up to a three-month high. That said, with over half of the survey panel (51%) anticipating lower activity in the coming year, the overall level of business sentiment was still subdued.

Subsequently, November survey data showed a greater hesitancy among businesses to stockpile items. Purchasing activity declined for a second successive month, with the pace of decrease accelerating slightly to its fastest in nearly a year. Inventory levels were held unchanged, ending an eight-month sequence of accumulation.

Meanwhile, a lack of incoming new business led firms to continue depleting

backlogs during November. Orders pending completion fell for a second straight month, albeit marginally. Firms increased employment fractionally, despite lower pending workloads.

With respect to prices, November survey data signalled a persistence of inflationary pressures. Operating expenses rose amid increased purchasing costs, which firms linked to volatile trading conditions. In turn, selling charges were raised for a twenty-sixth month in a row as part of efforts to offset margin erosion.

Comment

Commenting on BLOM Lebanon PMI for November 2023, Dr. Ali Bolbol, General Manager at BLOMINVEST Bank, said:

“After registering 48.9 in October, the BLOM Lebanon PMI recorded a higher level of 49.5 in November. Though still lower than 50, the rise reflects the easing of security concerns, as Lebanon evaded getting involved in the war in Gaza. More than that, though domestic demand showed a softer decline, it was the increase in exports to 50.8 that was most notable and the strongest in eight years – a sign perhaps that cheaper exchange rates are starting to make the

private sector more competitive. Also interesting was the increase in both employment and wages that reflect a recovering labour market, albeit at low rates. These rates -- and others in the PMI – will only substantially increase when genuine economic and financial reforms are designed and implemented.”

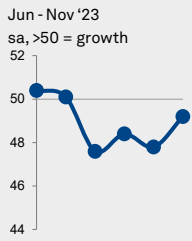


PMI®

by **S&P Global**

Output and demand

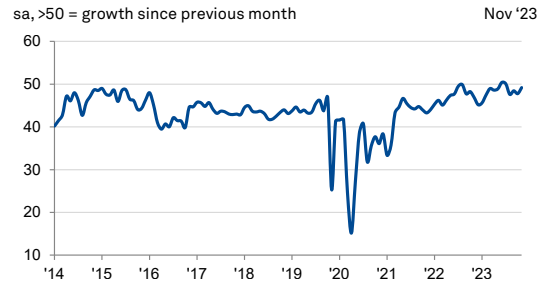
Output Index



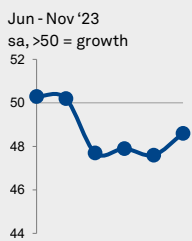
Output

Private sector business activity in Lebanon fell during November for the fourth month in succession. Regional instability was cited as a key factor behind the latest contraction in output levels. That said, the rate of decline was only marginal and the softest seen over the aforementioned contraction sequence.

Output Index



New Orders Index



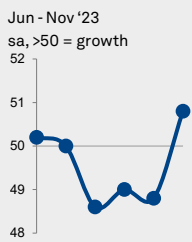
New orders

November survey data indicated a further decrease in new business received by Lebanese private sector companies. According to respondents, weak client purchasing power, security concerns and political uncertainty weighed on sales performances. While November's fall in new orders extended the current period of deteriorating demand to four months, the latest decline was the softest in this sequence.

New Orders Index



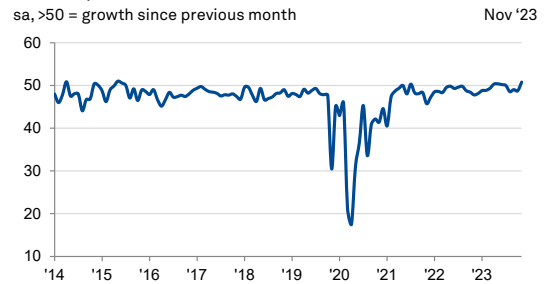
New Export Orders Index



New export orders

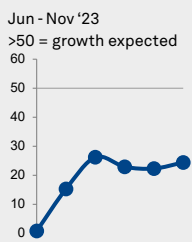
Demand from customers in external markets staged a mild recovery midway through the fourth quarter. This was evidenced by the seasonally adjusted New Export Orders Index posting above the 50.0 no-change mark for the first time since June. Additionally, the rate of improvement in non-domestic client demand was the strongest since May 2015.

New Export Orders Index



Business expectations

Future Output Index



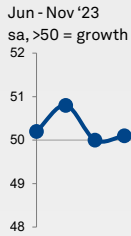
The Future Output Index edged up slightly in November to a three-month high, signalling a slight improvement in business sentiment. That said, with over half of panellists (51%) expecting activity volumes to decline in the coming 12 months, firms' expectations remained negative overall. Political and economic uncertainty, as well as security concerns, were given as reasons to be pessimistic, anecdotal evidence showed.

Future Output Index



Employment and capacity

Employment Index



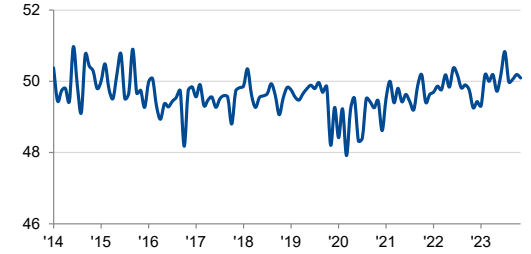
Employment

The level of employment within Lebanon's private sector economy continued to increase at a fractional pace during November, as was the case in both the two months prior. This was evidenced by the respective seasonally adjusted index recording just above the no-change threshold of 50.0.

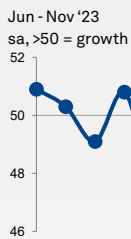
Employment Index

sa, >50 = growth since previous month

50.1
Nov '23



Backlogs of Work Index



Backlogs of work

For a second month in succession, private sector companies in Lebanon made inroads into their backlogs of work during November. According to panel members, a lack of incoming new orders allowed for the completion of outstanding projects. That said, the rate of depletion was only marginal and slowed from October's nine-month record.

Backlogs of Work Index

sa, >50 = growth since previous month

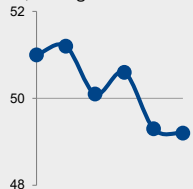
49.6
Nov '23



Purchasing and inventories

Quantity of Purchases Index

Jun - Nov '23
sa, >50 = growth



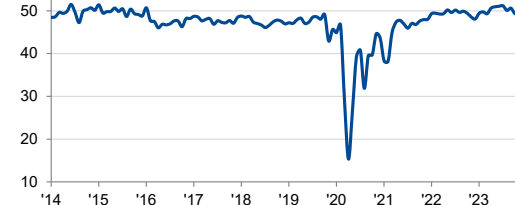
Quantity of purchases

November survey data signalled back-to-back months of falling purchasing activity by private sector firms in Lebanon. The reduction, albeit only marginal, was quicker than in October and the strongest seen in nearly a year. Where lower input buying was reported, this was often linked to weaker business activity.

Quantity of Purchases Index

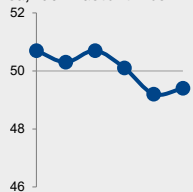
sa, >50 = growth since previous month

49.2
Nov '23



Suppliers' Delivery Times Index

Jun - Nov '23
sa, >50 = faster times



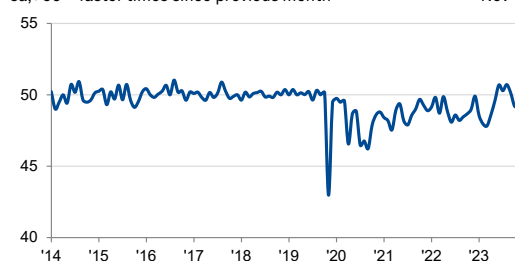
Suppliers' delivery times

A worsening of vendor performance was sustained midway through the final quarter of 2023, as signalled by another sub-50.0 reading in the seasonally adjusted Suppliers' Delivery Times Index. The extent to which lead times lengthened was marginal, however, and slightly weaker than that seen in October.

Suppliers' Delivery Times Index

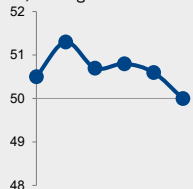
sa, >50 = faster times since previous month

49.4
Nov '23



Stocks of Purchases Index

Jun - Nov '23
sa, >50 = growth



Stocks of purchases

With an exact reading of 50.0, the seasonally adjusted Stocks of Purchases Index indicated unchanged holdings of raw materials, components and other necessary items at Lebanese private sector companies. Subsequently, this ended an eight-month sequence of expansion. Some companies indicated that weak demand had deterred them from raising inventory levels.

Stocks of Purchases Index

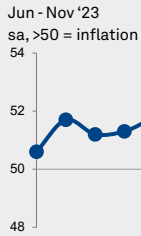
sa, >50 = growth since previous month

50.0
Nov '23



Prices

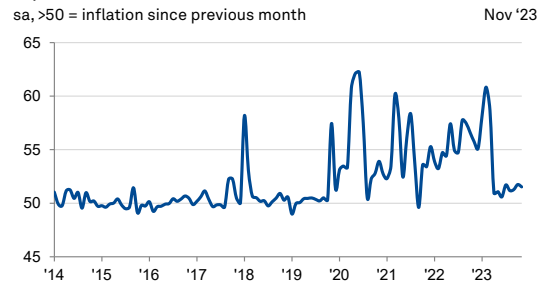
Input Prices Index



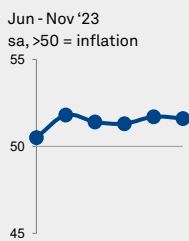
Overall input prices

Cost pressures faced by private sector firms in Lebanon were sustained during November. The rate of input price inflation was modest overall and broadly in line with the average seen in the second half of 2023 so far. Prices paid for purchases were the driving factor, more granular data showed.

Input Prices Index



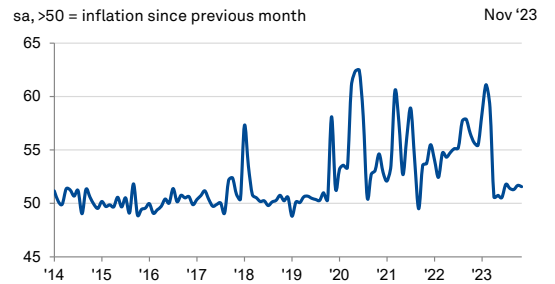
Purchase Prices Index



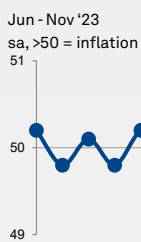
Purchase prices

Volatile trading conditions reportedly exerted upward pressures on firms' purchasing costs, anecdotal evidence showed. Subsequently, prices paid for items rose for a twenty-sixth consecutive month during November. The rate of increase was marginal and little-changed from those seen in previous months.

Purchase Prices Index



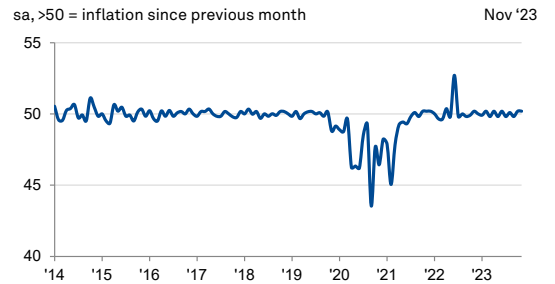
Staff Costs Index



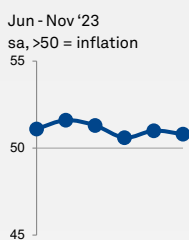
Staff costs

November survey data indicated a slight uptick in Lebanese firms' staff expenses. This was shown by the respective seasonally adjusted index, which registered just above the 50.0 neutrality threshold. Overall, this was the second month in succession that wage pressures have intensified.

Staff Costs Index



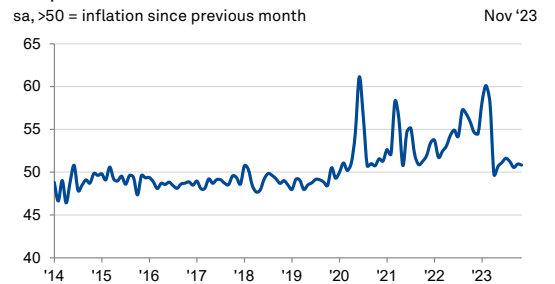
Output Prices Index



Output prices

In response to rising operating expenses, private sector firms in Lebanon raised their prices charged to share part of the burden of higher costs with their clients. The rate of output charge inflation, however, was marginal and broadly in line with its historical average.

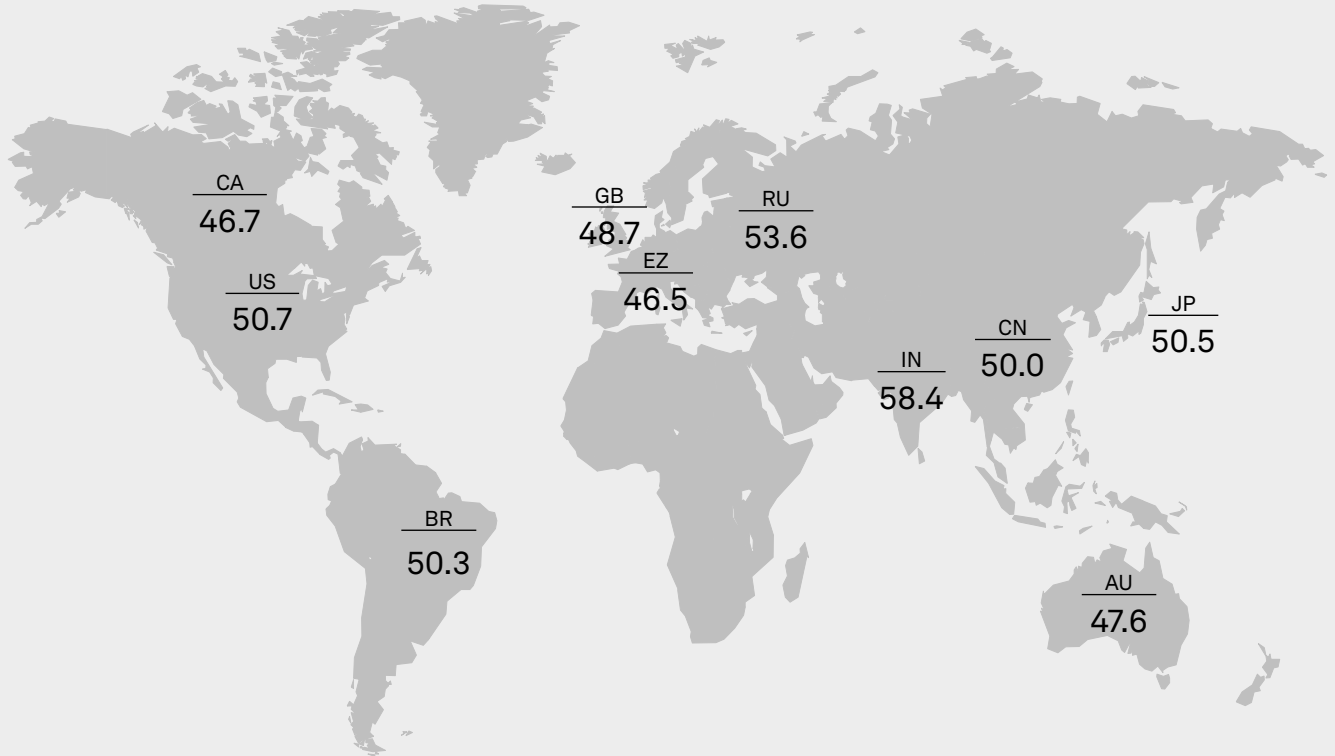
Output Prices Index



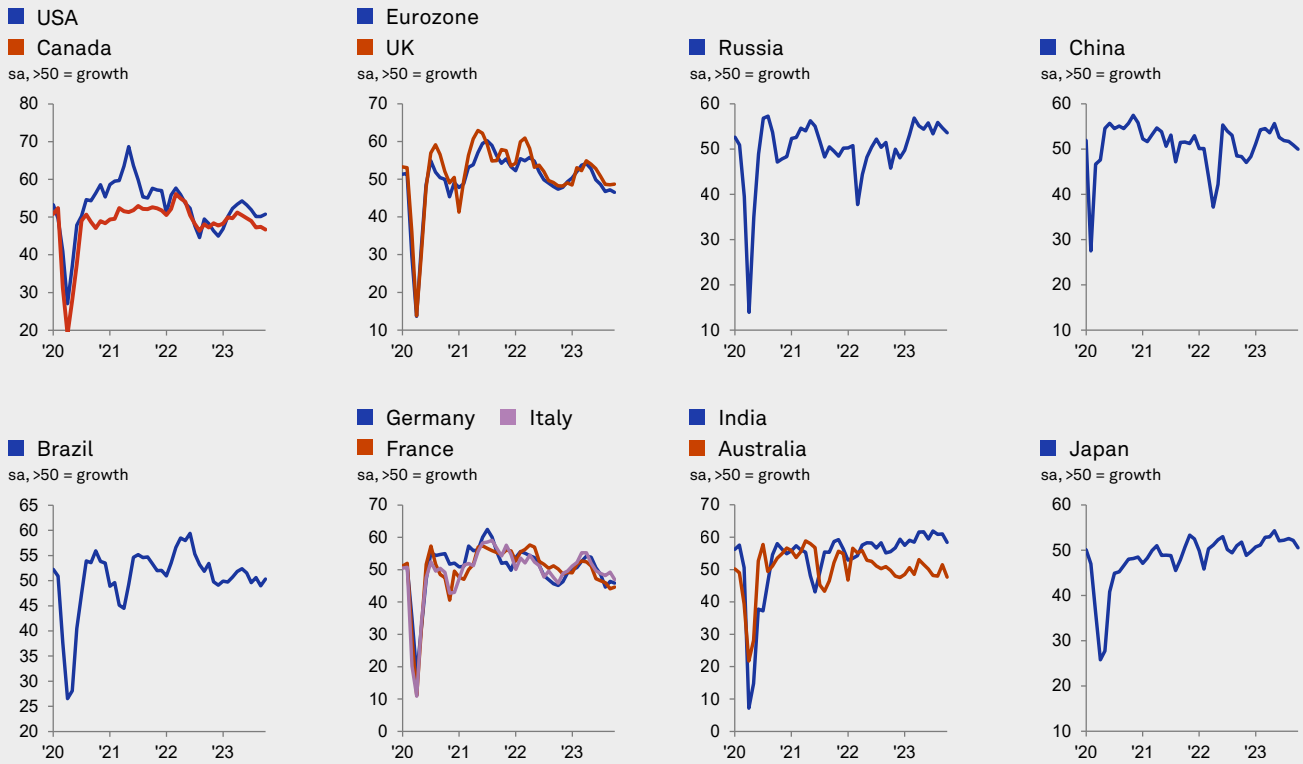
International PMI

Composite Output Index, Oct '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 09-24 November 2023.

Survey questions

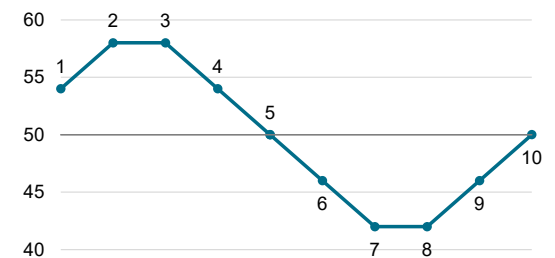
Private sector	
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

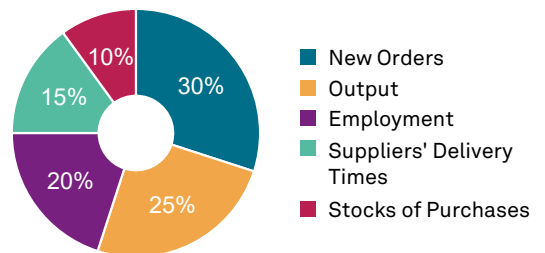
Index interpretation

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
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
11 '23	49.5	49.2	48.6	50.8	24.4	50.1	49.6	49.2	49.4	50.0	51.5	51.6	50.2	50.8

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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.

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