

BLOM Lebanon PMI[®]

BLOM Lebanon PMI falls to lowest level since the start of 2023

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BLOM Lebanon PMI falls to 48.4, its lowest in almost a year

Output and new orders fall at faster rates

Business sentiment improves further; inflationary pressures cool

According to the latest BLOM Lebanon PMI[®] survey, private sector operating conditions declined to the greatest extent since the beginning of 2023. Output and new orders posted stronger contractions in December, while employment fell for the first time since May. However, there was a further improvement in business sentiment, although firms remained pessimistic towards activity prospects in the year ahead.

Meanwhile, the latest survey data indicated a cooling of price pressures. Output prices rose at the softest pace for three months.

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.

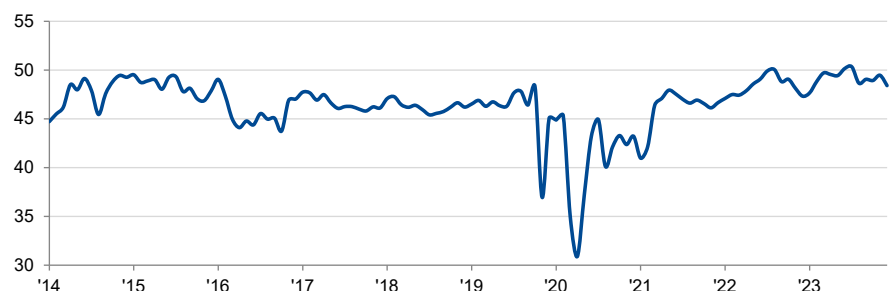
The headline BLOM Lebanon PMI[®] registered 48.4 in December, down from 49.5 in November and its lowest level since January 2023. Overall, the headline figure was indicative of a modest deterioration in operating conditions across Lebanon's private sector economy.

Central to December's dip in the PMI were faster contractions in output and new orders. According to survey respondents, weak client purchasing power restricted intakes of new business. Some companies also linked the weakening of demand conditions to economic and political uncertainty domestically. A number of panel members also remarked on the negative influence of the war between Israel and Hamas.

A drag on sales performances also came from external sources as new export business fell following November's rebound. The rate of decline was not substantial, however.

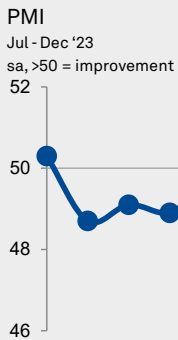
BLOM Lebanon PMI

sa, >50 = improvement since previous month



48.4

LEBANON PMI
DEC '23



Lower intakes of new work led private sector companies in Lebanon to take a more cautious stance towards spending. Purchasing activity subsequently fell for a third successive month in December. Nevertheless, despite reduced input purchasing, the latest survey data indicated a worsening of suppliers' delivery times, but at a softer rate.

December's survey results also showed a renewed drop in private sector employment levels across Lebanon. Although job losses were only marginal, it was the first time in seven months that a reduction in staffing numbers was recorded. The drop in workforce capacity coincided with a third

successive month of falling backlogs.

Meanwhile, there was a cooling of price pressures in December. Overall input costs rose only mildly and at the weakest pace since June. In turn, prices charged by private sector companies in Lebanon rose at a weaker pace. The rate of output price inflation was the slowest in three months.

Finally, the Future Activity Index moved up in December, recording at its highest level since March 2020. Nevertheless, it was still indicative of pessimistic business sentiment as the domestic political and economic landscape is expected to remain challenging for firms to prosper in.

Comment

Commenting on BLOM Lebanon PMI for December 2023, Aline Azzi, research analyst at BLOMINVEST Bank, said:

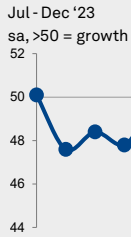
“The December PMI revealed a significant and accelerated decline in business conditions within Lebanon's private sector. Registering at 48.4, the index fell further below the 50-threshold, marking its lowest point since January 2023. This downturn is attributed to heightened uncertainty among the political class, particularly regarding the potential extension of the army commander's term. Despite containment of regional effects from the Gaza war, Lebanon continues

to grapple with a volatile economic environment. Notably, the Israel-Hamas Conflict further exacerbated economic challenges, leading to some reversal of gains in the tourism industry during the festive season. The decline is characterized by rapid contractions in output and new orders, influenced by factors like weakened client purchasing power and a slight drop in new export business; though, on the positive side, there was decline in price pressures. However, despite a slight improvement in the Future Activity Index, it still reflects a pessimistic business sentiment due to the challenging domestic landscape.”



Output and demand

Output Index



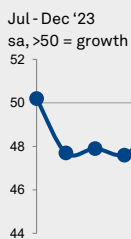
Output

Business activity levels across Lebanon's private sector fell during December. The conflict between Israel and Hamas continued to have a negative impact on output volumes, anecdotal evidence showed, although other companies cited domestic political instability as the cause. The rate of contraction in business activity was moderate but the strongest in nearly a year.

Output Index



New Orders Index



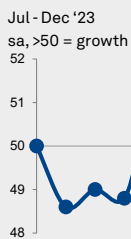
New orders

Private sector businesses in Lebanon registered lower intakes of new work at the end of 2023. Fragile domestic economic conditions, in addition to weak client purchasing power, were reasons firms provided for December's decrease in new orders. Overall, the deterioration in sales performances was the fastest since January 2023.

New Orders Index



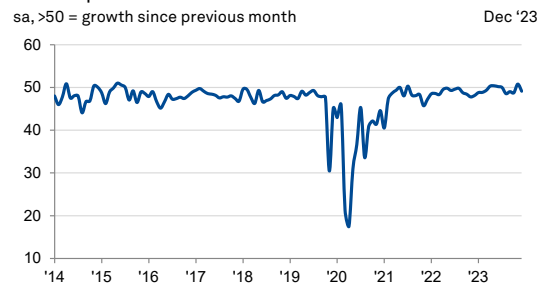
New Export Orders Index



New export orders

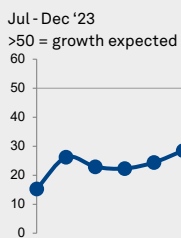
After adjusting for seasonal variance, the New Export Orders Index posted below the 50.0 no-change mark in December, indicating a renewed decline in demand from international clients following November's expansion. That said, the decrease in sales to non-domestic customers was only marginal.

New Export Orders Index



Business expectations

Future Output Index



For the second month in a row, the Future Output Index increased, signalling a further improvement in business sentiment across Lebanon's private sector.

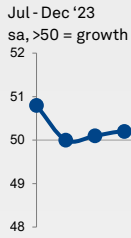
That said, while the index reached its highest mark since March 2020, it was at a level that was indicative of pessimism towards the year-ahead outlook for business activity. According to survey respondents, many firms expect the political and economic landscape in Lebanon to remain challenging to operate in.

Future Output Index



Employment and capacity

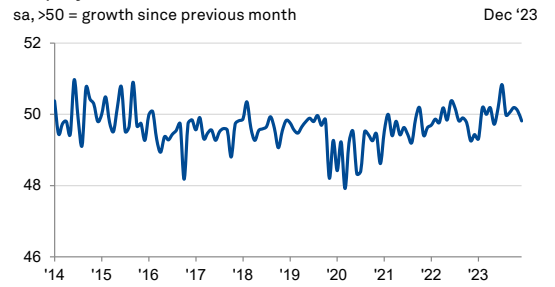
Employment Index



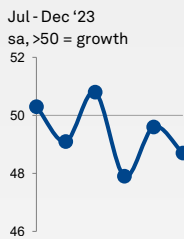
Employment

Following several consecutive months of expansion, private sector employment across Lebanon decreased in December. Consequently, this marked the first time since May that workforce numbers have fallen. That said, the rate of job shedding was only fractional overall.

Employment Index



Backlogs of Work Index



Backlogs of work

Spare capacity within Lebanon's private sector economy was evidenced by a sub-50.0 reading of the seasonally adjusted Backlogs of Work Index in December. Where outstanding orders fell, firms mentioned weak demand conditions. The rate of depletion was mild, but slightly quicker than the previous month.

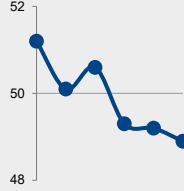
Backlogs of Work Index



Purchasing and inventories

Quantity of Purchases Index

Jul - Dec '23
sa, >50 = growth



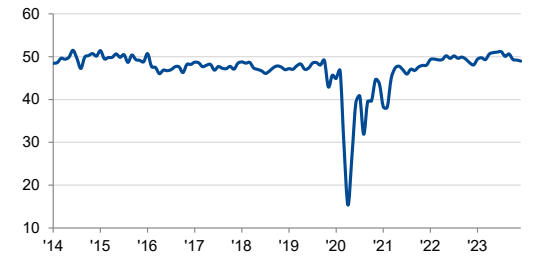
Quantity of purchases

December survey data showed fewer purchases made by private sector companies in Lebanon at the end of 2023. The rate of decline accelerated slightly to the strongest in a year. A lack of incoming new work led companies to cut back on spending, anecdotal evidence showed.

Quantity of Purchases Index

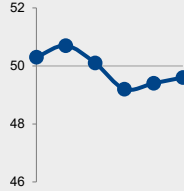
sa, >50 = growth since previous month

48.9
Dec '23



Suppliers' Delivery Times Index

Jul - Dec '23
sa, >50 = faster times



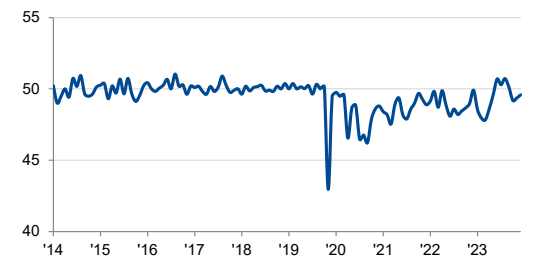
Suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index posted below the 50.0 no-change threshold in the final month of the fourth quarter, indicating a worsening of vendor performance for a third month in succession. However, delivery delays were less severe than in the two preceding months and only slight, with the index only just below the neutrality mark.

Suppliers' Delivery Times Index

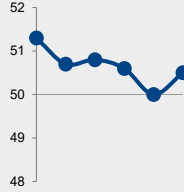
sa, >50 = faster times since previous month

49.6
Dec '23



Stocks of Purchases Index

Jul - Dec '23
sa, >50 = growth



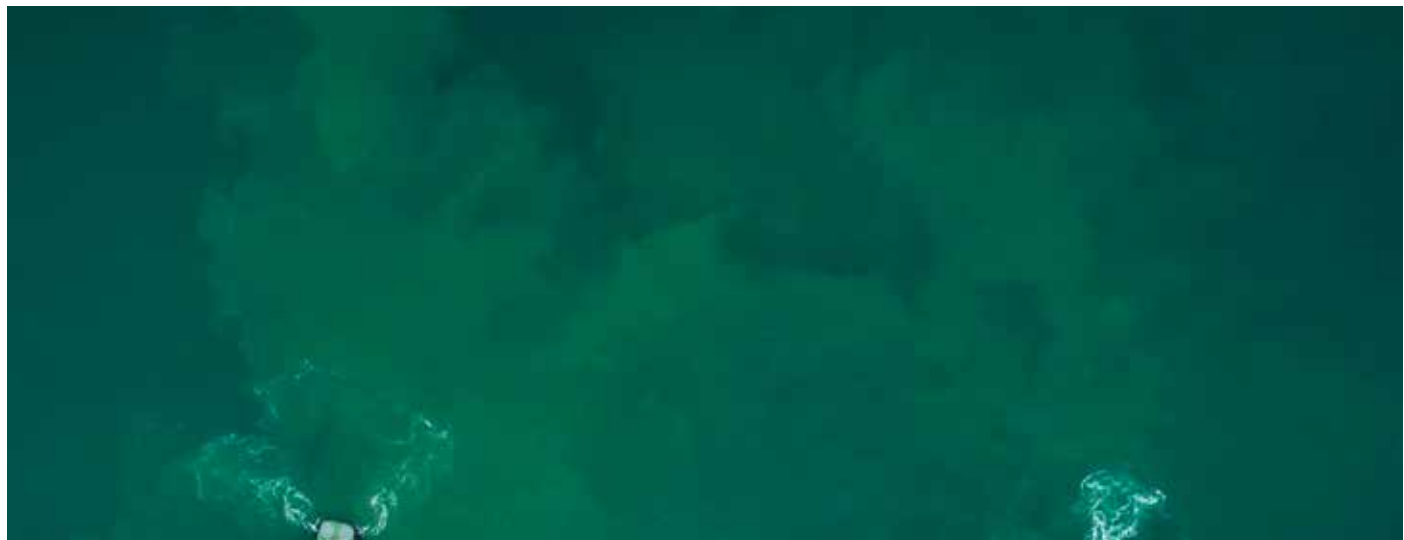
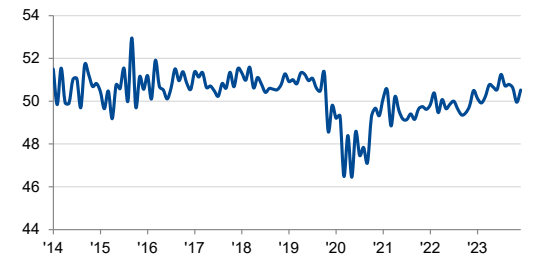
Stocks of purchases

The volume of items such as raw materials and semi-finished products held in warehouses rose during December, despite reduced input buying and lengthier delivery times. The rate of accumulation in stocks of purchases was only marginal however, with just 2% of respondents reporting an expansion.

Stocks of Purchases Index

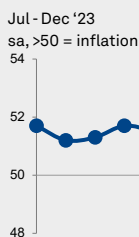
sa, >50 = growth since previous month

50.5
Dec '23



Prices

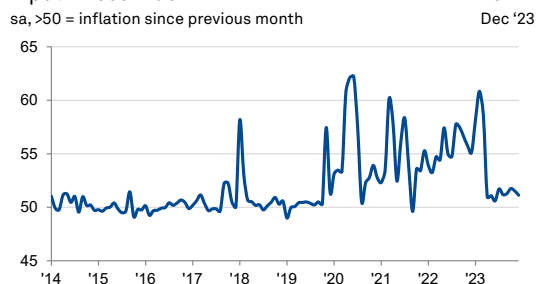
Input Prices Index



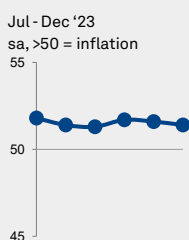
Overall input prices

There was a continuation of the inflationary trend seen in overall input costs during December. Private sector firms in Lebanon recorded an increase in operating expenses for a twenty-seventh successive month. That said, the rate of increase was the softest since June and weaker than its historical average.

Input Prices Index



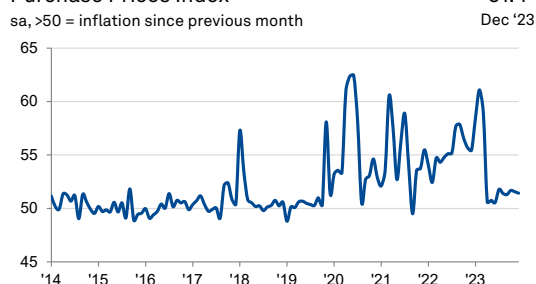
Purchase Prices Index



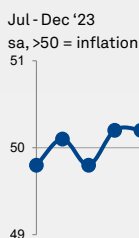
Purchase prices

Prices paid by private sector companies in Lebanon increased further at the end of the fourth quarter. The rate of inflation was modest and the softest for three months. Overall, the latest survey data highlight a considerable alleviation of purchase cost pressures when compared to those seen throughout 2022 and early last year.

Purchase Prices Index



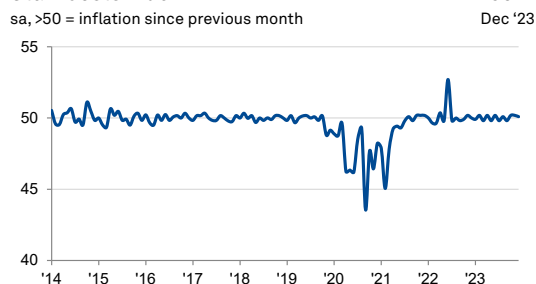
Staff Costs Index



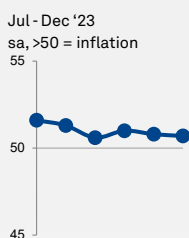
Staff costs

The seasonally adjusted Staff Costs Index recorded close to the 50.0 no-change mark during December, signalling broadly stable wage expenses for private sector firms in Lebanon. The slight alleviation of labour cost pressures coincided with a renewed drop in employment numbers.

Staff Costs Index



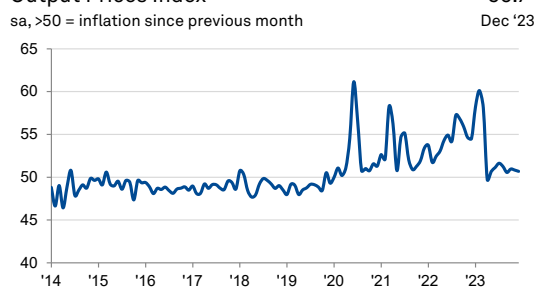
Output Prices Index



Output prices

Prices charged by private sector companies in Lebanon continued to increase in the final month of 2023, as evidenced by the seasonally adjusted Output Prices Index recording above the 50.0 mark that separates an increase from a decline. Overall, the rate of inflation was marginal and the softest since September.

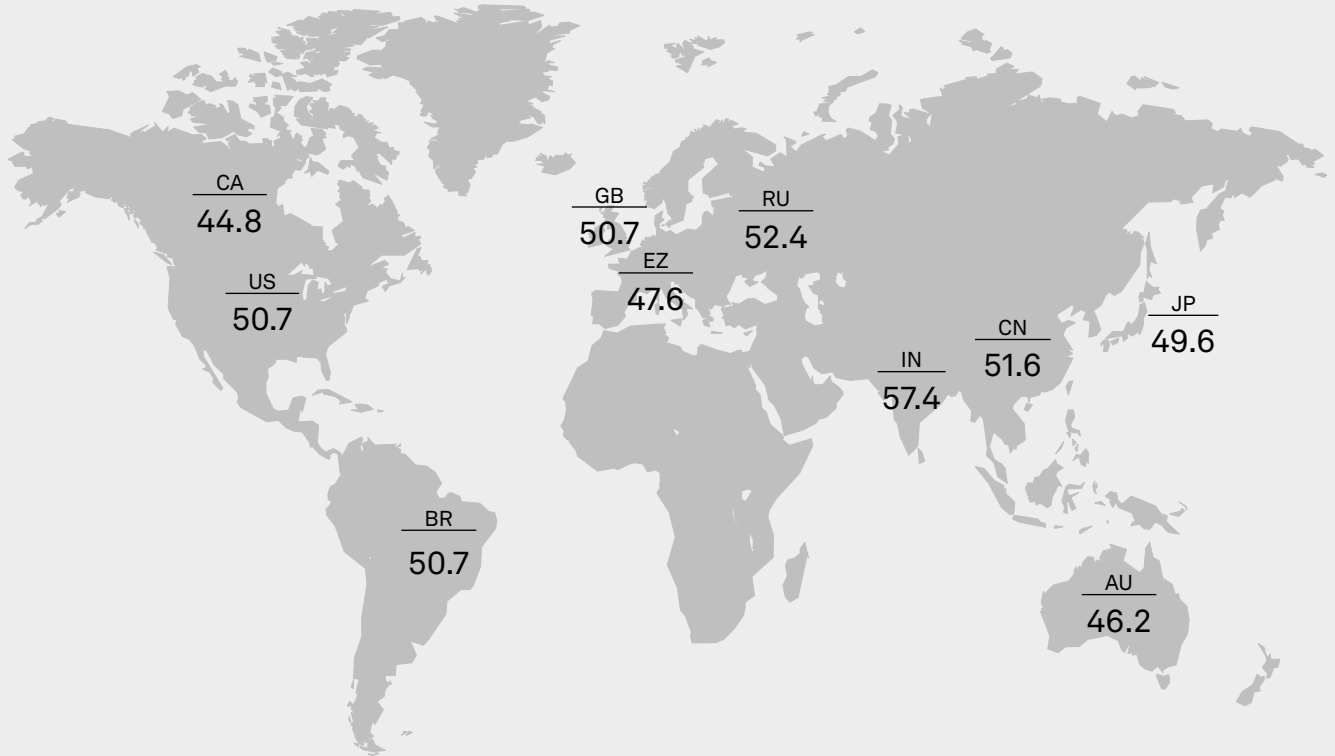
Output Prices Index



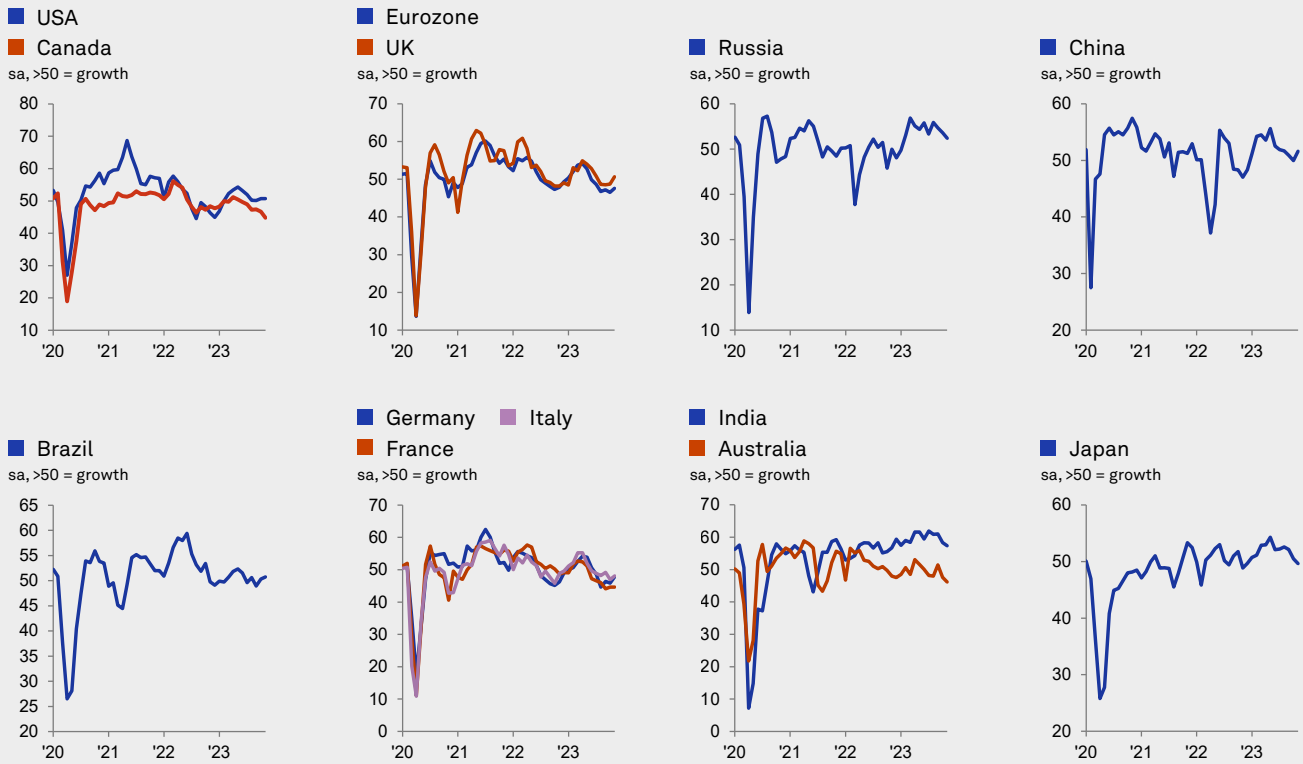
International PMI

Composite Output Index, Nov '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 06-18 December 2023.

Survey questions

Private sector

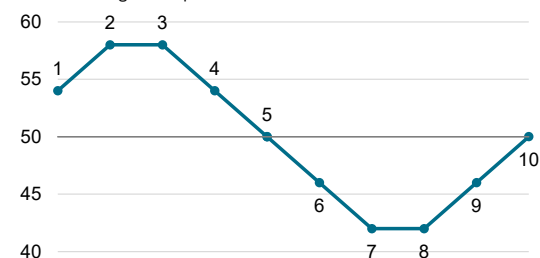
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

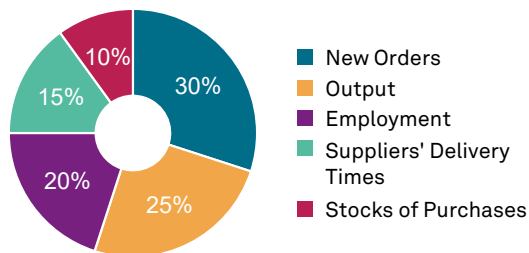
Index interpretation

50.0 = no change since previous month



- 1 Growth
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 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
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
12 '23	48.4	47.0	46.9	49.1	28.5	49.8	48.7	48.9	49.6	50.5	51.1	51.4	50.1	50.7

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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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PMI®

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