

BLOM Lebanon PMI[®]

Lebanon PMI moves closer to 50.0 stabilisation mark

Contents

Overview

Comment

Output and demand

Business expectations

Employment and capacity

Purchasing and inventories

Prices

International PMI

Survey methodology

Further information

BLOM Lebanon PMI rises to 49.4, from 48.4 in December

Business activity and new orders fall at softer rates

Costs close to stabilising; output prices tick slightly higher

According to the latest BLOM Lebanon PMI[®] survey, the Lebanese private sector economy moved closer to stabilisation at the beginning of 2024 as steady employment levels combined with softer rates of decline in output and new orders. Input cost inflation slowed notably on the month, while output charges were lifted as businesses sought to boost their margins.

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[®] rose from December's 11-month low of 48.4, to 49.4 in January. While still in territory that signalled a deterioration

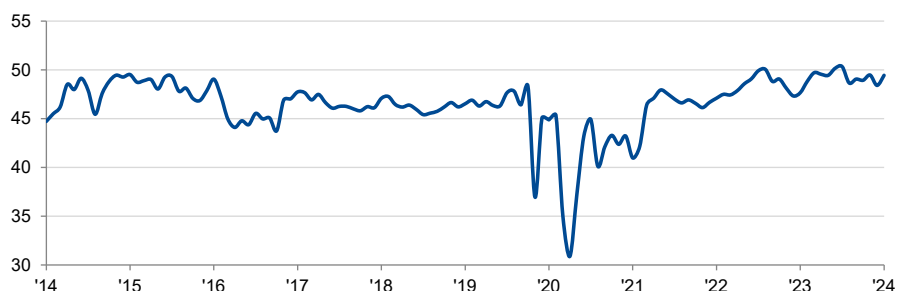
in Lebanon's private sector economy, it was a positive month-on-month move that pushed the headline index closer to the 50.0 stabilisation mark.

Business activity levels fell at the start of 2024. The domestic political and economic landscape was cited as a restrictive factor by survey respondents. However, the decline was mild overall and softer than that seen at the end of last year.

Hindering output was also a further contraction in sales. January PMI data indicated fewer intakes of new work by private companies in Lebanon. Uncertainty led to reduced demand, according to anecdotal evidence, as did customer security concerns due to the war in Gaza. This was especially notable in new export business, with lower tourism contributing to the fastest month-on-month decline since December 2022. Nevertheless, the reduction in overall demand (from both domestic and international sources) was only mild, with the respective index well above its long-term average.

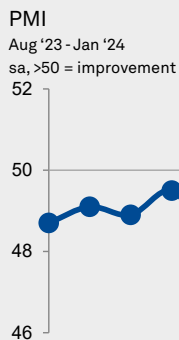
BLOM Lebanon PMI

sa, >50 = improvement since previous month



49.4

LEBANON PMI
JAN '24



Local and regional uncertainty were also expected to limit growth in the coming 12 months, as evidenced by a subdued reading of the Future Activity Index. That said, while January's level of business confidence was subdued overall, it was markedly higher than seen on average over the past four years.

Employment held steady in January, in line with the general trend seen since last August. This was despite signs of absent capacity pressures as backlogs of work declined for the fourth consecutive month.

Positively, private sector companies in Lebanon saw their operating costs

come close to stabilising in January. Although overall input prices rose, the rate of inflation was fractional and the softest in nearly two-and-a-half years.

Cooling purchase cost inflation was a key driver of the slowdown in price pressures, although purchasing activity continued to decrease.

On the other hand, prices charged were raised, signalling efforts by firms to improve their profit margins. The extent to which selling prices rose was only marginal, however, and the softest in four months.

Comment

Commenting on BLOM Lebanon PMI for January 2024, Dr. Fadi Osseiran, general manager of BLOMINVEST Bank, said:

"In January 2024, Lebanon's Purchasing Managers' Index (PMI) demonstrated resilience, reaching 49.4, compared to a low of 48.4 in December 2023. The reassuring news stems largely from the limited impact of the Gaza-Israel conflict as it is confined to the southern frontier, in

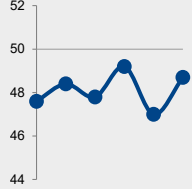
addition to stability in the exchange rate. However, despite the optimistic progress, Lebanon encounters on-going challenges in its pursuit of economic renewal. This is emphasized by the approval of an amended budget that lacks vital reforms necessary to address the enduring crisis afflicting the public sector, not to mention the absence of an overall plan for financial and structural adjustments."



Output and demand

Output Index

Aug '23 - Jan '24
sa, >50 = growth



Output

Private sector business activity fell in Lebanon at the start of 2024, extending the current sequence of contraction to six months. According to anecdotal evidence, output levels were constrained by the challenging economic and political situation domestically. That said, the rate of decline slowed from that seen at the end of 2023 and was mild overall.

Output Index

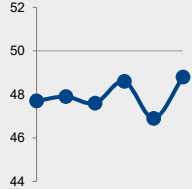
sa, >50 = growth since previous month

48.7
Jan '24



New Orders Index

Aug '23 - Jan '24
sa, >50 = growth



New orders

January survey data signalled a further deterioration in demand conditions faced by private sector businesses in Lebanon. Security concerns due to conflict in the region, as well as domestic instability caused by political and economic uncertainty, reportedly led new business inflows to shrink. However, the fall in sales was only mild and the softest seen in six months.

New Orders Index

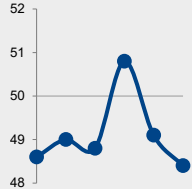
sa, >50 = growth since previous month

48.8
Jan '24



New Export Orders Index

Aug '23 - Jan '24
sa, >50 = growth



New export orders

The seasonally adjusted New Export Orders Index slid further into sub-50.0 contraction territory at the start of 2024, indicating a worsening of demand from non-domestic clients. The war in Gaza reportedly deterred tourism demand, with surveyed companies linking regional security concerns to a drop in export sales. While the decrease was moderate, it was the fastest since December 2022.

New Export Orders Index

sa, >50 = growth since previous month

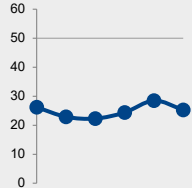
48.4
Jan '24



Business expectations

Future Output Index

Aug '23 - Jan '24
>50 = growth expected



The Future Output Index signalled a pessimistic outlook among private sector companies in Lebanon, remaining well below the neutral 50.0 threshold. Half of respondents predicted business activity levels to drop in the coming year, citing the domestic political and economic situation as a factor.

Future Output Index

>50 = growth expected over next 12 months

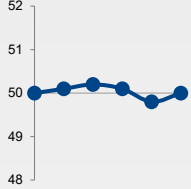
25.3
Jan '24



Employment and capacity

Employment Index

Aug '23 - Jan '24
sa, >50 = growth



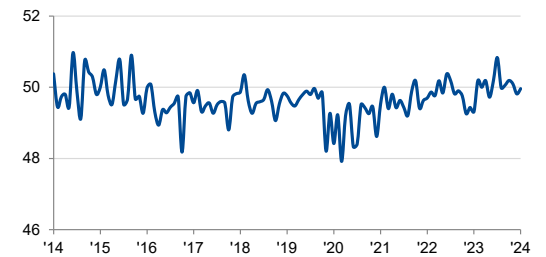
Employment

Private sector companies in Lebanon reported no change to their workforce numbers at the start of 2024. This was evidenced by the seasonally adjusted Employment Index registering 50.0. Overall, this was in line with the trend seen on average since August last year.

Employment Index

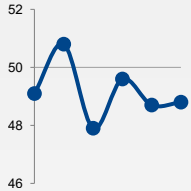
sa, >50 = growth since previous month

50.0
Jan '24



Backlogs of Work Index

Aug '23 - Jan '24
sa, >50 = growth



Backlogs of work

January survey data signalled lower levels of outstanding work at private sector businesses in Lebanon. This marked the fourth month in succession where backlogs have fallen. That said, with just 4% of respondents reporting fewer volumes of projects pending completion, the rate of depletion was only mild. Panellists linked a lack of incoming new orders to the reduction in work-in-hand.

Backlogs of Work Index

sa, >50 = growth since previous month

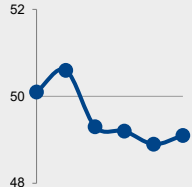
48.8
Jan '24



Purchasing and inventories

Quantity of Purchases Index

Aug '23 - Jan '24
sa, >50 = growth

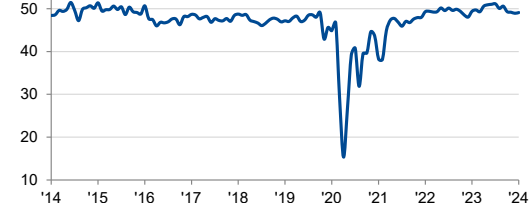


Quantity of purchases

Adjusted for seasonal factors, the Quantity of Purchases Index registered below the 50.0 no-change threshold in January, indicating reduced purchases made by private sector companies in Lebanon. Cuts to buying activity were largely in response to weak demand conditions, anecdotal evidence showed.

Quantity of Purchases Index

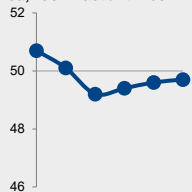
sa, >50 = growth since previous month



49.1
Jan '24

Suppliers' Delivery Times Index

Aug '23 - Jan '24
sa, >50 = faster times

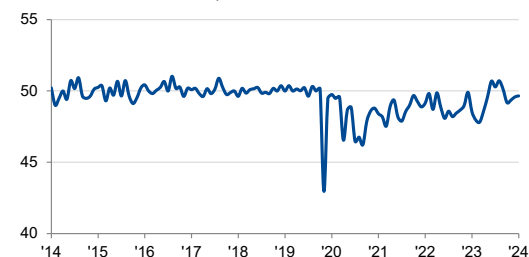


Suppliers' delivery times

There was another marginal deterioration in vendor performance at the start of the year, as evidenced by the seasonally adjusted Suppliers' Delivery Times Index posting just below the neutral 50.0 level. Overall, the index rose to its highest mark in four months, indicating the fewest incidences of delivery delays since last September.

Suppliers' Delivery Times Index

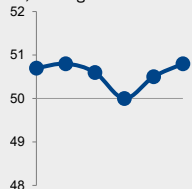
sa, >50 = faster times since previous month



49.7
Jan '24

Stocks of Purchases Index

Aug '23 - Jan '24
sa, >50 = growth



Stocks of purchases

For the tenth time in the last 11 months, January survey data pointed to an expansion in stocks of purchases held by private sector firms in Lebanon. Moreover, the rate of accumulation was the quickest in four months, albeit marginal.

Stocks of Purchases Index

sa, >50 = growth since previous month



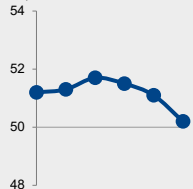
50.8
Jan '24



Prices

Input Prices Index

Aug '23 - Jan '24
sa, >50 = inflation



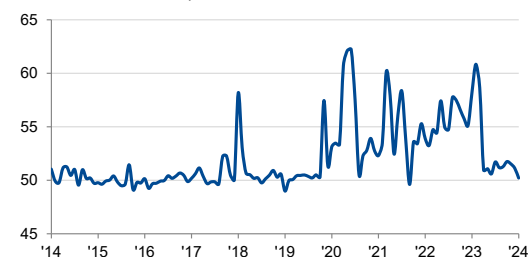
Overall input prices

Overall input price inflation continued its downward path in January, cooling to a fractional pace that was the softest in close to two-and-a-half years. This was markedly weaker than seen across the survey on average (which started almost 11 years ago).

Input Prices Index

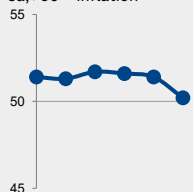
sa, >50 = inflation since previous month

50.2
Jan '24



Purchase Prices Index

Aug '23 - Jan '24
sa, >50 = inflation



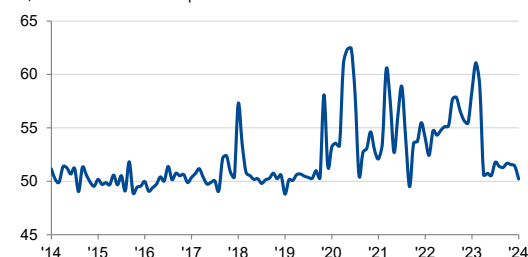
Purchase prices

Purchase price inflation was key to pulling cost pressures lower during January, with the respective seasonally adjusted index falling for a third month running to its lowest since September 2021. This was a notable turnaround from the situation a year ago, when purchase cost inflation was at a one-and-a-half-year peak.

Purchase Prices Index

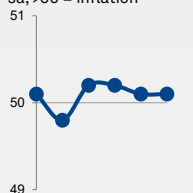
sa, >50 = inflation since previous month

50.2
Jan '24



Staff Costs Index

Aug '23 - Jan '24
sa, >50 = inflation



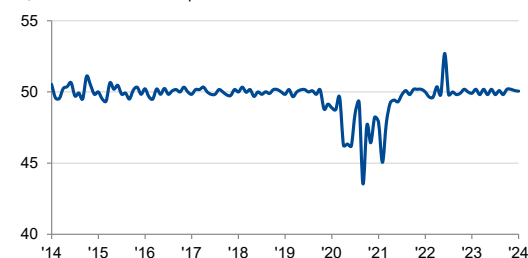
Staff costs

Private sector companies in Lebanon recorded almost no change in their expenses relating to staff (such as bonuses, salaries and overtime payments). The respective seasonally adjusted index was only fractionally above the 50.0 no-change threshold in January.

Staff Costs Index

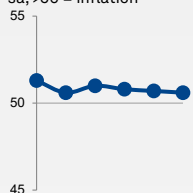
sa, >50 = inflation since previous month

50.1
Jan '24



Output Prices Index

Aug '23 - Jan '24
sa, >50 = inflation



Output prices

Despite cost pressures moderating in January, private sector firms in Lebanon continued to lift their prices charged. Overall, this extended the current period of output charge inflation to nine months, although the latest rise was the joint-weakest over this sequence (level with that seen in September 2023).

Output Prices Index

sa, >50 = inflation since previous month

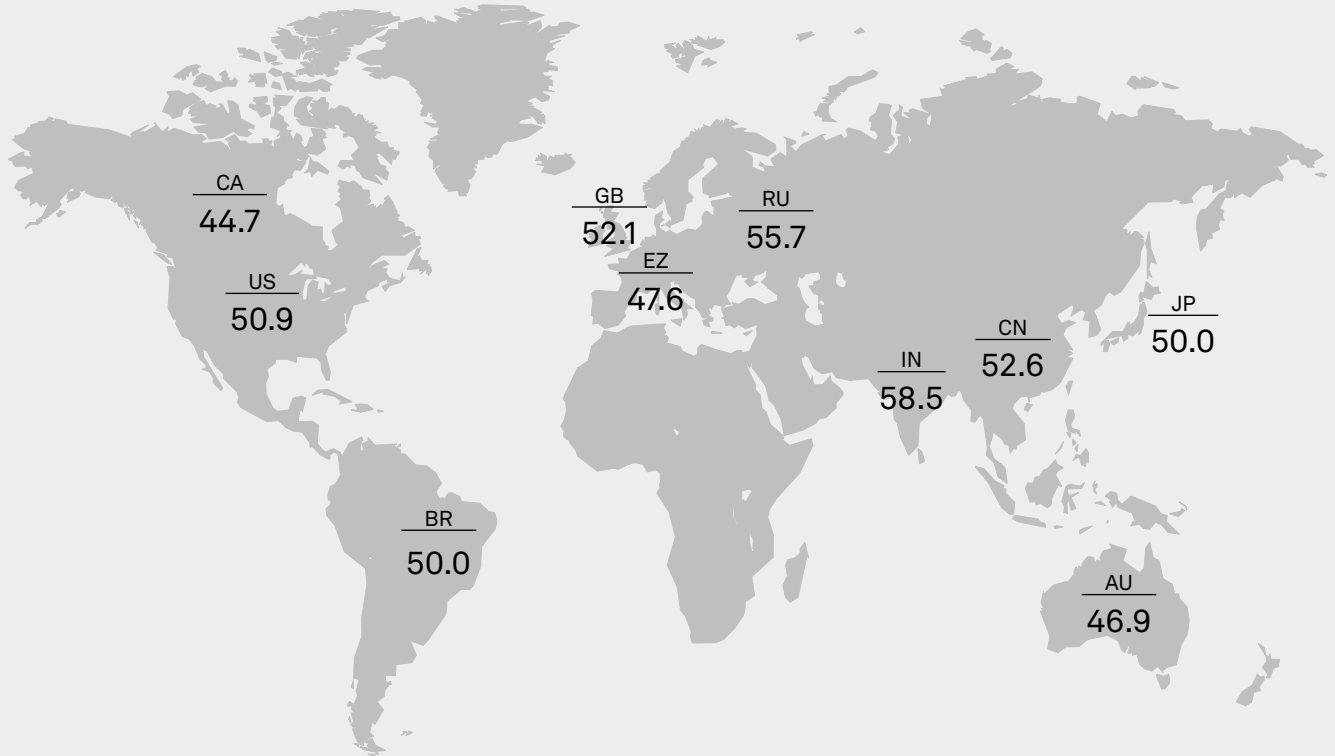
50.6
Jan '24



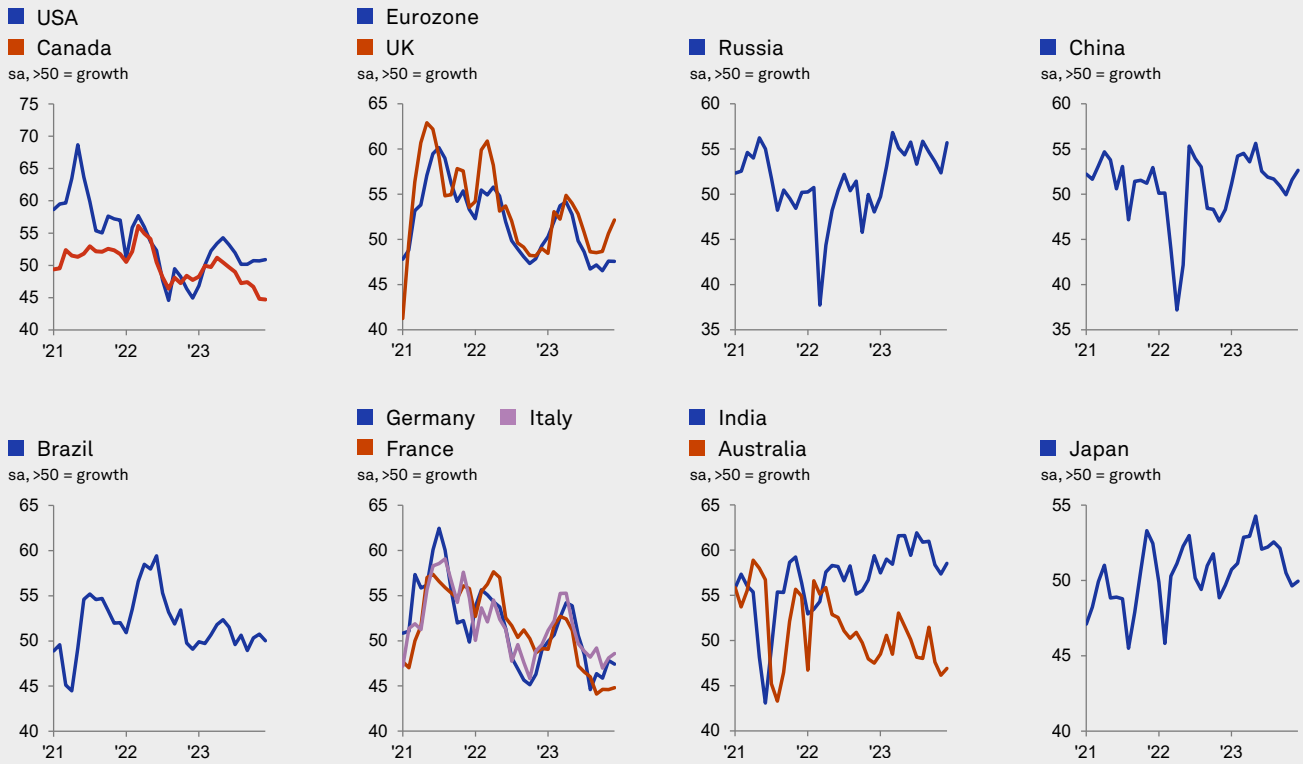
International PMI

Composite Output Index, Dec '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 11-25 January 2024.

Survey questions

Private sector

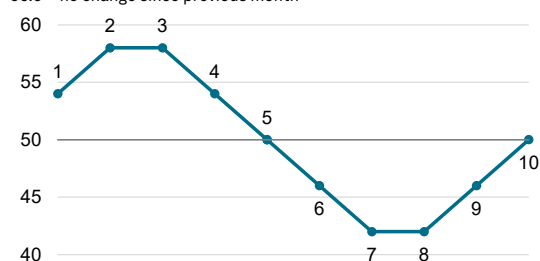
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

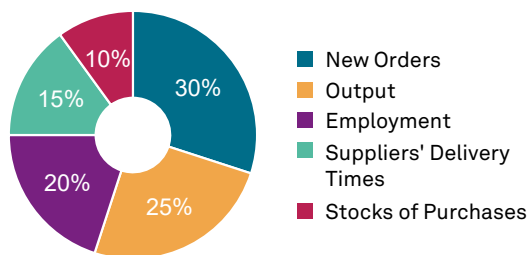
Index interpretation

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
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
01 '24	49.4	48.7	48.8	48.4	25.3	50.0	48.8	49.1	49.7	50.8	50.2	50.2	50.1	50.6

Contact

Dr Ali Bolbol
Chief Economist / Head of Research
BLOMINVEST Bank
T: +961 1 739 817
ali.bolbol@blominvestbank.com

Joe Hayes
Principal Economist
S&P Global Market Intelligence
T: +44-1344-328-099
joe.hayes@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 7967 447 030
sabrina.mayeen@spglobal.com

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.

www.blominvestbank.com

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.
www.spglobal.com

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.

www.spglobal.com/marketintelligence/en/mi/products/pmi.html

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

PMI®

by **S&P Global**