

BLOM Lebanon PMI[®]

Security concerns weigh on Lebanese economy

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BLOM Lebanon PMI dips to 49.1, from 49.4 in January

New business falls due to security concerns

Business confidence at seven-month low

According to the latest BLOM Lebanon PMI[®] survey, the private sector economy remained under pressure due to the war in Gaza and weakness in the domestic economy. New business fell during February, with overseas clients reluctant to place orders with Lebanese businesses due to security concerns. There was also a renewed drop in employment as business confidence fell to a seven-month low.

More positively, supplier performance fractionally improved, leading stocks of inputs to rise again. Cost pressures also remained contained, with the rate of inflation holding close to January's 28-month low.

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

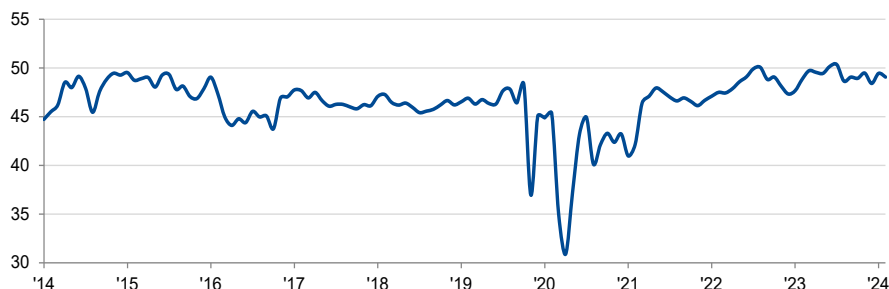
on the previous month, while readings below 50.0 show a deterioration.

The headline BLOM Lebanon PMI[®] recorded 49.1 in February, a slight dip from January's 49.4. Consequently, this indicated a marginally quicker deterioration in the health of Lebanon's private sector economy.

Weak demand conditions were a restrictive factor for businesses in Lebanon during February. Security concerns due to the war in Gaza dented company sales, anecdotal evidence showed. A challenging political and economic landscape also weighed on clients' appetite to place new orders. Export performances suffered as a result of the conflict in the region.

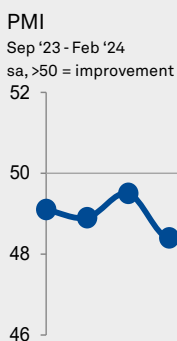
Lower intakes of new work led private sector employment levels in Lebanon to decrease during February. The reduction was the fastest since last May, but only fractional overall. Backlogs of work were depleted further midway through the first quarter despite lower staffing capacity. However, the pace at which pending orders fell was the

BLOM Lebanon PMI
sa, >50 = improvement since previous month



49.1

LEBANON PMI
FEB '24



slowest for three months.

Nevertheless, purchasing activity stabilised in February, ending a four-month period of contraction. This came amid improvements in supplier performance, with average input lead times shortening for the first time since last September, albeit only fractionally. Timelier deliveries enabled businesses to add to their stocks of inputs for the third successive survey period.

However, private sector companies in Lebanon were more pessimistic in their assessment of future output prospects during February. Overall, business confidence fell to its lowest level in seven months, with fears of a prolonged

war in Gaza weighing on sentiment. Domestic political and economic conditions were also expected to remain challenging.

Meanwhile, the inflation environment in Lebanon remained benign, with rates of increase in input prices and output charges remaining mild. Total operating expenses rose at the second-slowest pace since mid-2023, while the rate of output price inflation held close to January's four-month low.

Comment

Commenting on BLOM Lebanon PMI for January 2024, Mrs. Aline Azzi, research analyst of BLOMINVEST Bank said:

“The current conflict in Lebanon, compounded by security concerns and the lack of comprehensive economic stabilization measures, is significantly contributing to the retreat observed in the PMI index for February to 49.1. The notable decline in business activities is driven by weakened demand conditions, decreased employment levels, and depleted backlogs of work. Persistent political discord continues despite

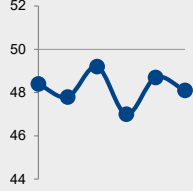
initiatives such as the Quintet's involvement in the presidential election process. The failure to elect a Head of State for over a year is exacerbating the economic challenges faced by Lebanon. What complicates matters is that reform plans are in a state of limbo, signalling another year of dissatisfaction and uncertainties for the Lebanese populace. Concerns loom on the horizon as the country grapples with multiple regional and domestic issues. We only hope that this period of uncertainty does not persist for long, given the severity of the crisis.”



Output and demand

Output Index

Sep '23 - Feb '24
sa, >50 = growth



Output

Private sector business activity within Lebanon contracted midway through the first quarter of 2024. Security concerns arising from the war in Gaza reportedly impacted various sectors within Lebanon's economy, with workloads suffering as a result. However, while the seasonally adjusted Output Index fell slightly, it remained above its historical average and signalled a modest pace of contraction.

Output Index

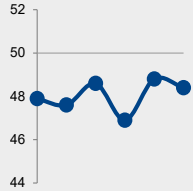
sa, >50 = growth since previous month

48.1
Feb '24



New Orders Index

Sep '23 - Feb '24
sa, >50 = growth



New orders

Adjusted for seasonality, the New Orders Index recorded in sub-50.0 contraction territory during February, indicating a reduction in sales received by private sector firms in Lebanon. Surveyed companies blamed the drop in demand on domestic uncertainty, weak economic conditions and the war in Gaza. The rate of decrease was slightly faster than in January, but weak by historical standards.

New Orders Index

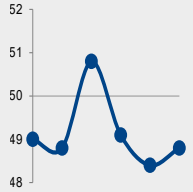
sa, >50 = growth since previous month

48.4
Feb '24



New Export Orders Index

Sep '23 - Feb '24
sa, >50 = growth



New export orders

The volume of new business received from clients in external markets shrank during the latest survey period. Qualitative responses from companies suggested that regional instability deterred overseas customers from placing new orders. However, with just under 4% of respondents recording a decline in new export business, the reduction was only marginal overall.

New Export Orders Index

sa, >50 = growth since previous month

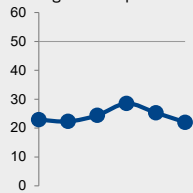
48.8
Feb '24



Business expectations

Future Output Index

Sep '23 - Feb '24
>50 = growth expected



Private sector companies in Lebanon turned more pessimistic towards the 12-month outlook for business activity during February, as evidenced by the Future Output Index falling on the month. The level of negative sentiment was the greatest since last July, with 56% of surveyed companies predicting lower business activity over the coming year. Concerns of a prolonged conflict in Gaza, as well as expectations of domestic political and economic conditions remaining challenging, were cited by respondents.

Future Output Index

>50 = growth expected over next 12 months

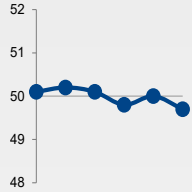
22.0
Feb '24



Employment and capacity

Employment Index

Sep '23 - Feb '24
sa, >50 = growth

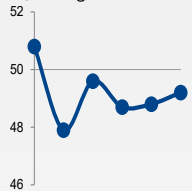


Employment

Workforce numbers across Lebanon's private sector declined during February. Although the rate of job shedding was fractional, it was the fastest since May last year. The reduction in employment contrasted with the general trend of stabilisation seen over the previous 12 months. Lower intakes of new work led to the drop in staffing levels, anecdotal evidence showed.

Backlogs of Work Index

Sep '23 - Feb '24
sa, >50 = growth



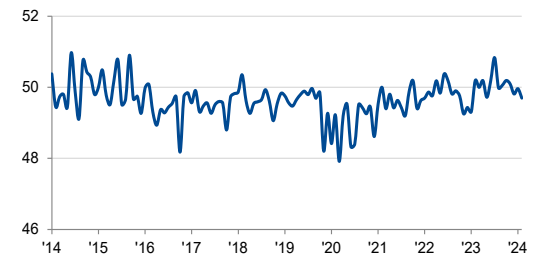
Backlogs of work

The seasonally adjusted Backlogs of Work Index recorded below the 50.0 no-change mark in February, indicating lower levels of outstanding business at private sector companies in Lebanon. The depletion was the fifth in as many months, albeit marginal overall and the softest since November 2023.

Employment Index

sa, >50 = growth since previous month

49.7
Feb '24



Backlogs of Work Index

sa, >50 = growth since previous month

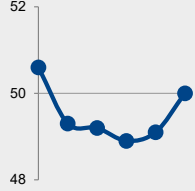
49.2
Feb '24



Purchasing and inventories

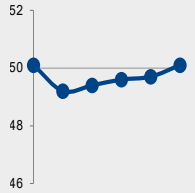
Quantity of Purchases Index

Sep '23 - Feb '24
sa, >50 = growth



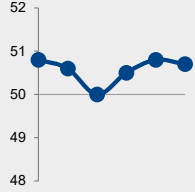
Suppliers' Delivery Times Index

Sep '23 - Feb '24
sa, >50 = faster times



Stocks of Purchases Index

Sep '23 - Feb '24
sa, >50 = growth



Quantity of purchases

After four successive monthly reductions, purchasing activity at private sector firms in Lebanon stabilised during February. This was evidenced by the respective seasonally adjusted index registering 50.0. While some companies increased buying due to better sales, this was offset by others making cutbacks in line with weak business activity projections.

Suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index edged fractionally above the neutral 50.0 threshold in February, signalling a slight improvement in vendor performance. This marked the first time since last September that input lead times have improved.

Stocks of purchases

Amid stable purchasing activity and supplier performance, private sector businesses in Lebanon were able to raise their stocks of raw materials, components and other semi-finished items midway through the opening quarter of 2024. The accumulation was marginal overall and broadly in line with the series' 12-month average.

Quantity of Purchases Index

sa, >50 = growth since previous month

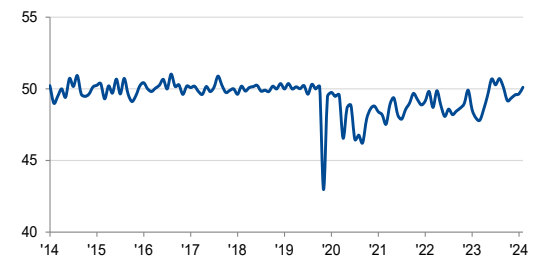
50.0
Feb '24



Suppliers' Delivery Times Index

sa, >50 = faster times since previous month

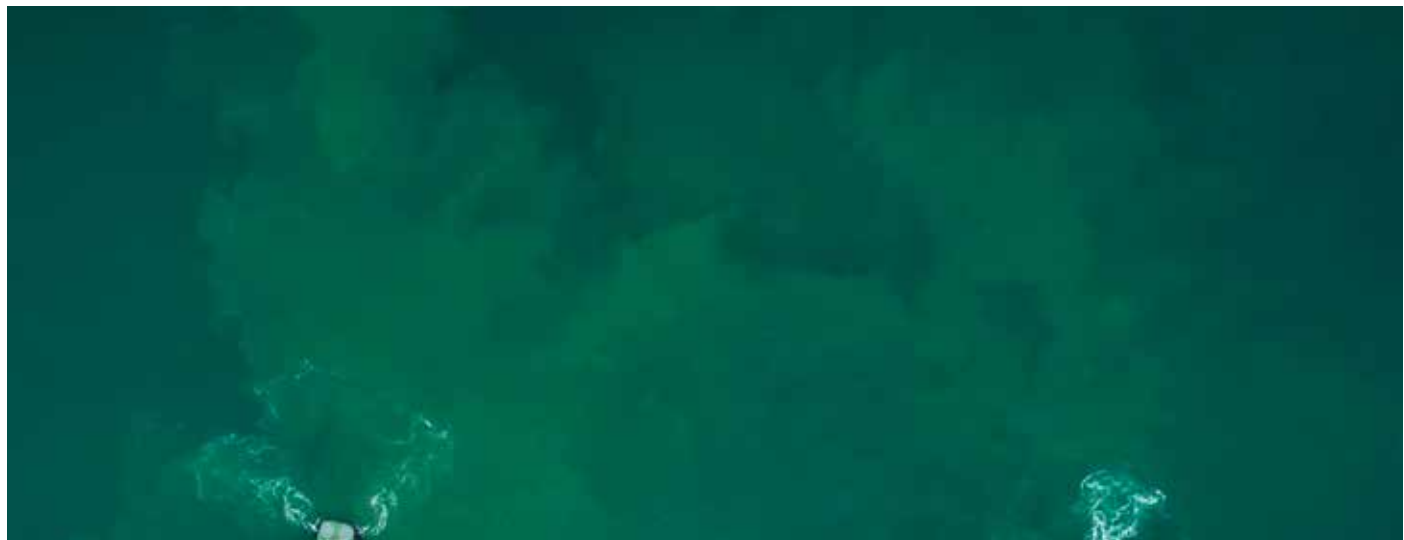
50.1
Feb '24



Stocks of Purchases Index

sa, >50 = growth since previous month

50.7
Feb '24



Prices

Input Prices Index

Sep '23 - Feb '24
sa, >50 = inflation



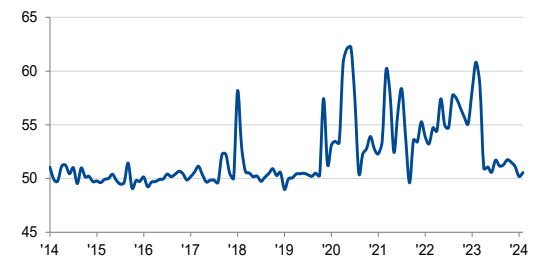
Overall input prices

Private sector companies in Lebanon saw their total operating expenses rise in February as both purchase prices and staff costs ticked up. However, the overall rate of inflation was the second-lowest since June 2023 and only mild overall.

Input Prices Index

sa, >50 = inflation since previous month

50.6
Feb '24



Purchase Prices Index

Sep '23 - Feb '24
sa, >50 = inflation



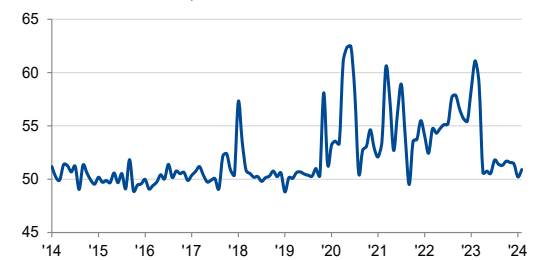
Purchase prices

Prices paid for items purchased by companies in Lebanon increased during the latest survey period. Overall, this marked the twenty-ninth consecutive month of rising purchase costs. The pace of increase quickened since January, but was only marginal.

Purchase Prices Index

sa, >50 = inflation since previous month

50.9
Feb '24



Staff Costs Index

Sep '23 - Feb '24
sa, >50 = inflation



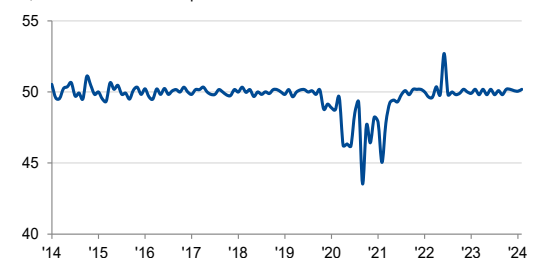
Staff costs

The trend in staff costs across Lebanon was little-changed midway through the first quarter of the year, with only a fractional rise recorded. The respective seasonally adjusted index held close to the neutral threshold of 50.0, as has generally been the case for nearly two years.

Staff Costs Index

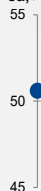
sa, >50 = inflation since previous month

50.2
Feb '24



Output Prices Index

Sep '23 - Feb '24
sa, >50 = inflation



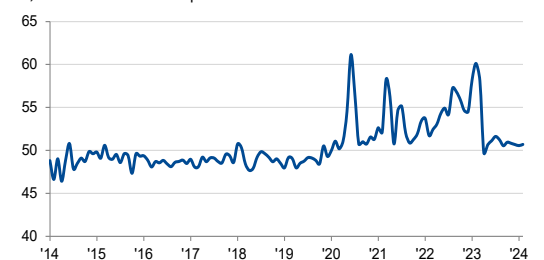
Output prices

With cost pressures edging slightly higher in February, private sector companies raised their prices charged. However, reports of some companies offering discounts and sales helped keep the rate of inflation contained. Overall, selling prices rose marginally and at broadly the same pace as seen in the three previous months.

Output Prices Index

sa, >50 = inflation since previous month

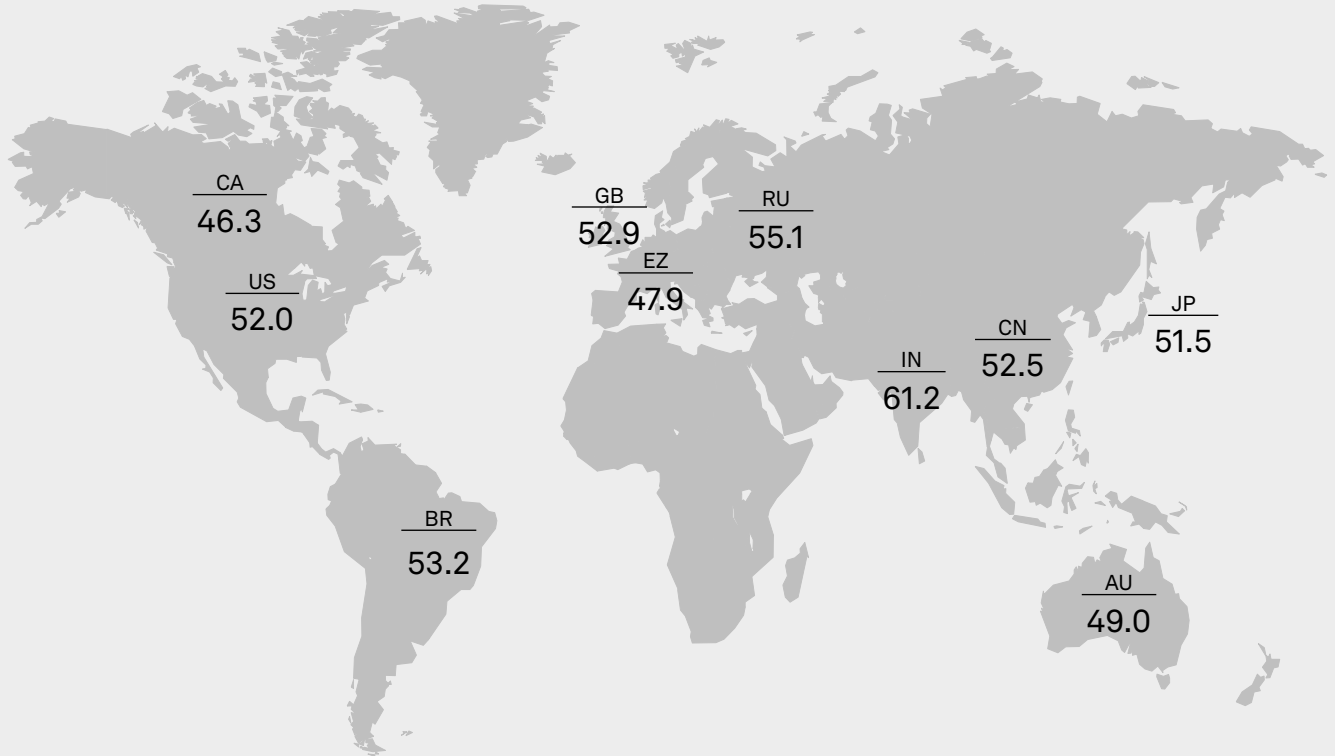
50.7
Feb '24



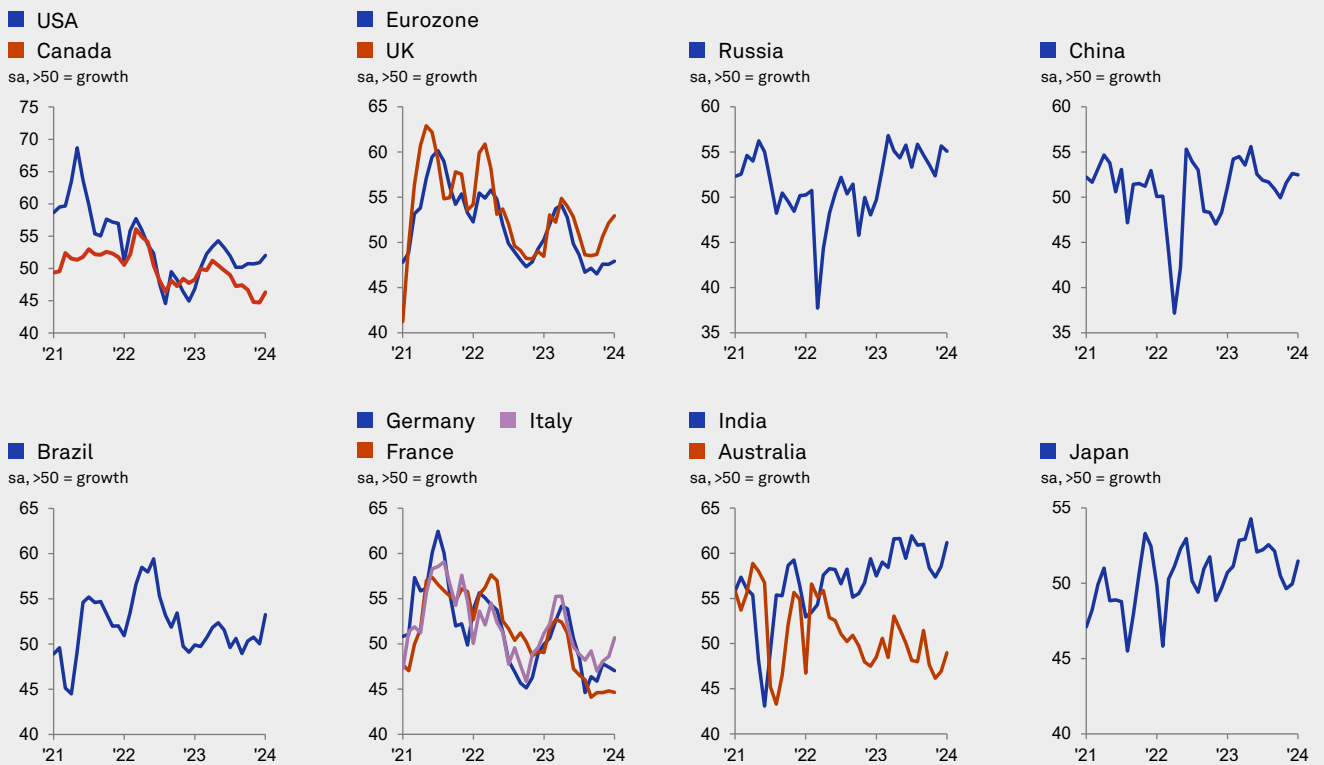
International PMI

Composite Output Index, Jan '24
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 12-23 February 2024.

Survey questions

Private sector

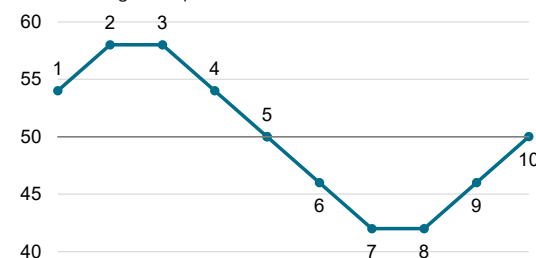
| | |
|-----------------------|---------------------------|
| Output | Suppliers' Delivery Times |
| New Orders | Stocks Of Purchases |
| New Export Orders | Input Prices |
| Future Output | Purchase Prices |
| Employment | Staff Costs |
| Backlogs Of Work | Output Prices |
| Quantity Of Purchases |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

Index calculation

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

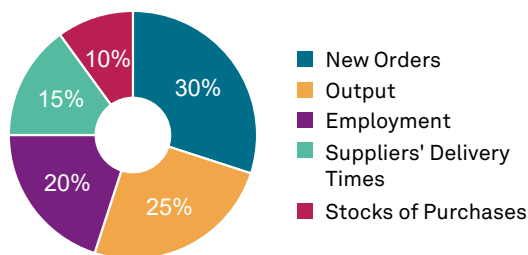
Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 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 |
|--------|------|--------|------------|-------------------|----------------|------------|------------------|-----------------------|---------------------------|---------------------|----------------------|-----------------|-------------|---------------|
| 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 |
| 02 '24 | 49.1 | 48.1 | 48.4 | 48.8 | 22.0 | 49.7 | 49.2 | 50.0 | 50.1 | 50.7 | 50.6 | 50.9 | 50.2 | 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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