

BLOM Lebanon PMI[®]

Lebanon PMI recovers in March, but supply issues and export performance weigh on economy

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 again after February's decline

Slower fall in total new orders, but export demand slump worsens

Red Sea disruption and strikes lead to supply issues

According to the latest BLOM Lebanon PMI[®] survey, Lebanon's private sector economy deteriorated marginally at the end of the first quarter. That said, amid slower declines in output and new orders, the pace of contraction eased.

Disruption in the Red Sea and conflict within the region led new export business to fall at the sharpest pace since December 2022. These factors, in tandem with strike action, also caused supplier delivery times to lengthen.

Meanwhile, inflationary pressures intensified as increased shipping, insurance and raw material costs led firms to raise their charges at a quicker pace.

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[®] posted 49.4 in March. While this was in sub-50.0 contraction territory, it was up from 49.1 in February and signalled a softer rate of deterioration in the health of Lebanon's private sector economy.

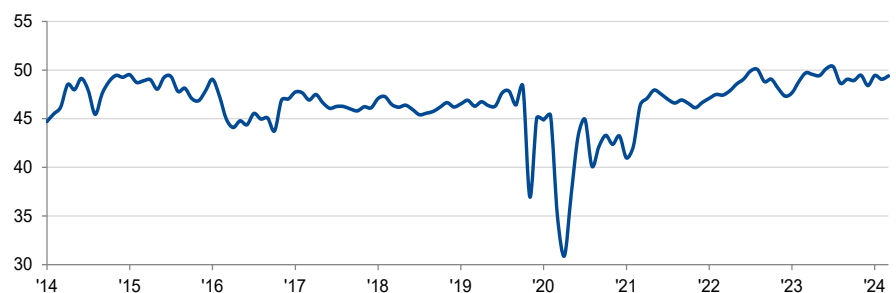
March survey data indicated lower business activity levels across Lebanon. Weak demand conditions were attributed to the fall in output, anecdotal evidence showed. That said, the pace of decline was modest and slower than in the previous month.

Total new order intakes shrank for an eighth successive month at the end of the first quarter. Weak client purchasing power and regional security concerns reportedly led new business volumes to drop. However, the reduction slowed to a marginal pace that was the softest seen during the current period of contraction.

While overall new orders fell at a slower rate, export demand registered a faster

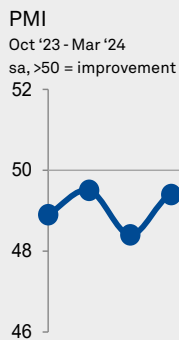
BLOM Lebanon PMI

sa, >50 = improvement since previous month



49.4

LEBANON PMI
MAR '24



slump during March. The decline in new business from non-domestic customers was the quickest since December 2022, with anecdotal evidence indicating that the Red Sea disruption and conflict in Gaza impacted international sales.

Supply issues also arose in March due to shipping issues in the Red Sea. Strike action at ports led to delays in the receipt of imported items, according to panel members. Average input lead times lengthened to the greatest extent in almost a year.

Consequently, shipping and insurance costs rose in March and contributed to the fastest rise in firms' overall input prices since last November. In

turn, output prices were increased to the quickest extent in seven months as firms sought to pass on higher expenses to their customers.

Employment declined fractionally in March, although the rate of job shedding accelerated to its fastest since January 2023. Backlogs of work still decreased, despite lower staffing capacity, as reduced workloads led firms to clear pending orders.

Looking ahead, private sector firms in Lebanon remained pessimistic towards the 12-month outlook for business activity. War and political uncertainty were cited as concerns by surveyed companies.

Comment

Commenting on BLOM Lebanon PMI for March 2024, Mrs. Stephanie Aoun, research analyst at BLOMINVEST Bank, said:

"The recent uptick in Lebanon's PMI for March signifies a slight rebound from the previous month's decline, as the index rose to 49.4 from 49.1 in February 2024. This marginal improvement was primarily driven by improved trends in domestic output and new orders, demonstrating some resilience in the local market. However, amidst this positive trend, there exists a concerning decline in new export orders, attributed to disruptions in

the Red Sea region and supply chain challenges, thus inducing the most significant slowdown in exports since December 2022. Furthermore, the economy faces mounting inflationary pressures, as escalated costs associated with shipping, insurance, and raw materials compel firms to adjust their pricing strategies increasingly upwards. Therefore, these headwinds underscore the fragile nature of Lebanon's economy and the necessity for targeted policy interventions and reforms to address structural vulnerabilities and foster sustainable growth."



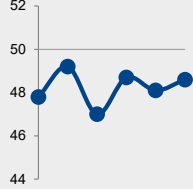
PMI®

by **S&P Global**

Output and demand

Output Index

Oct '23 - Mar '24
sa, >50 = growth



Output

Private sector companies in Lebanon recorded an eighth successive monthly fall in business activity during March. Regional instability, domestic economic weakness and subdued demand conditions were attributed to the decline. However, with just 3% of surveyed companies registering a drop in output, the rate of decrease was only mild overall and softer than in February.

Output Index

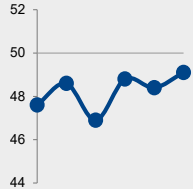
sa, >50 = growth since previous month

48.6
Mar '24



New Orders Index

Oct '23 - Mar '24
sa, >50 = growth



New orders

The volume of new business received by Lebanese private sector firms declined in March. Anecdotal evidence indicated that weak client purchasing power and regional security concerns restricted new order intakes. That said, the deterioration in sales performances was marginal and the softest seen over the current eight-month period of decline.

New Orders Index

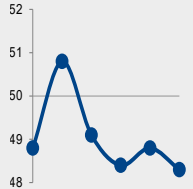
sa, >50 = growth since previous month

49.1
Mar '24



New Export Orders Index

Oct '23 - Mar '24
sa, >50 = growth



New export orders

The seasonally adjusted New Export Orders Index registered in sub-50.0 contraction territory at the end of the first quarter, signalling a decrease in the volume of new work received from non-domestic customers. Albeit modest, the reduction gathered pace and was the quickest since December 2022. According to survey respondents, the war in Gaza, as well as the disruption to shipping in the Red Sea, drove the faster drop in export sales.

New Export Orders Index

sa, >50 = growth since previous month

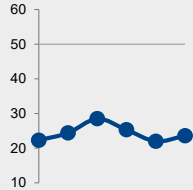
48.3
Mar '24



Business expectations

Future Output Index

Oct '23 - Mar '24
>50 = growth expected



The Future Output Index remained below the neutral 50.0 mark in March, signalling a pessimistic outlook towards activity over the next 12 months by private sector businesses in Lebanon. Approximately 53% of survey respondents registered downbeat year-ahead projections, with conflict within the region and political uncertainty noted as key reasons behind firms' downbeat forecasts.

Future Output Index

>50 = growth expected over next 12 months

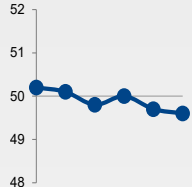
23.6
Mar '24



Employment and capacity

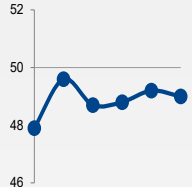
Employment Index

Oct '23 - Mar '24
sa, >50 = growth



Backlogs of Work Index

Oct '23 - Mar '24
sa, >50 = growth



Employment

For a second month running, private sector companies in Lebanon lowered their staffing numbers in March. This was signalled by back-to-back months of sub-50.0 readings in the seasonally adjusted Employment Index. Where workforce numbers fell, panel members cited reduced workloads. While the rate of job shedding was the quickest since January 2023, it was only fractional overall.

Backlogs of work

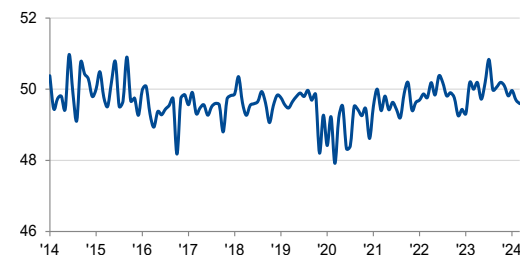
Private sector businesses in Lebanon continued to made inroads into their backlogs of work at the end of the first quarter. Furthermore, the rate of depletion in outstanding orders quickened slightly, but was mild overall. Lower incomplete work was often attributed to weak demand conditions.

Employment Index

sa, >50 = growth since previous month

49.6

Mar '24



Backlogs of Work Index

sa, >50 = growth since previous month

49.0

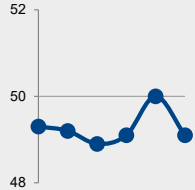
Mar '24



Purchasing and inventories

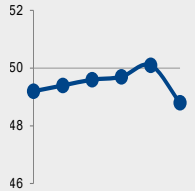
Quantity of Purchases Index

Oct '23 - Mar '24
sa, >50 = growth



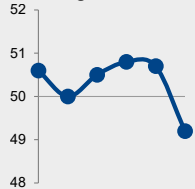
Suppliers' Delivery Times Index

Oct '23 - Mar '24
sa, >50 = faster times



Stocks of Purchases Index

Oct '23 - Mar '24
sa, >50 = growth



Quantity of purchases

After stabilising during February, private sector companies in Lebanon reduced their quantities of purchases at the end of the first quarter. Subsequently, this marked the fifth time over the past six months that buying activity has shrunk. Purchasing levels were reportedly trimmed in line with weaker sales performances. However, the rate of decline was marginal overall and weaker than the series trend.

Suppliers' delivery times

There was a renewed lengthening of average vendor lead times during March, after February survey data signalled broadly stable supplier performance. Strike action, disruption in the Red Sea and security concerns caused delivery delays, anecdotal evidence showed. The extent to which vendor performance deteriorated was the most marked since April 2023.

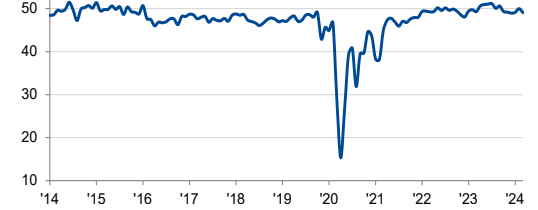
Stocks of purchases

After accounting for seasonal patterns, the Stocks of Purchases Index dipped below the 50.0 no-change threshold in March, pointing to the first monthly reduction in holdings of raw materials and other items since February 2023. Delays in goods being cleared at customs due to strikes impeded stockpiling activity, according to surveyed businesses.

Quantity of Purchases Index

sa, >50 = growth since previous month

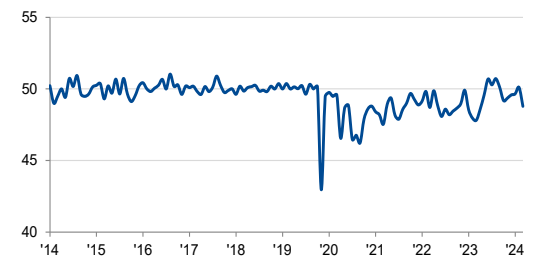
49.1
Mar '24



Suppliers' Delivery Times Index

sa, >50 = faster times since previous month

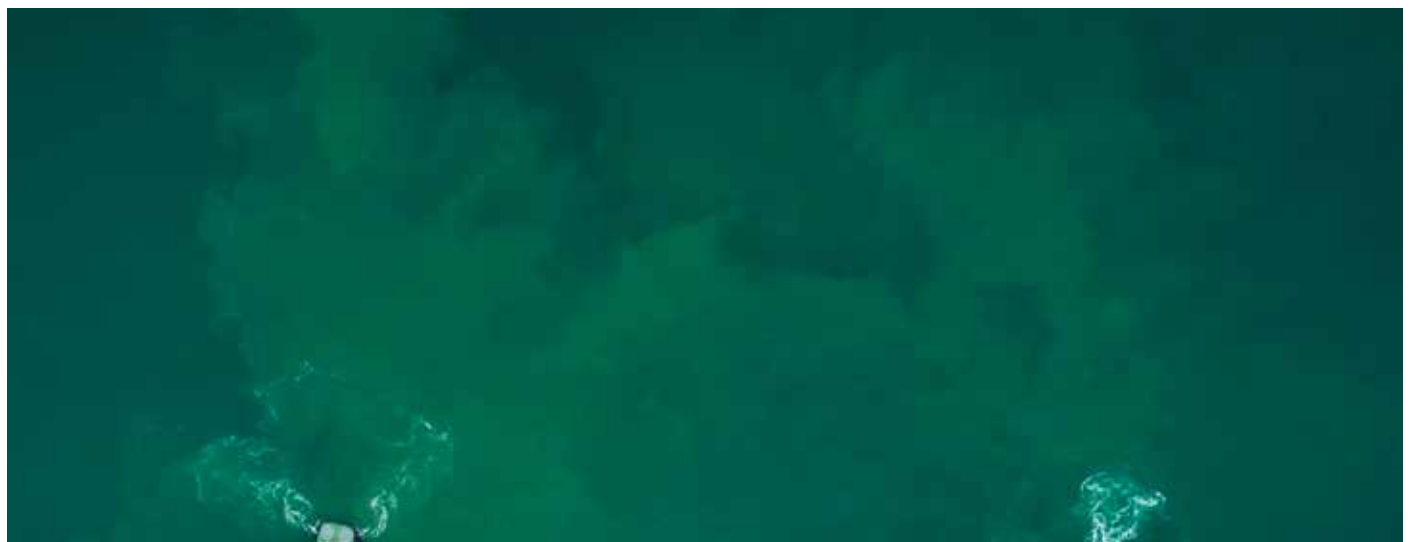
48.8
Mar '24



Stocks of Purchases Index

sa, >50 = growth since previous month

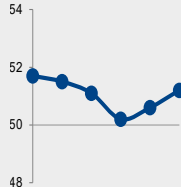
49.2
Mar '24



Prices

Input Prices Index

Oct '23 - Mar '24
sa, >50 = inflation



Overall input prices

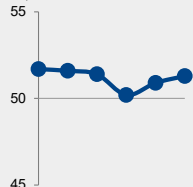
March survey data indicated an intensification of cost pressures across Lebanon, as the seasonally adjusted Overall Input Prices Index moved further above the 50.0 no-change mark to a four-month high. However, the rate of inflation remained muted by historical standards, with just 4% of companies reporting greater operating expenses since February.

Purchase prices

Prices paid for purchases were a major source of cost inflation in March. Increased shipping fees, uplifts in suppliers' charges and greater commodity prices were noted as sources of cost pressure. The increase in purchase prices was modest but the fastest for three months.

Purchase Prices Index

Oct '23 - Mar '24
sa, >50 = inflation

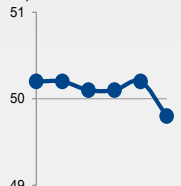


Staff costs

For the first time since September last year, labour costs faced by private sector businesses in Lebanon fell at the end of the first quarter. The decline was only marginal, however. Overall, the seasonally adjusted Staff Costs Index recorded in line with its survey average (49.8).

Staff Costs Index

Oct '23 - Mar '24
sa, >50 = inflation

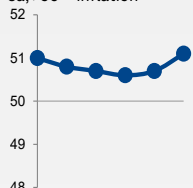


Output prices

In line with an acceleration of input cost inflation, private sector companies in Lebanon lifted their prices charged by a greater margin during March. The increase in selling prices was mild, but the fastest since August last year. Where charges rose, panellists mentioned greater shipping, insurance and raw material costs.

Output Prices Index

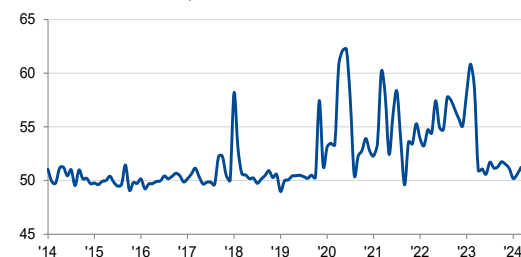
Oct '23 - Mar '24
sa, >50 = inflation



Input Prices Index

sa, >50 = inflation since previous month

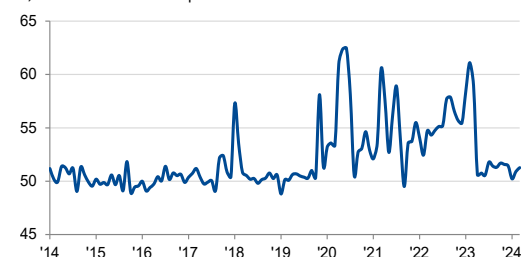
51.2
Mar '24



Purchase Prices Index

sa, >50 = inflation since previous month

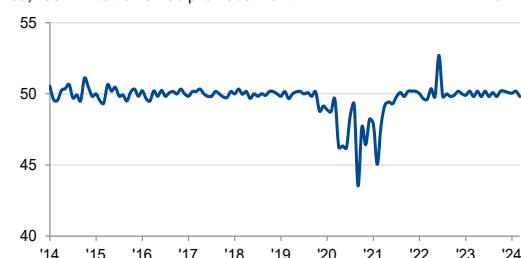
51.3
Mar '24



Staff Costs Index

sa, >50 = inflation since previous month

49.8
Mar '24



Output Prices Index

sa, >50 = inflation since previous month

51.1
Mar '24



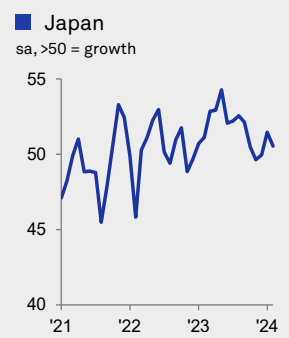
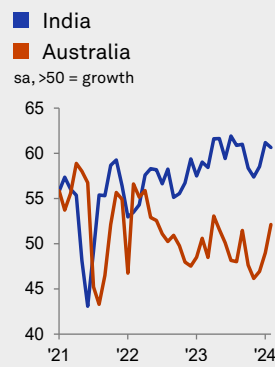
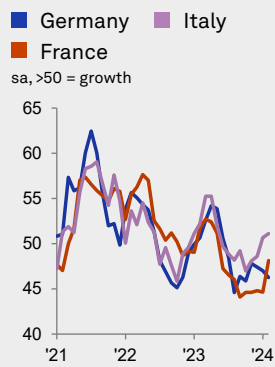
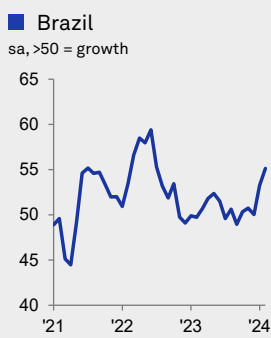
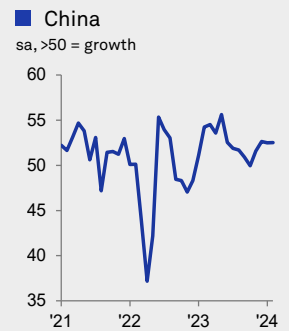
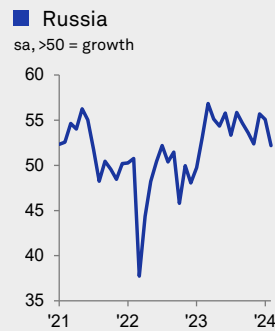
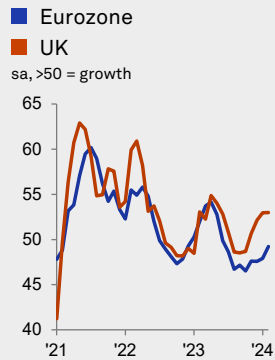
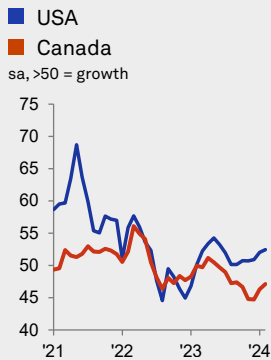
International PMI

Composite Output Index, Feb '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 12-22 March 2024.

Survey questions

Private sector

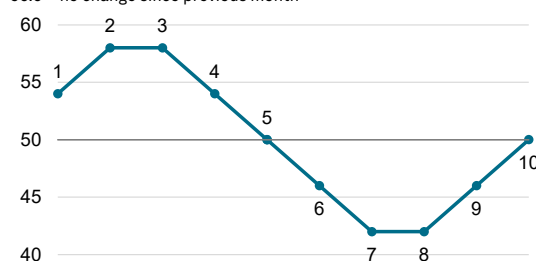
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

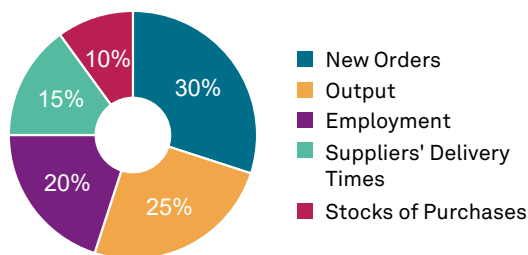
Index interpretation

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
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
03 '24	49.4	48.6	49.1	48.3	23.6	49.6	49.0	49.1	48.8	49.2	51.2	51.3	49.8	51.1

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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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