

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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BLOM Lebanon PMI®

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

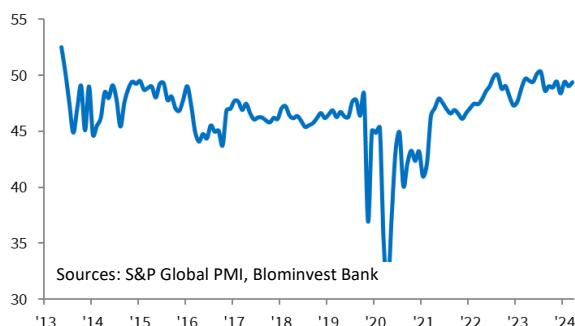
Data collected March 12-22

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

sa, >50 = improvement since previous month



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.

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."

The main findings of March's survey were as follows:

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 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.

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For further information, please contact:

BLOMINVEST Bank:

Dr Ali Bolbol, Chief Economist / Head of Research
Telephone +961 1 739 817
Email ali.bolbol@blominvestbank.com

S&P Global Market Intelligence:

Joe Hayes, Principal Economist	Sabrina Mayeen, Corporate Communications
Telephone +44-1344-328-099	Telephone +44-7967-447-030
Email joe.hayes@spglobal.com	Email sabrina.mayeen@spglobal.com

Note to Editors:

The BLOM Lebanon Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Lebanese economy, including manufacturing, services, construction and retail. The panel is stratified GDP and company workforce size. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index (PMI®) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact economics@spglobal.com.

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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. For more information, see www.blominvestbank.com.

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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. To learn more go to spglobal.com/marketintelligence/en/mi/products/pmi.html

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