

BLOM Lebanon PMI[®]

Lebanon PMI slips to four-month low in April as demand and business activity decline

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Quickest fall in sales to non-domestic clients since December 2022

Private sector employment broadly stabilises

According to the latest BLOM Lebanon PMI[®] survey, Lebanon's private sector economy weakened at the fastest rate in the year-to-date. The contraction was driven by weaker demand and a subsequent drop in business activity, which firms linked to escalating geopolitical tensions. Notably, sales to non-domestic customers fell at the steepest rate for nearly a year-and-a-half.

Nevertheless, employment broadly stabilised during April, while companies boosted their stocks and purchased more materials. There was also a slight softening in the rate of input cost inflation.

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

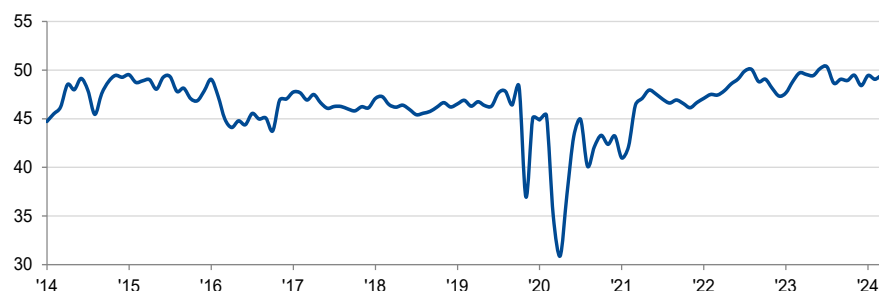
on the previous month, while readings below 50.0 show a deterioration.

The headline BLOM Lebanon PMI decreased in April to a four-month low of 48.9, from 49.4 in March. Subsequently, this indicated the fastest deterioration in the health of Lebanon's private sector economy since December last year.

Weaker sales volumes were seen across Lebanon's private sector at the start of the second quarter, according to the latest survey results. Panellists indicated that escalating geopolitical tensions lifted security concerns domestically and across the wider region, deterring some clients from placing new orders. Total new business intakes fell at the quickest pace in the year-to-date. These factors were also to blame for the quickest drop in new export orders since December 2022. Higher shipping costs to Europe due to disruption in the Red Sea was also cited as a drag on international sales.

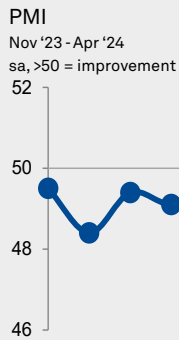
In turn, private sector business activity across Lebanon declined in April. The

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



48.9

LEBANON PMI
APR '24



contraction was moderate, but the quickest for four months.

Backlogs of work were again used to supplement activity where possible. The rate of depletion was only marginal, however, and the slowest since last November. Despite weaker sales and activity trends, employment levels were broadly unchanged since March.

Meanwhile, private sector companies in Lebanon lifted purchasing activity and stocks of inputs to the greatest extents seen in nine months. New product launches reportedly drove inventory growth. Higher stock levels were achieved despite worsening supplier performance, as delivery

times lengthened for a second month running.

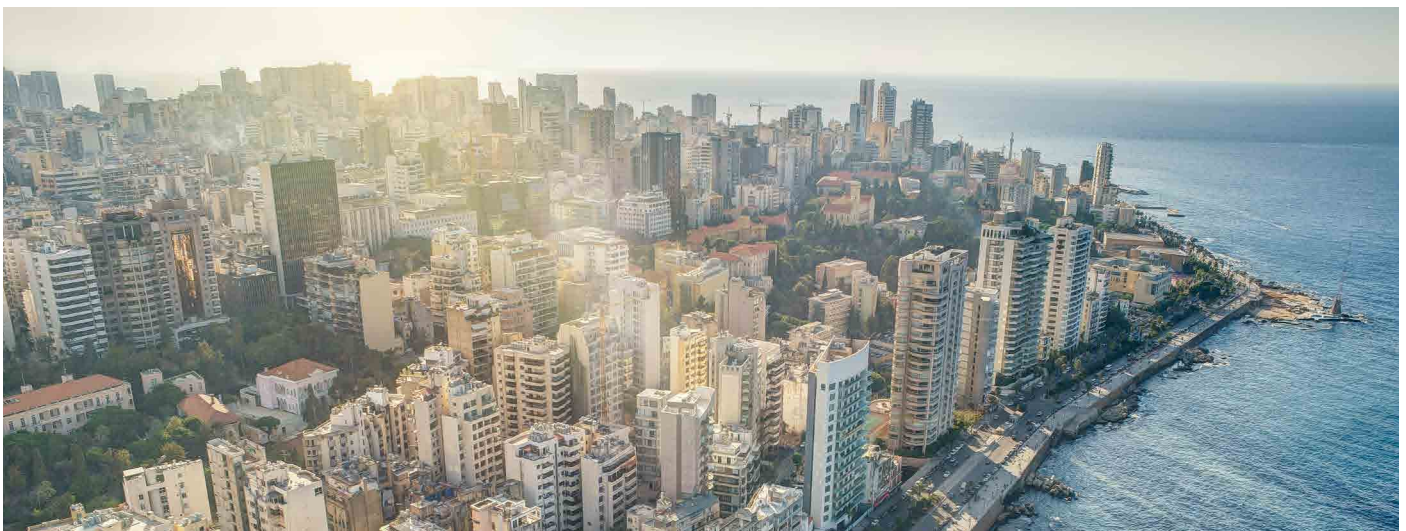
Meanwhile, although there was a renewed uptick in staff costs, a softer increase in purchase prices led to a weaker rise total operating expenses. Nevertheless, higher shipping costs and greater fees from suppliers were cited. Output charges rose further in April as firms passed higher costs on to customers.

Looking ahead, private sector companies in Lebanon remained pessimistic towards the 12-month outlook for business activity, reflecting concerns of escalating geopolitical tensions and spillovers to the economy.

Comment

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

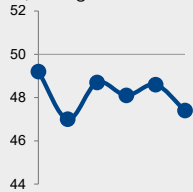
Bank, said:
""



Output and demand

Output Index

Nov '23 - Apr '24
sa, >50 = growth



Output

Private sector business activity in Lebanon decreased at the beginning of the second quarter. Notably, the seasonally adjusted Output Index fell further below the 50.0 no-change mark to signal the quickest contraction in the year-to-date. Security concerns within the Middle East due to conflicts reportedly restricted activity levels, anecdotal evidence suggested.

Output Index

sa, >50 = growth since previous month

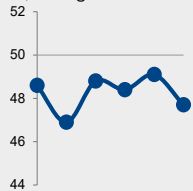
47.4

Apr '24



New Orders Index

Nov '23 - Apr '24
sa, >50 = growth



New orders

Mirroring the trend in output, the seasonally adjusted New Orders Index fell deeper into contraction territory during April, signalling the quickest fall in new business since December 2023. That being said, with just 6% of survey respondents registering weaker sales performances, the rate of decline was only moderate overall. Weak client purchasing power was linked by panellists to lower demand.

New Orders Index

sa, >50 = growth since previous month

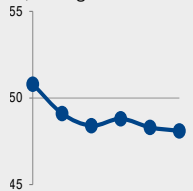
47.7

Apr '24



New Export Orders Index

Nov '23 - Apr '24
sa, >50 = growth



New export orders

Increasing geopolitical tensions, regional security concerns and higher shipping costs to Europe due to disruption in the Red Sea reportedly contributed to another month-on-month decrease in new export orders received by private sector firms in Lebanon. Furthermore, while modest overall, the rate of decline was the quickest in almost a year-and-a-half.

New Export Orders Index

sa, >50 = growth since previous month

48.1

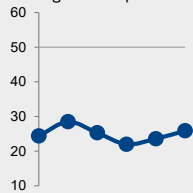
Apr '24



Business expectations

Future Output Index

Nov '23 - Apr '24
>50 = growth expected



With close to half (48%) of surveyed companies reporting expectations of lower business activity over the coming 12 months, the Future Output Index signalled a pessimistic outlook for Lebanon's private sector. Escalating geopolitical tensions within the Middle East were cited as a reason to be downbeat regarding the year ahead, with respondents concerned about possible economic repercussions domestically.

Future Output Index

>50 = growth expected over next 12 months

25.9

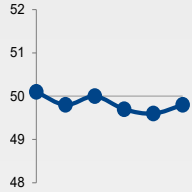
Apr '24



Employment and capacity

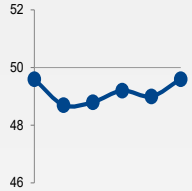
Employment Index

Nov '23 - Apr '24
sa, >50 = growth



Backlogs of Work Index

Nov '23 - Apr '24
sa, >50 = growth



Employment

The seasonally adjusted Employment Index ticked higher at the beginning of the second quarter, registering just below, but close to the 50.0 no-change mark. This subsequently signalled broadly unchanged jobs numbers across Lebanon's private sector when compared with March.

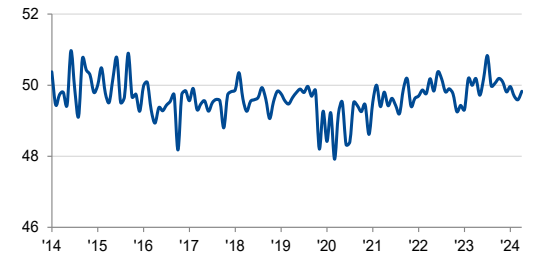
Backlogs of work

Due to falling intakes of new business, private sector companies in Lebanon continued to work through their outstanding orders in April. This was evidenced by a seventh consecutive sub-50.0 reading in the seasonally adjusted Backlogs of Work Index. That said, the rate of depletion was only fractional overall and the joint-slowest over the current period of decline (level with that seen in last November).

Employment Index

sa, >50 = growth since previous month

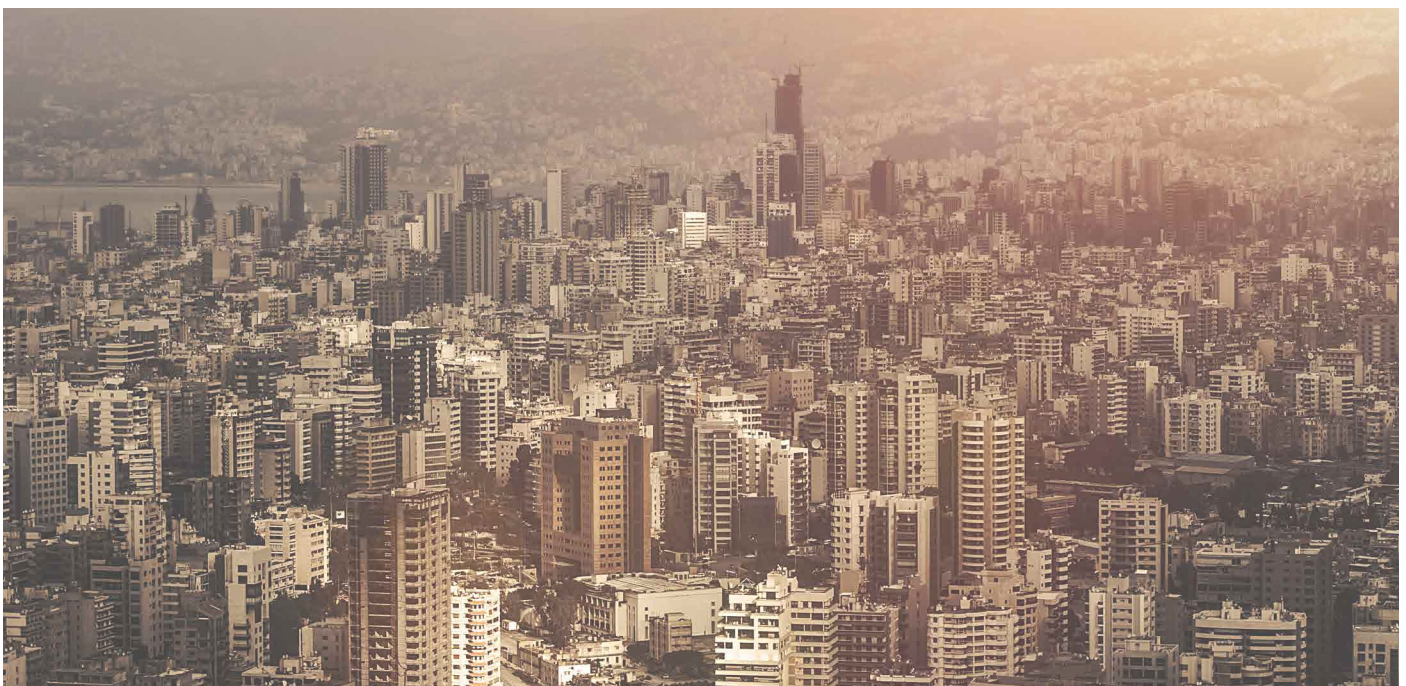
49.8
Apr '24



Backlogs of Work Index

sa, >50 = growth since previous month

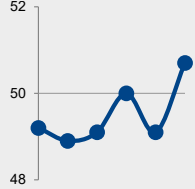
49.6
Apr '24



Purchasing and inventories

Quantity of Purchases Index

Nov '23 - Apr '24
sa, >50 = growth



Quantity of purchases

For the first time since September last year, private sector firms in Lebanon raised the quantity of purchases made in April. Furthermore, while it was only marginal overall, the rate of expansion was the quickest in nine months. New product launches supported greater input buying, anecdotal evidence showed.

Quantity of Purchases Index

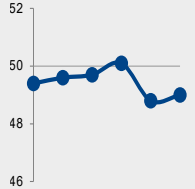
sa, >50 = growth since previous month



50.7
Apr '24

Suppliers' Delivery Times Index

Nov '23 - Apr '24
sa, >50 = faster times

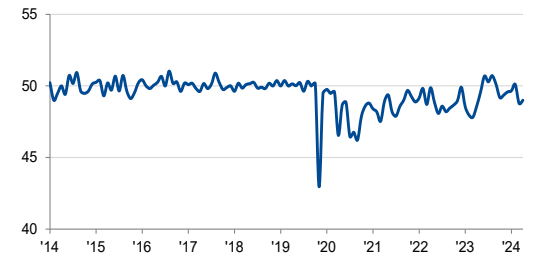


Suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index recorded below the neutral 50.0 threshold for a second consecutive month in April, indicating another month of delays in the receipt of items purchased from vendors. Strike action and disruption to ships in the Red Sea resulted in delays, according to panellists.

Suppliers' Delivery Times Index

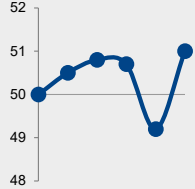
sa, >50 = faster times since previous month



49.0
Apr '24

Stocks of Purchases Index

Nov '23 - Apr '24
sa, >50 = growth

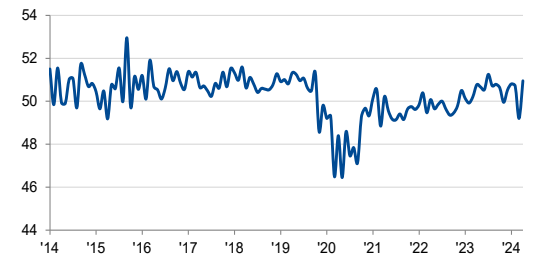


Stocks of purchases

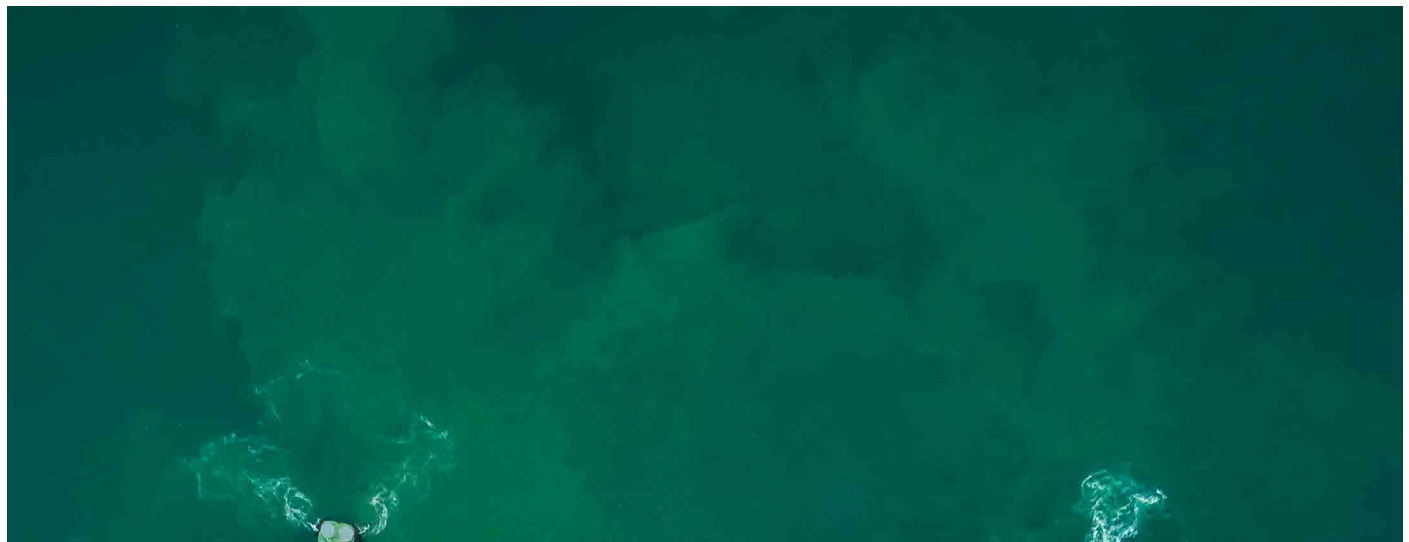
Private sector businesses in Lebanon raised their stocks of purchases at the start of the second quarter, marking the fourth time in the last five months that inventories have expanded. The increase was the fastest since July last year, but marginal overall.

Stocks of Purchases Index

sa, >50 = growth since previous month



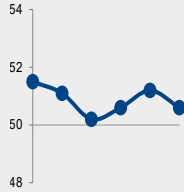
51.0
Apr '24



Prices

Input Prices Index

Nov '23 - Apr '24
sa, >50 = inflation



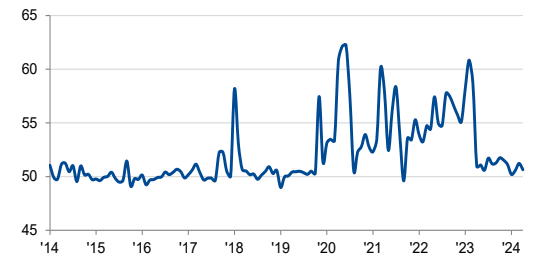
Overall input prices

There was a further pick-up in total operating expenses for businesses in Lebanon's private sector in April. Increased shipping costs were to blame, in addition to price increases by suppliers. The rate of inflation did ease, however, and was only marginal overall. The vast majority of companies (98%) recorded no change in overall costs.

Input Prices Index

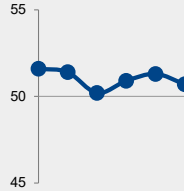
sa, >50 = inflation since previous month

50.6
Apr '24



Purchase Prices Index

Nov '23 - Apr '24
sa, >50 = inflation



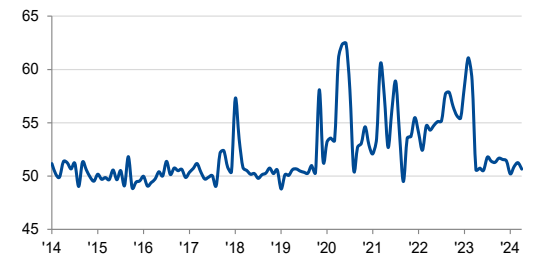
Purchase prices

The seasonally adjusted Purchase Prices Index recorded above the 50.0 no-change mark during April, in line with the trend seen over the past two-and-a-half years. Although, the rate of increase was the weakest since January and much slower than seen on average over the survey history.

Purchase Prices Index

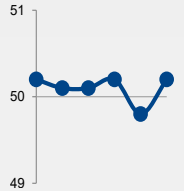
sa, >50 = inflation since previous month

50.7
Apr '24



Staff Costs Index

Nov '23 - Apr '24
sa, >50 = inflation



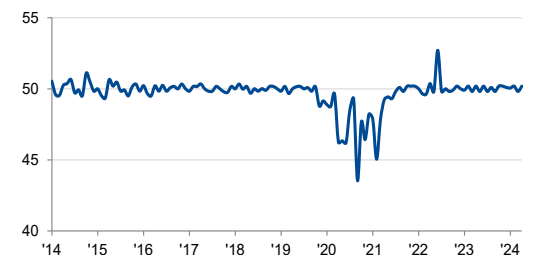
Staff costs

There was a renewed increase in labour costs across Lebanon's private sector at the beginning of the second quarter. This was evidenced by the respective seasonally adjusted index rising above the 50.0 no-change mark. The uptick was only fractional, however.

Staff Costs Index

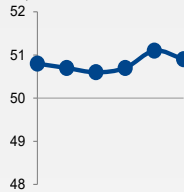
sa, >50 = inflation since previous month

50.2
Apr '24



Output Prices Index

Nov '23 - Apr '24
sa, >50 = inflation



Output prices

In order to protect margins amid rising costs, prices charged by private sector companies in Lebanon rose during the latest survey period. The rate of inflation was mild and in line with the average seen over the current one-year period of rising selling charges. That said, the increase was slightly softer than March's seven-month peak.

Output Prices Index

sa, >50 = inflation since previous month

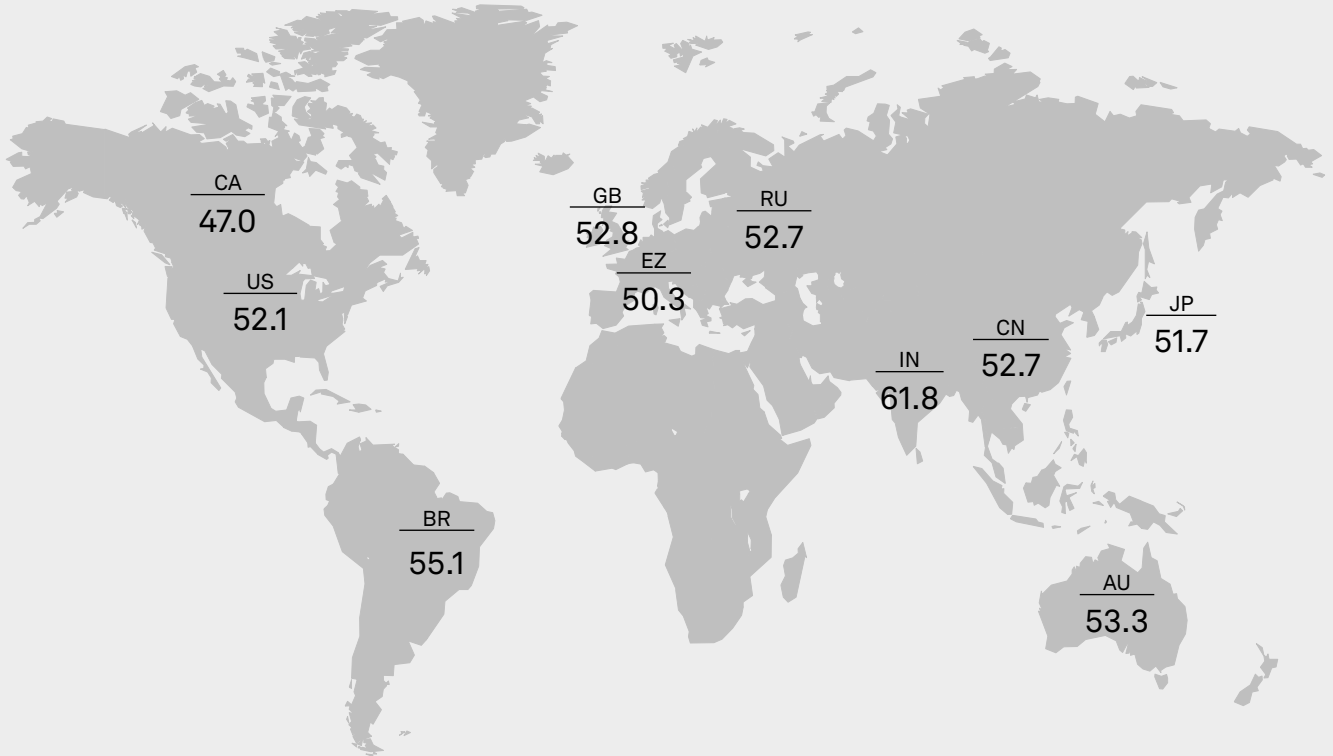
50.9
Apr '24



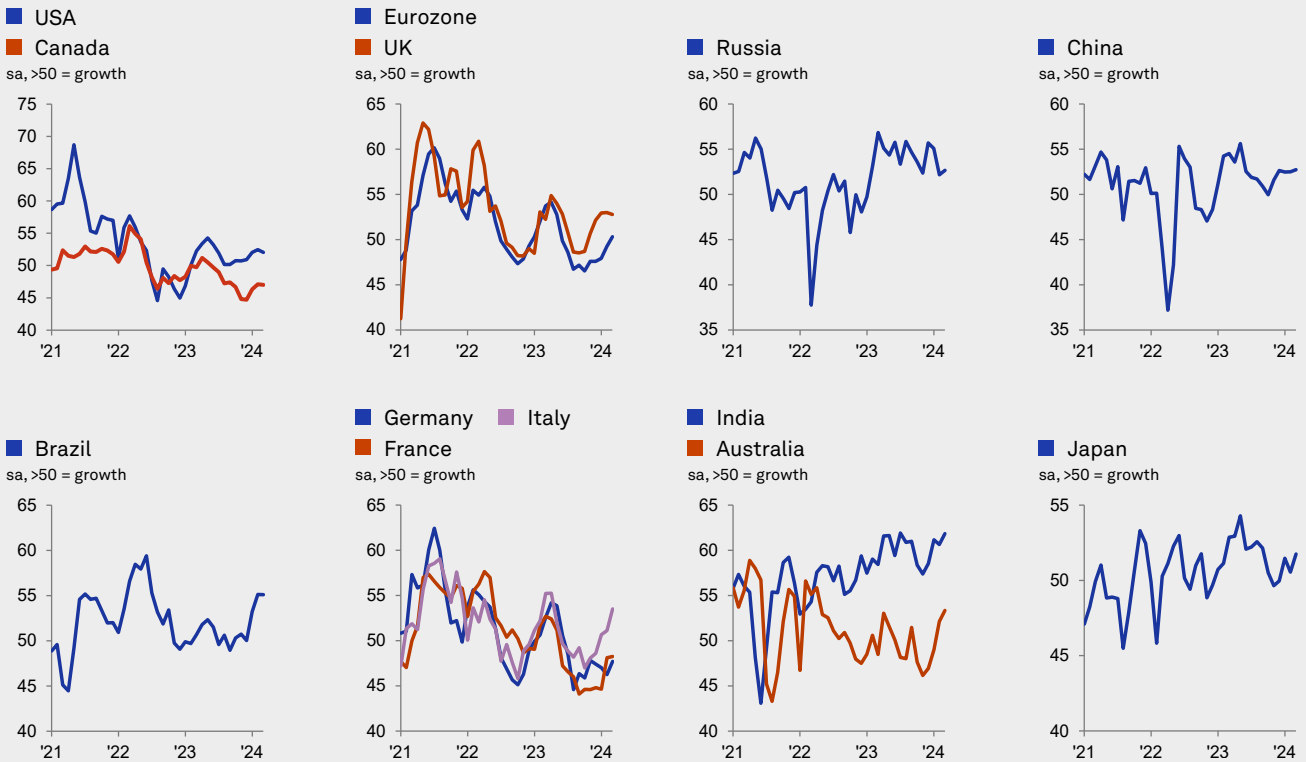
International PMI

Composite Output Index, Mar '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 04-24 April 2024.

Survey questions

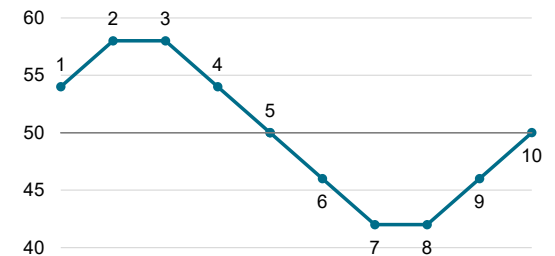
| Private sector | |
|-----------------------|---------------------------|
| Output | Suppliers' Delivery Times |
| New Orders | Stocks Of Purchases |
| New Export Orders | Input Prices |
| Future Output | Purchase Prices |
| Employment | Staff Costs |
| Backlogs Of Work | Output Prices |
| Quantity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

Index calculation

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

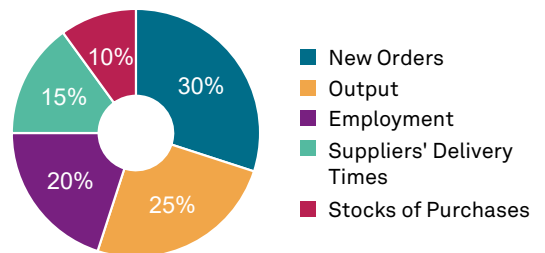
Index interpretation

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 |
|--------|------|--------|------------|-------------------|----------------|------------|------------------|-----------------------|---------------------------|---------------------|----------------------|-----------------|-------------|---------------|
| 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 |
| 04 '24 | 48.9 | 47.4 | 47.7 | 48.1 | 25.9 | 49.8 | 49.6 | 50.7 | 49.0 | 51.0 | 50.6 | 50.7 | 50.2 | 50.9 |

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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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