

BLOM Lebanon PMI[®]

BLOM Lebanon PMI falls to 16-month low in May

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Conflict in the Middle East dents Lebanese order books and output

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According to the latest BLOM Lebanon PMI[®] survey, operating conditions faced by private sector businesses in Lebanon deteriorated midway through the second quarter. According to anecdotal reports, in addition to challenging domestic conditions, external headwinds arising from the war in Gaza dented sales and in turn, economic activity levels. Backlogs of work dropped faster and business confidence weakened in May.

That said, private sector employment remained stable, while the overall rate of input cost inflation eased further.

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.

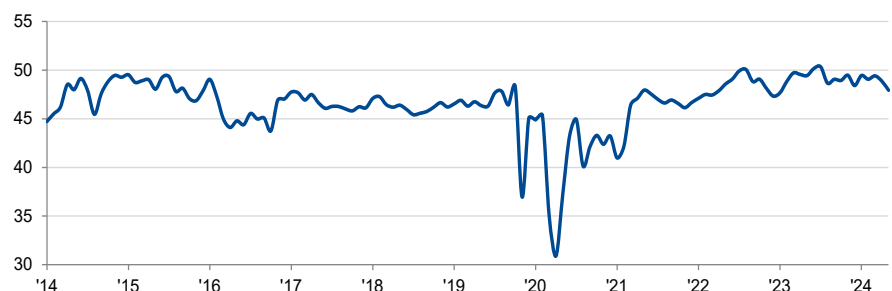
The headline BLOM Lebanon PMI fell in May to 47.9, down from 48.9 in April and its lowest reading since the beginning of 2023. Overall, the headline index signalled an accelerated deterioration in the health of Lebanon's private sector economy, and one that was the steepest in nearly a year-and-a-half.

A key factor behind May's drop in the BLOM Lebanon PMI was new orders, the index's principal sub-component. According to panel members, security concerns, in addition to challenging domestic political and economic conditions, caused sales performances to deteriorate. The decline in total new business intakes was the quickest since January 2023.

New export business also presented a drag to firms in Lebanon, with regional instability affecting non-domestic clients' appetite to place orders. This led overall levels of activity to shrink midway through the second quarter at the fastest pace for 16 months.

A lack of incoming new orders led private sector firms in Lebanon to work

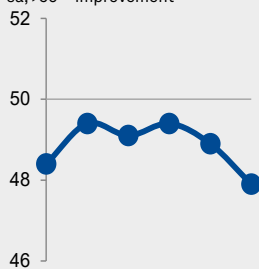
BLOM Lebanon PMI
sa, >50 = improvement since previous month



47.9

LEBANON PMI
MAY '24

PMI
Dec '23 - May '24
sa, >50 = improvement



through outstanding business. In fact, the rate of backlog depletion was the fastest since November 2022. That said, despite evidence of spare capacity, employment was broadly unchanged from April. Staffing numbers within Lebanon's private sector have been generally stable since August last year.

There was a deterioration in business sentiment in May, with companies turning more pessimistic towards the 12-month outlook. The continuation of the Israel-Gaza war was cited as a reason to be downbeat.

Insecurity reportedly caused delays in the receipt of purchases from vendors as supplier delivery times lengthened

for a third successive month, though this was less pronounced than in April. Stocks of inputs fell after a modest uptick in the previous survey period, while purchasing activity was unchanged.

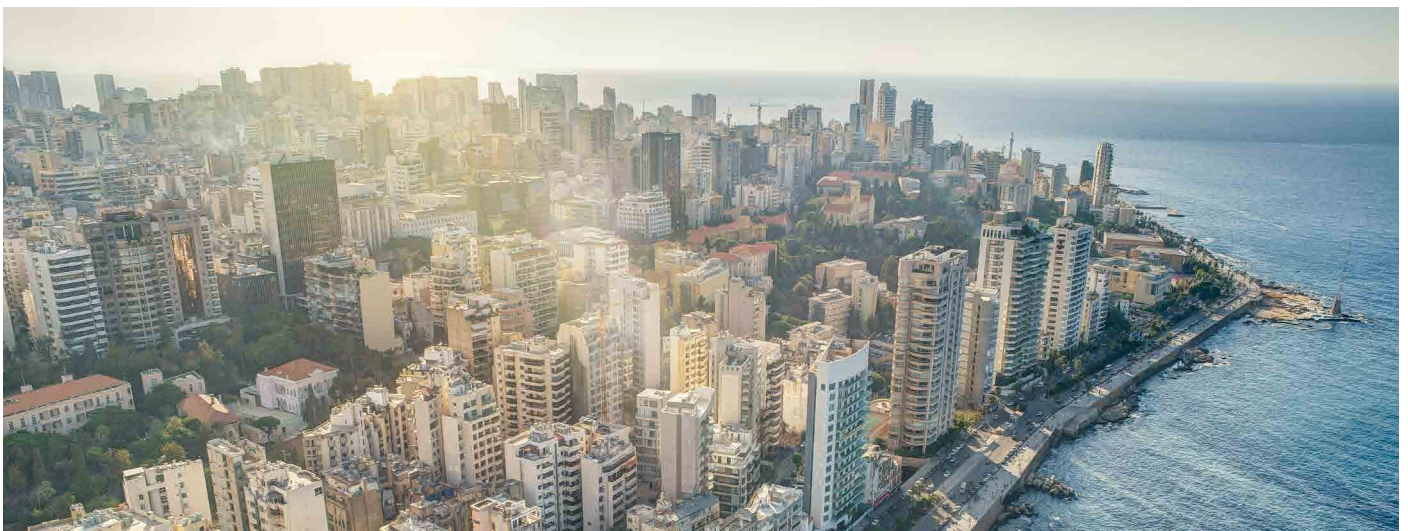
As for pricing conditions, the latest survey data showed a further increase in overall input costs, which was driven by purchase prices. That said, the rate of inflation in total operating expenses was only marginal and the softest since January. Notably, prices charged by private sector firms in Lebanon fell for the first time in just over a year.

Comment

Commenting on BLOM Lebanon PMI for May 2024, Helmi Mrad, research analyst at BLOMINVEST Bank, said:

“Lebanon’s Purchasing Managers’ Index (PMI) for May 2024 scored a 16-month low of 47.9, compared to April’s figure of 48.9, signalling a worsening of private sector activity. This decrease was due to a significant decline in output, new orders and new export orders. The drop in new export orders is ascribed to the rising geopolitical tensions as the war between Israel and Gaza widened, reaching Rafah. In addition, the

increasing military activities on the southern border of Lebanon, along with the political stagnation, resulted in a drop in new orders from domestic customers as well. Despite the fall, May’s PMI report showed two positive signs. First, employment stabilized as labor expenses remained steady. Second, output prices charged by private sector companies decreased. Nonetheless, we remain optimistic that a good tourist season this summer will hopefully improve private sector activity in the upcoming months.”

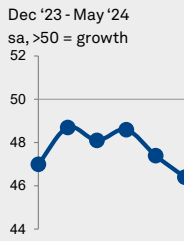


PMI®

by S&P Global

Output and demand

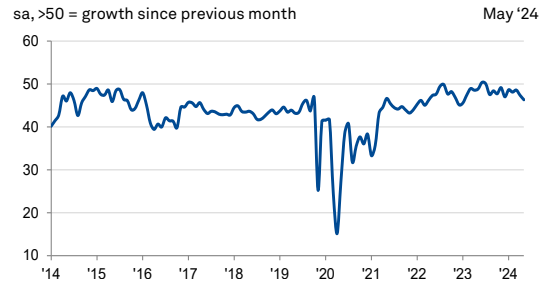
Output Index



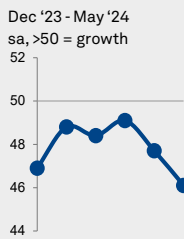
Output

Private sector economic activity in Lebanon decreased in May, with the rate of contraction accelerating to its quickest since January 2023. Security concerns arising from conflict in the Middle East reportedly dented surveyed companies' ability to win new business. Around 8% of respondents experienced lower output during May, compared to under 1% registering growth.

Output Index



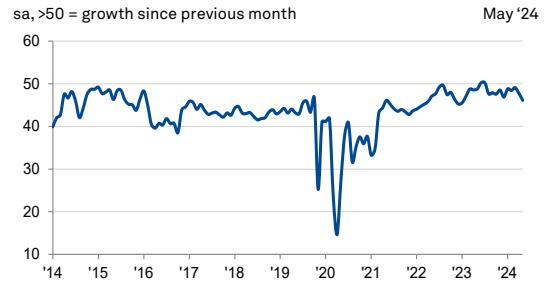
New Orders Index



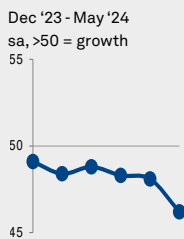
New orders

Political and economic challenges domestically were compounded by the Israel-Gaza war, leading to a further loss of new business for private sector firms in Lebanon during May. Overall, the decrease in new business inflows was the sharpest in nearly a year-and-a-half and marked the second month in succession that the rate of contraction has accelerated.

New Orders Index



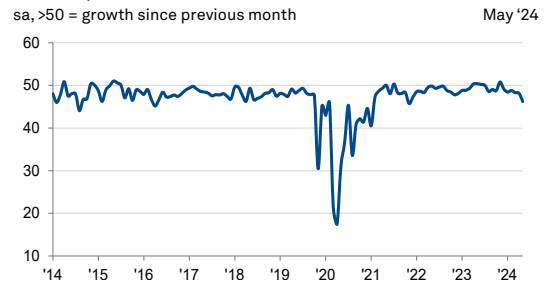
New Export Orders Index



New export orders

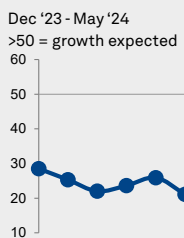
The level of new business received from customers in external markets shrank during May, marking a sixth successive monthly contraction. Furthermore, the decrease was solid and the most pronounced since November 2021. Regional instability due to the war in Gaza reportedly deterred non-domestic clients from placing orders, anecdotal evidence showed.

New Export Orders Index



Business expectations

Future Output Index



The Future Output Index slipped further into pessimistic territory during May, falling further below the neutral threshold of 50.0 to post a ten-month low. Nearly 58% of survey respondents anticipate business activity volumes to be lower in 12 months, reflecting concerns about the continuation of war in the Middle East and its repercussions on the local economy.

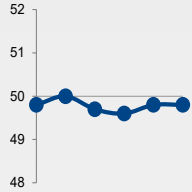
Future Output Index



Employment and capacity

Employment Index

Dec '23 - May '24
sa, >50 = growth



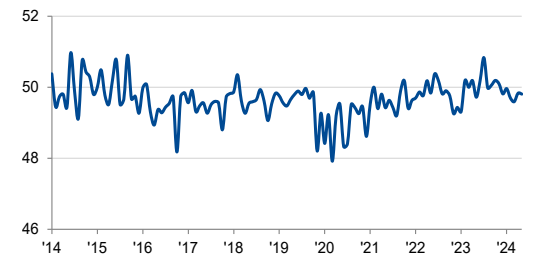
Employment

The seasonally adjusted Employment Index once again recorded fractionally below the 50.0 no-change threshold during May, signalling broadly unchanged staffing numbers across Lebanon's private sector. This was in line with the general trend since August last year. However, some companies reported that workers had been laid off due to a lack of new incoming work.

Employment Index

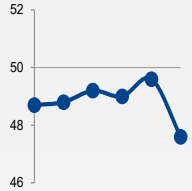
sa, >50 = growth since previous month

49.8
May '24



Backlogs of Work Index

Dec '23 - May '24
sa, >50 = growth



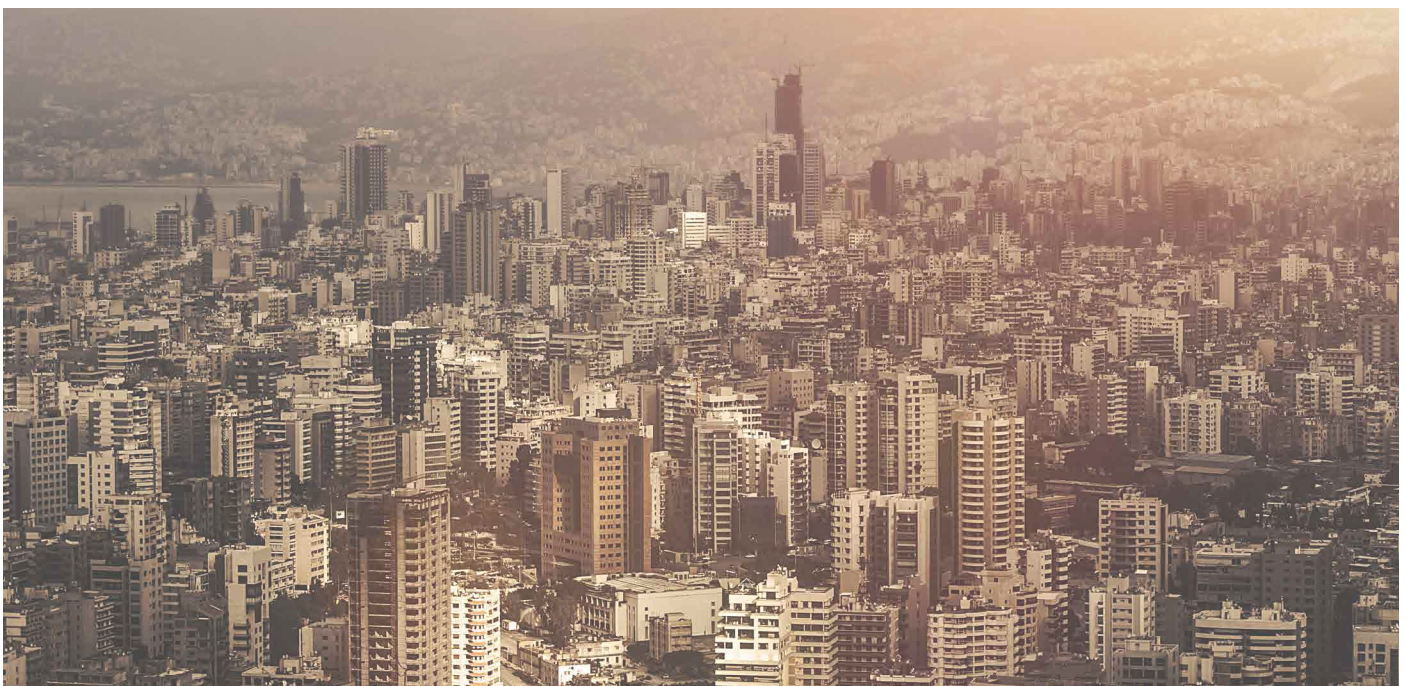
Backlogs of work

An eighth successive month-on-month reduction in backlogs of work was recorded by private sector businesses in Lebanon midway through the second quarter of 2024. Notably, the rate of depletion quickened markedly since April and was the fastest in a year-and-a-half. Where outstanding orders fell (at approximately 8% of the survey panel), firms linked this to weak demand pressures.

Backlogs of Work Index

sa, >50 = growth since previous month

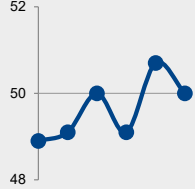
47.6
May '24



Purchasing and inventories

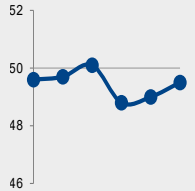
Quantity of Purchases Index

Dec '23 - May '24
sa, >50 = growth



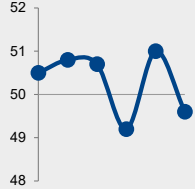
Suppliers' Delivery Times Index

Dec '23 - May '24
sa, >50 = faster times



Stocks of Purchases Index

Dec '23 - May '24
sa, >50 = growth



Quantity of purchases

Recording exactly 50.0, the seasonally adjusted Quantity of Purchases Index signalled no change to buying activity at private sector firms in Lebanon from the level seen in April. In the year-to-date, input purchasing volumes have fallen just twice on a monthly basis.

Suppliers' delivery times

For the seventh time in the past eight months, private sector companies in Lebanon reported longer delivery times on purchased inputs in May. Security concerns were cited as a factor for delays in the receipt of items. That said, the extent to which vendor performance worsened was only marginal and softer than those seen in both March and April.

Stocks of purchases

Adjusted for seasonal influences, the Stocks of Purchases Index posted below the 50.0 no-change threshold in May, signalling a renewed decrease in the volume of raw materials and other necessary products held in warehouses and business units. Albeit marginal, the reduction compared with expansions seen in the majority of months over the past year-and-a-half.

Quantity of Purchases Index

sa, >50 = growth since previous month

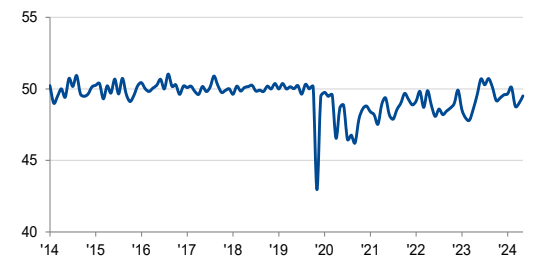
50.0
May '24



Suppliers' Delivery Times Index

sa, >50 = faster times since previous month

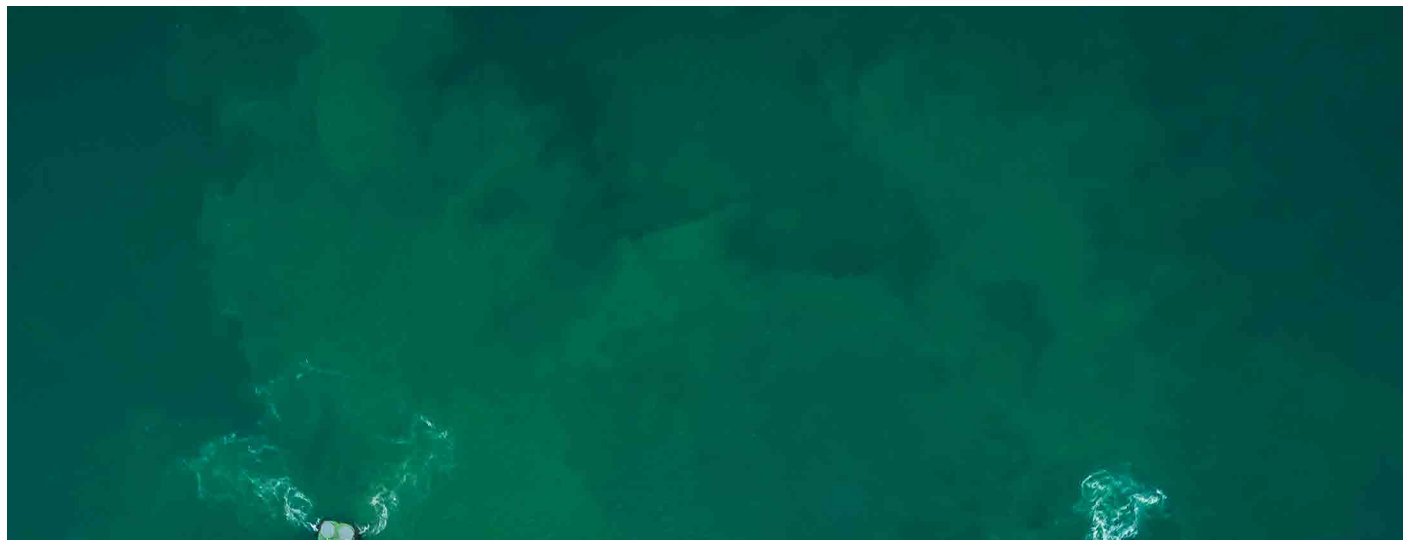
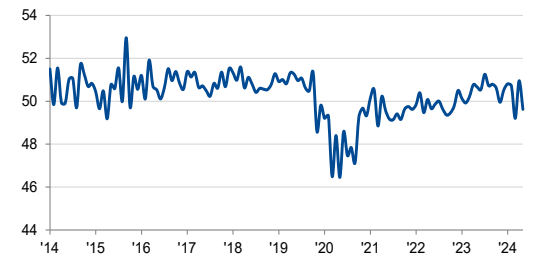
49.5
May '24



Stocks of Purchases Index

sa, >50 = growth since previous month

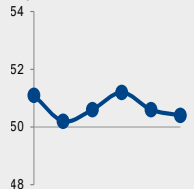
49.6
May '24



Prices

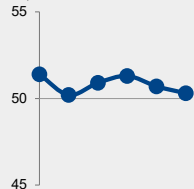
Input Prices Index

Dec '23 - May '24
sa, >50 = inflation



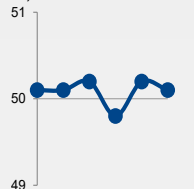
Purchase Prices Index

Dec '23 - May '24
sa, >50 = inflation



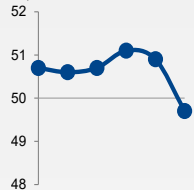
Staff Costs Index

Dec '23 - May '24
sa, >50 = inflation



Output Prices Index

Dec '23 - May '24
sa, >50 = inflation



Overall input prices

May survey data indicated a monthly increase in total operating expenses faced by private sector businesses in Lebanon. Purchase prices were the primary driver, as staff costs were broadly stable. That said, the overall rate of inflation was marginal and the softest since January.

Purchase prices

Amid reports of suppliers raising their fees and shipping costs increasing, the latest survey results showed purchase prices rising for Lebanese private sector companies during May. However, with just 1% of respondents reporting inflationary pressures, the rate of increase was marginal and dipped to a four-month low.

Staff costs

The seasonally adjusted Staff Costs Index once again posted close to the 50.0 no-change mark midway through the second quarter of 2024, signalling broadly unchanged labour expenses for private sector companies in Lebanon.

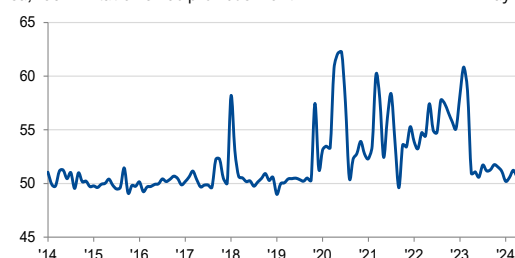
Output prices

For the first time in just over a year, prices charged by private sector companies in Lebanon fell during May. The rate of decline in selling charges was only fractional, but contrasted with the slight inflationary trend seen on average since the survey began over 11 years ago.

Input Prices Index

sa, >50 = inflation since previous month

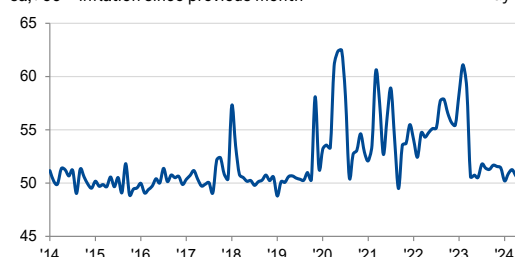
50.4
May '24



Purchase Prices Index

sa, >50 = inflation since previous month

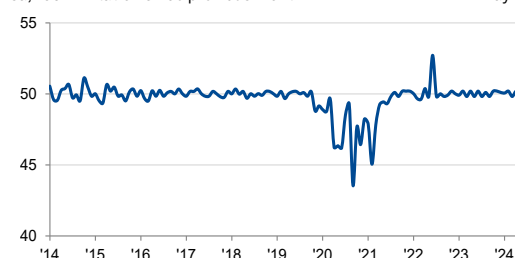
50.3
May '24



Staff Costs Index

sa, >50 = inflation since previous month

50.1
May '24



Output Prices Index

sa, >50 = inflation since previous month

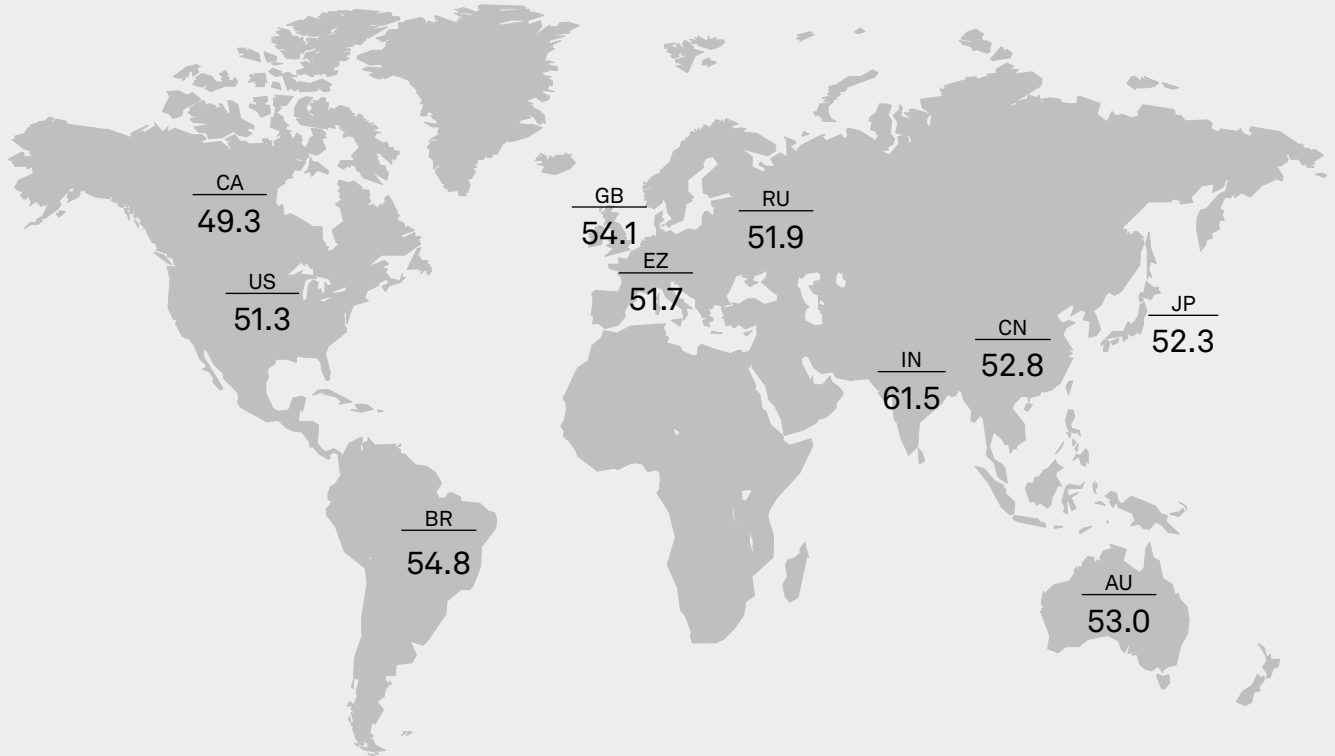
49.7
May '24



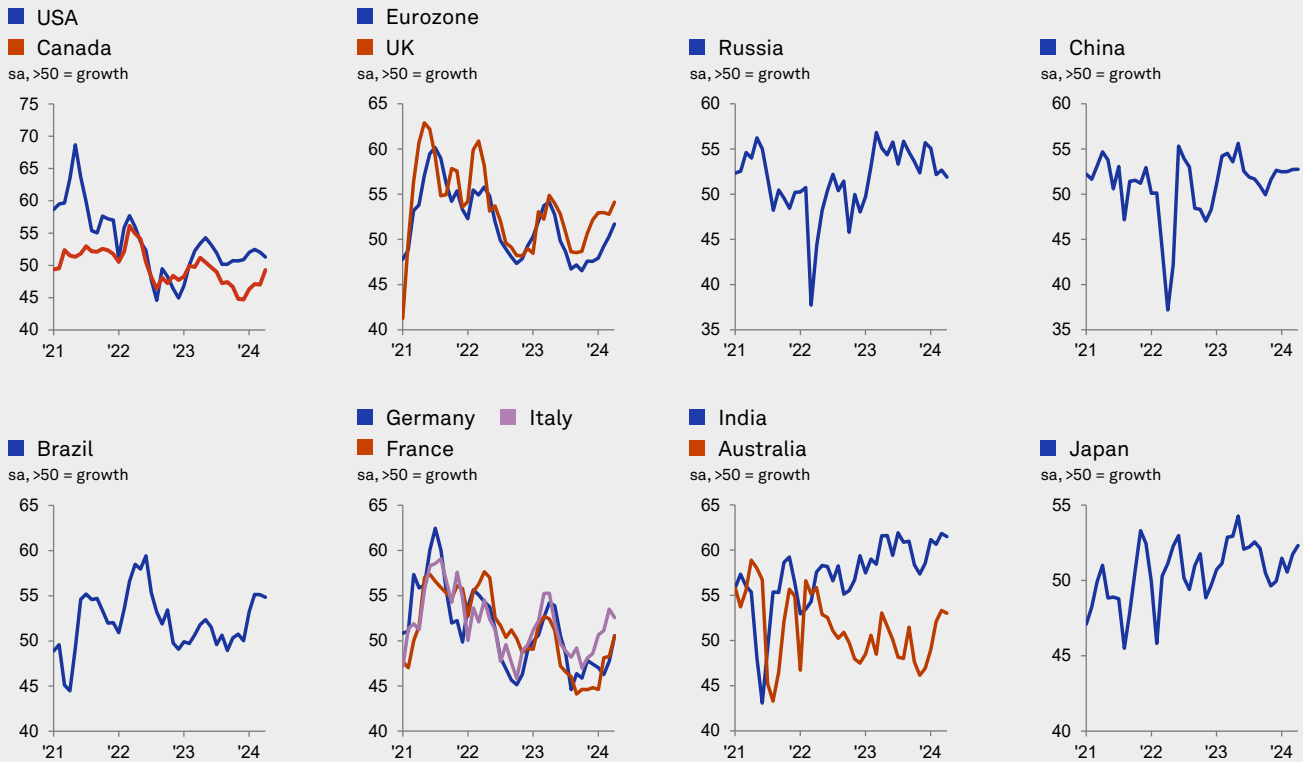
International PMI

Composite Output Index, Apr '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 10-24 May 2024.

Survey questions

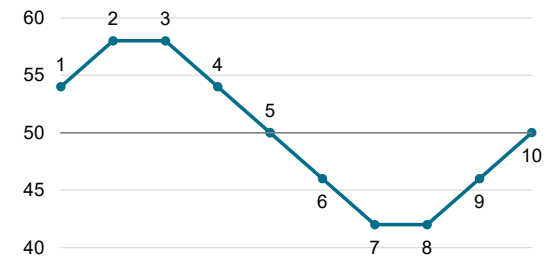
Private sector	
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

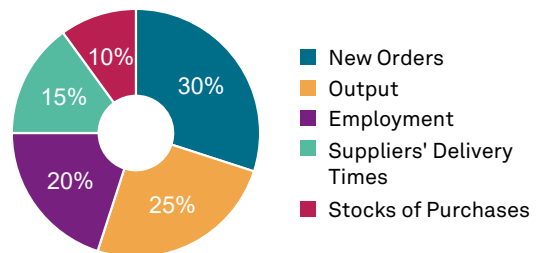
Index interpretation

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
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
05 '24	47.9	46.4	46.1	46.2	21.1	49.8	47.6	50.0	49.5	49.6	50.4	50.3	50.1	49.7

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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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PMI®

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