

BLOM Lebanon PMI[®]

Conflict and security concerns dampen Lebanese economy in June

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BLOM Lebanon PMI falls for third successive month

New business intakes restricted by regional instability

Confidence in the outlook at lowest in almost a year

According to the latest BLOM Lebanon PMI[®] survey, the country's private sector economy weakened in June as domestic economic fragility, border skirmishes and concerns regarding national security dampened new business and output levels. Survey respondents were also at their most pessimistic in close to a year, with companies anticipating a persistence of weak demand.

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 dropped fractionally from 47.9 in May to 47.8 in June, signalling a slightly stronger deterioration in the health of

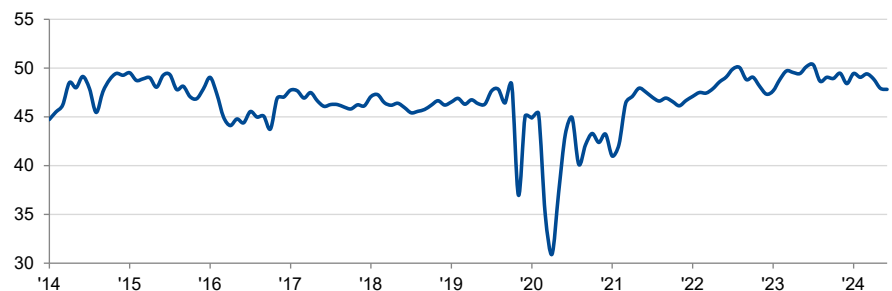
the Lebanese private sector economy. Overall, this marked the third month in succession that the headline index has fallen, with the latest figure the lowest since January 2023.

The volume of incoming new business declined at the end of the second quarter. Weak client purchasing power was noted as a reason for softer sales performances, as was ongoing challenges within the domestic economy and security fears due to conflict along the border between Hezbollah and Israel. The decrease in new orders was the fastest for almost a year-and-a-half.

Conflict and instability within the region more broadly, such as disruptions in the Red Sea, weighed on new business from foreign customers in June. As a result, new export orders declined for an eleventh month in a row.

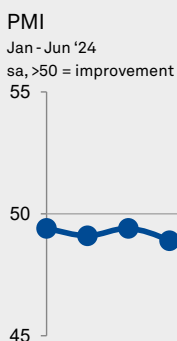
June survey data signalled a further reduction in business activity as shrinking new order intakes constrained output. The contraction was the fastest since the start of last year.

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



47.8

LEBANON PMI
JUN '24



Regarding firms' sentiment towards the outlook for business activity in the next 12 months, the latest PMI survey showed the highest level of pessimism in almost a year. In particular, some companies indicated that they expect demand to worsen due to lower tourism as a consequence of the Israel-Hezbollah conflict.

That said, employment levels remained stable in June, in line with the general trend since early 2023. There was also a slight uptick in the volume of purchases, despite output requirements decreasing.

Greater buying activity coincided with the strongest improvement in suppliers'

delivery times for ten months. Firms subsequently raised their stock levels.

Meanwhile, inflationary pressures across the Lebanese private sector intensified during June. Overall operating expenses increased at the fastest pace in 15 months as a result of greater shipping and insurance costs, as well as higher global raw material prices.

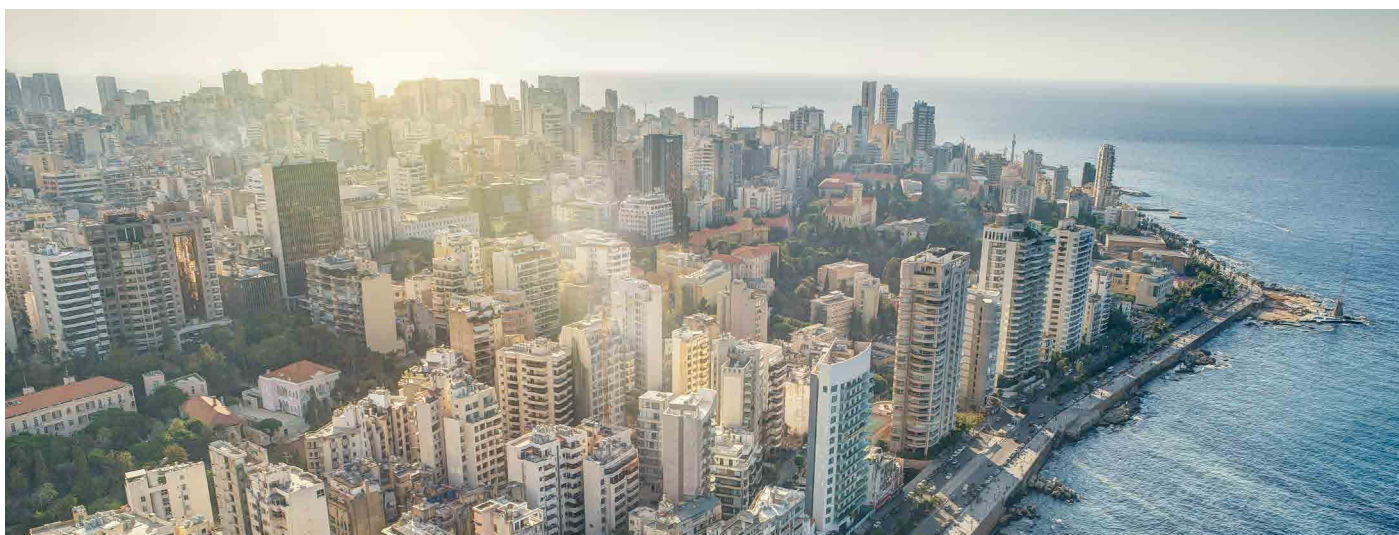
To protect margins, surveyed companies raised their prices charged in June. The increase was modest, but the fastest since March 2023.

Comment

Commenting on BLOM Lebanon PMI for June 2024, Dr Ali Bolbol, Chief Economist/Head of Research at BLOM, said:

“Not surprisingly, the BLOM Lebanon PMI fell slightly from 47.9 in May to 47.8 in June 2024. As such, the decline in private sector output was due to weaker domestic and international demand, driven by prolonged political instability and security concerns related to a potential all-out war

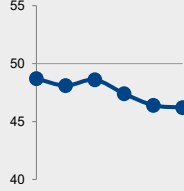
between Hezbollah and Israel. As if this is not dire enough, prices also rose, caused by higher shipping and raw material costs. The only decent indicator is that employment stayed steady – maybe a sign that employers are hopeful that tourism can provide a boost to the economy. It is heartbreaking that the country seems to be stuck in a vicious circle of never-ending crises!”



Output and demand

Output Index

Jan - Jun '24
sa, >50 = growth



Output

Business activity across Lebanon's private sector economy shrank during June. According to survey respondents, lower client demand, regional security concerns and political uncertainty caused overall output levels to contract. The decrease quickened for a third month in a row.

New orders

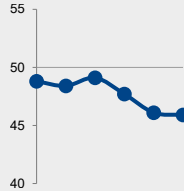
The volume of new business placed with private sector companies in Lebanon fell for an eleventh successive month at the end of the second quarter. Moreover, the contraction was the fastest in nearly a year-and-a-half. Anecdotal evidence indicated that the decline in sales was due to weaker client purchasing power, challenging domestic economic conditions and heightened insecurity.

New export orders

The seasonally adjusted New Export Orders Index posted below the 50.0 no-change threshold in June, signalling lower intakes of new work from non-domestic clients. Where lower international sales were mentioned (at around 8% of surveyed companies), disruption in the Red Sea, as well as local and regional insecurity, were noted as causes. The decrease in external orders was at a slightly softer pace, however.

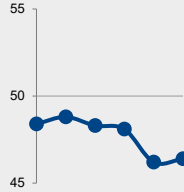
New Orders Index

Jan - Jun '24
sa, >50 = growth



New Export Orders Index

Jan - Jun '24
sa, >50 = growth



Output Index

sa, >50 = growth since previous month

46.2
Jun '24



New Orders Index

sa, >50 = growth since previous month

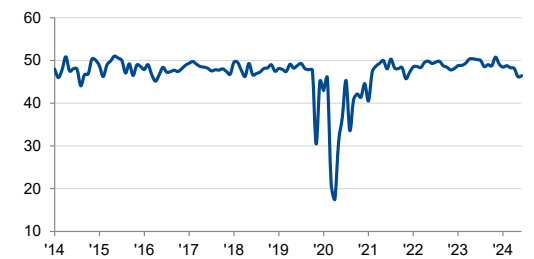
45.9
Jun '24



New Export Orders Index

sa, >50 = growth since previous month

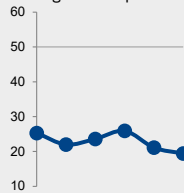
46.4
Jun '24



Business expectations

Future Output Index

Jan - Jun '24
>50 = growth expected



Amid heightened concerns surrounding regional security, political uncertainty and weak domestic economic conditions, June survey data revealed that private sector firms in Lebanon were pessimistic towards the outlook for business activity in the next 12 months. In fact, expectations were at their most downbeat since July 2023. Some panellists anticipate lower sales as Israel-Hezbollah conflict on the border limits tourist numbers.

Future Output Index

>50 = growth expected over next 12 months

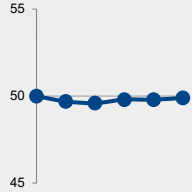
19.4
Jun '24



Employment and capacity

Employment Index

Jan - Jun '24
sa, >50 = growth



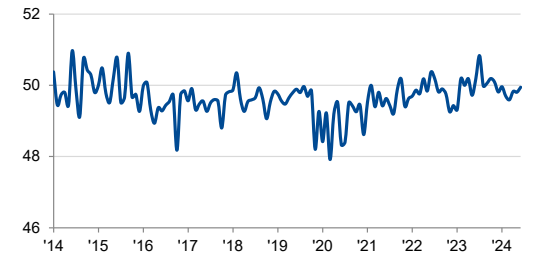
Employment

Private sector workforce numbers across Lebanon were broadly unchanged at the end of the second quarter. This was evidenced by the respective seasonally adjusted index posting close to the 50.0 no-change threshold. Employment levels have, on average, been stable since the start of 2023.

Employment Index

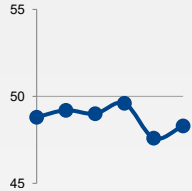
sa, >50 = growth since previous month

49.9
Jun '24



Backlogs of Work Index

Jan - Jun '24
sa, >50 = growth



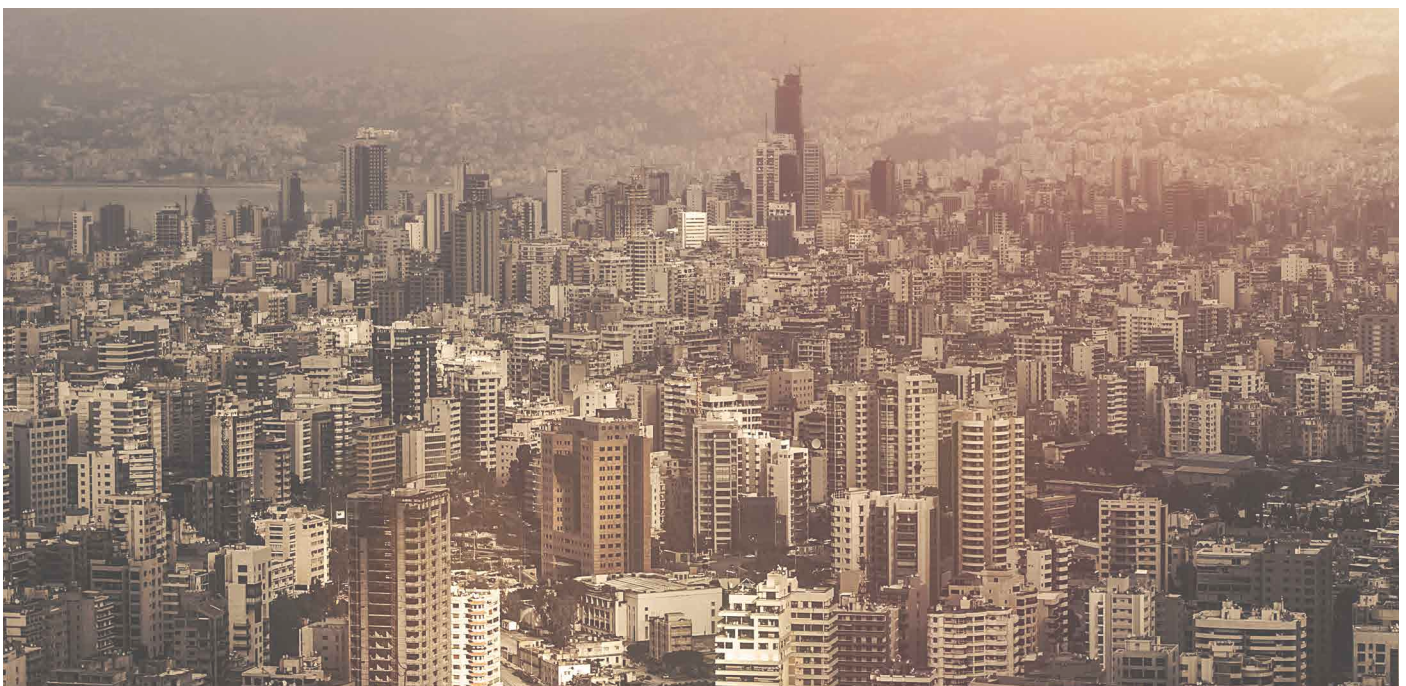
Backlogs of work

The volume of outstanding business across Lebanon's private sector decreased in June, extending the current sequence of backlog depletion to nine months. The clearance of work-in-hand was often due to a lack of new orders, anecdotal reports showed. That said, the decrease eased and was slower than seen on average across the survey.

Backlogs of Work Index

sa, >50 = growth since previous month

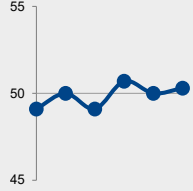
48.3
Jun '24



Purchasing and inventories

Quantity of Purchases Index

Jan - Jun '24
sa, >50 = growth



Quantity of purchases

After stabilising during the previous survey month, June data signalled a pick-up in purchasing activity at Lebanese private sector companies, marking the second time in the past three months that input buying has increased. That said, the expansion was only marginal overall as some panel members noted that weak demand curbed their spending.

Quantity of Purchases Index

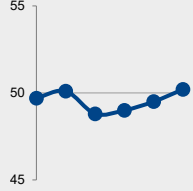
sa, >50 = growth since previous month

50.3
Jun '24



Suppliers' Delivery Times Index

Jan - Jun '24
sa, >50 = faster times



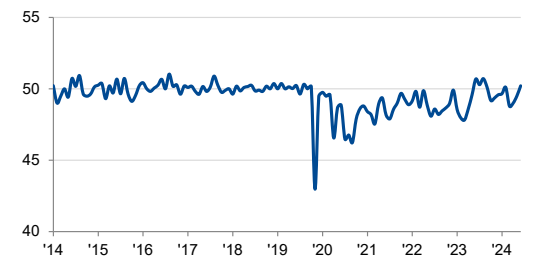
Suppliers' delivery times

After three successive months of lengthening lead times on purchases, private sector firms in Lebanon reported an improvement in vendor performance at the end of the second quarter. This was evidenced by the seasonally adjusted Suppliers' Delivery Times Index posting above the 50.0 no-change mark for the first time since February.

Suppliers' Delivery Times Index

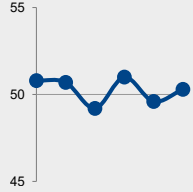
sa, >50 = faster times since previous month

50.2
Jun '24



Stocks of Purchases Index

Jan - Jun '24
sa, >50 = growth



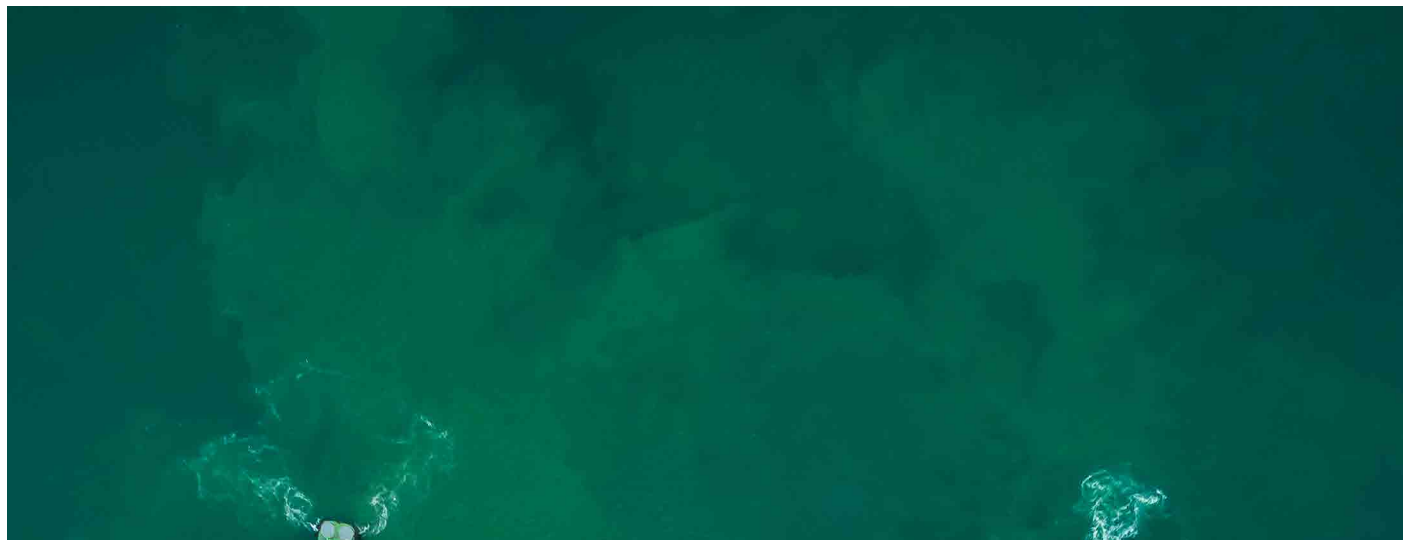
Stocks of purchases

Private sector companies in Lebanon reported an increase in the volume of purchased items held as stock during the latest survey period. Inventory growth was marginal overall, but in line with that seen on average over the past two years.

Stocks of Purchases Index

sa, >50 = growth since previous month

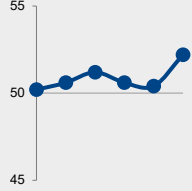
50.3
Jun '24



Prices

Input Prices Index

Jan - Jun '24
sa, >50 = inflation



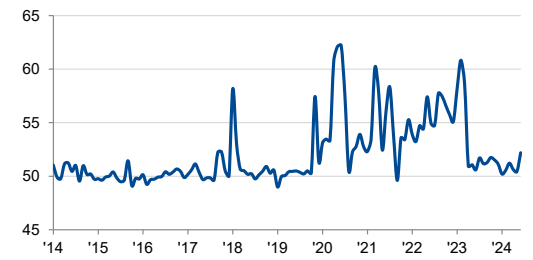
Overall input prices

Total operating expenses for private sector businesses in Lebanon increased in June, the thirty-third successive month this has been the case. The rate of inflation was the quickest since March 2023 and in line with its long-term average. Purchasing prices were the primary source of cost pressures.

Input Prices Index

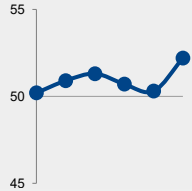
sa, >50 = inflation since previous month

52.2
Jun '24



Purchase Prices Index

Jan - Jun '24
sa, >50 = inflation



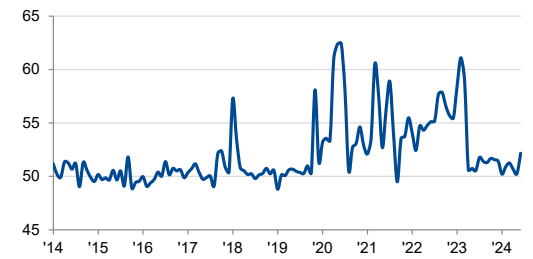
Purchase prices

Prices paid for purchases rose during June, in line with the trend since October 2021. Moreover, the rate of increase accelerated to a 15-month high, with panellists commenting on greater shipping and insurance costs, as well as an uptick in global raw material and commodity prices.

Purchase Prices Index

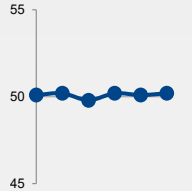
sa, >50 = inflation since previous month

52.2
Jun '24



Staff Costs Index

Jan - Jun '24
sa, >50 = inflation



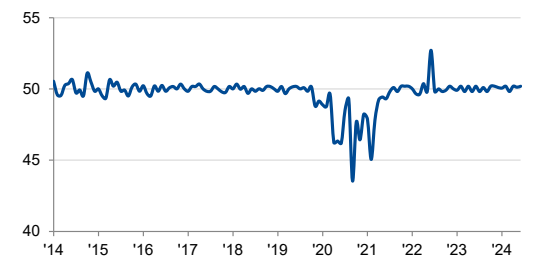
Staff costs

The seasonally adjusted Staff Costs Index continued to hold close to the neutral 50.0 mark in June, signalling broadly unchanged labour expenses for private sector firms in Lebanon. Wage bills have been broadly stagnant for the past two years.

Staff Costs Index

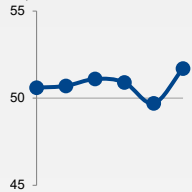
sa, >50 = inflation since previous month

50.2
Jun '24



Output Prices Index

Jan - Jun '24
sa, >50 = inflation



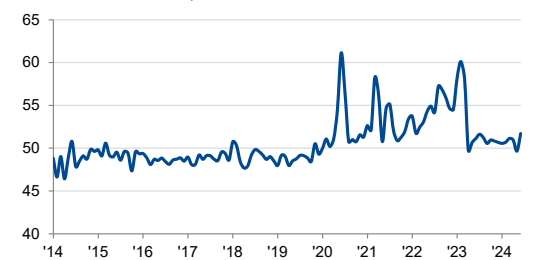
Output prices

After marginally decreasing in the previous survey period, June data signalled a renewed increase in prices charged by private sector companies in Lebanon. The rate of inflation, while modest, was the quickest since March 2023. Where higher output prices were reported, this was attributed to greater costs.

Output Prices Index

sa, >50 = inflation since previous month

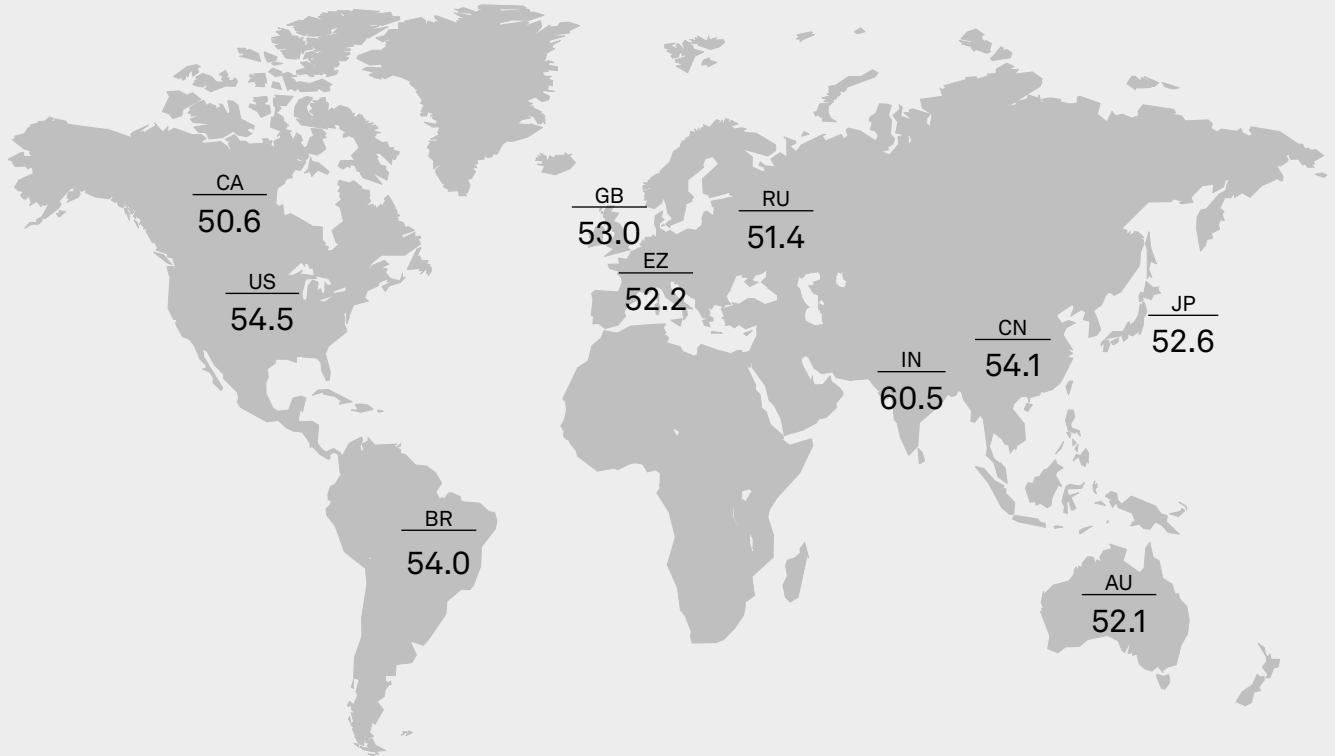
51.7
Jun '24



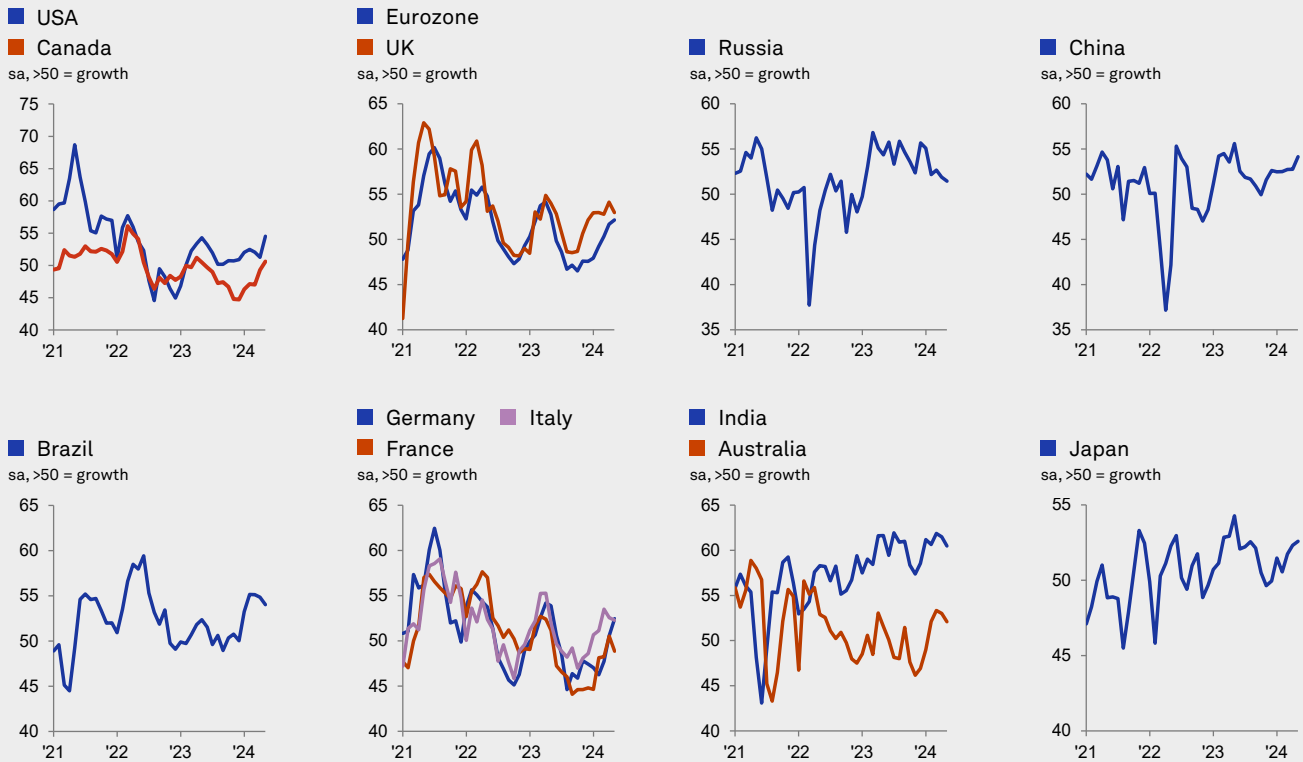
International PMI

Composite Output Index, May '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 June 2024.

Survey questions

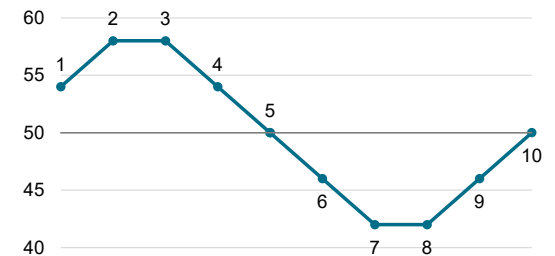
Private sector	
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

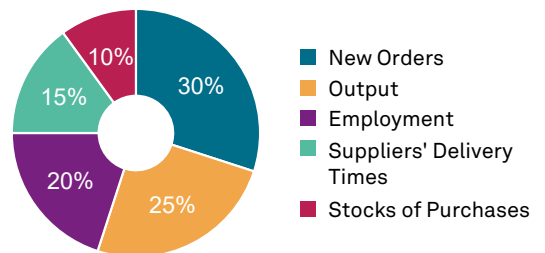
Index interpretation

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
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
06 '24	47.8	46.2	45.9	46.4	19.4	49.9	48.3	50.3	50.2	50.3	52.2	52.2	50.2	51.7

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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.

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.

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